

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 1 to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

UPWORK INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7389
(Primary Standard Industrial
Classification Code Number)

46-4337682
(I.R.S. Employer
Identification Number)

441 Logue Avenue
Mountain View, California 94043
(650) 316-7500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Stephane Kasriel
President and Chief Executive Officer
Upwork Inc.
441 Logue Avenue
Mountain View, California 94043
(650) 316-7500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Gordon K. Davidson, Esq.
Robert A. Freedman, Esq.
Ran D. Ben-Tzur, Esq.
Fenwick & West LLP
801 California Street
Mountain View, California 94041
(650) 988-8500

Brian Levey, Esq.
Chief Business Affairs and Legal Officer
Upwork Inc.
441 Logue Avenue
Mountain View, California 94043
(650) 316-7500

Robert G. Day, Esq.
Rezwan D. Pavri, Esq.
Andrew T. Hill, Esq.
Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Road
Palo Alto, California 94304
(650) 493-9300

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)
Common stock, \$0.0001 par value per share	14,112,199	\$12.00	\$169,346,388	\$21,084

- (1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(a) of the Securities Act. Includes additional shares that the underwriters have the option to purchase.
 (2) The Registrant previously paid \$12,450 of this amount in connection with the initial filing of this Registration Statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and neither we nor the selling stockholders are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 21, 2018

PRELIMINARY PROSPECTUS

upwork
12,271,478 Shares
Upwork Inc.
Common Stock
\$ per share

This is the initial public offering of our common stock. We are selling 6,818,181 shares of our common stock and the selling stockholders named in this prospectus are selling 5,453,297 shares of our common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders. We currently expect the initial public offering price will be between \$10.00 and \$12.00 per share of common stock.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on The Nasdaq Global Market under the symbol "UPWK."

We are an "emerging growth company" as defined under federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements.

One or more funds affiliated with Dragoneer Investment Group, LLC have indicated an interest in purchasing shares of common stock with an aggregate purchase price of up to \$27.0 million in this offering at the initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, one or more funds affiliated with Dragoneer Investment Group, LLC could determine to purchase more, less, or no shares in this offering, or the underwriters could determine to sell more, less, or no shares to one or more funds affiliated with Dragoneer Investment Group, LLC. The underwriters will receive the same discount on any of our shares of common stock purchased by one or more funds affiliated with Dragoneer Investment Group, LLC as they will from any other shares of common stock sold to the public in this offering.

Investing in our common stock involves risks. See the section titled "[Risk Factors](#)" beginning on page 15.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Public Offering Price	\$	\$
Underwriting Discount ⁽¹⁾	\$	\$
Proceeds to Upwork Inc. (before expenses)	\$	\$
Proceeds to the Selling Stockholders (before expenses)	\$	\$

⁽¹⁾ We have agreed to reimburse the underwriters for certain expenses. See the section titled "Underwriting."

We and the selling stockholders have granted the underwriters the option to purchase up to an additional 1,840,721 shares of common stock at the initial public offering price, less the underwriting discount.

The underwriters expect to deliver the shares to purchasers on or about _____, 2018 through the book-entry facilities of The Depository Trust Company.

Citigroup
Stifel

Jefferies

RBC Capital Markets
JMP Securities

_____, 2018



1.5B+

Gross Services Volume



\$225M+

Revenue



95K+

Core Clients



180+

Countries



70+

Categories of Work

**Get it
done with
a freelancer.**

upwork

Gross services volume, revenue, and core clients are for the last twelve months ended June 30, 2018. Countries and categories of work are as of June 30, 2018.

TABLE OF CONTENTS

	<u>Page</u>
Summary	1
Risk Factors	15
Special Note Regarding Forward-Looking Statements	52
Market and Industry Data	54
Use of Proceeds	55
Dividend Policy	55
Capitalization	56
Dilution	58
Selected Consolidated Financial and Other Data	61
Management's Discussion and Analysis of Financial Condition and Results of Operations	65
Letter from Stephane Kasriel, Upwork CEO	95
Business	97
Management	141
Executive Compensation	150
Certain Relationships and Related Party Transactions	162
Principal and Selling Stockholders	163
Description of Capital Stock	167
Shares Eligible for Future Sale	173
Material U.S. Federal Tax Consequences to Non-U.S. Holders of Our Common Stock	175
Underwriting	180
Legal Matters	188
Experts	188
Additional Information	188
Index to Consolidated Financial Statements	F-1

Until _____, 2018, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Neither we, the selling stockholders, nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. Neither we, the selling stockholders, nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the shares of common stock.

For investors outside the United States: Neither we, the selling stockholders, nor any of the underwriters have taken any action that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Special Note Regarding Forward-Looking Statements,” and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

Our Mission

Our mission is to create economic opportunities so people have better lives.

Overview

We are changing the way work gets done by connecting businesses with great talent to work without limits.

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by gross services volume, or GSV.¹ Freelancers are an increasingly sought-after, critical, and expanding segment of the global workforce. In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients in over 180 countries.

Our platform reduces inefficiencies associated with searching for, contracting and collaborating with, and paying highly-skilled freelancers for short-term and longer-term projects. As early innovators in this space, we have built an expansive and unique repository of data on our platform, which, when combined with our machine learning capabilities, enables us to better connect clients with the best freelancers for their projects. As a result, clients are able to obtain specialized talent in less time and at a lower cost compared to traditional channels.

Knowledge is a key driver of today’s global economy. As the pace of change accelerates and companies conceive and execute their digital transformation strategies, businesses increasingly need access to specialized, knowledge-based talent to compete. In addition, knowledge workers are now seeking more flexible work options, independence, and easier access to work opportunities. However, the traditional means by which businesses seek and hire talent have not kept pace with these changes. These factors ultimately have contributed to less efficient local economies as businesses struggle to find the right talent to meet their needs.

We believe these inefficiencies in the labor market have created a significant opportunity for online global marketplaces for freelance work and that businesses globally will continue to adopt freelance work. We estimate that the total global GSV opportunity for our platform was approximately \$560 billion in 2017. McKinsey Global Institute estimates that, by 2025, online talent platforms could add \$2.7 trillion annually, or 2%, to the global gross domestic product, or GDP.

We serve as a powerful marketing channel for freelancers to find rewarding, engaging, and flexible work. Freelancers using our platform benefit from access to quality clients and secure and timely payments while enjoying the freedom to run their own businesses, create their own schedules, and work from their preferred locations. Moreover, freelancers have real-time visibility into opportunities that are in high demand, so that they can invest their time and focus on developing sought-after skills.

Our platform provides clients with fast, secure, and efficient access to high-quality talent with over 5,000 skills across over 70 categories, such as content marketing, customer service, data science and analytics, graphic design, mobile development, sales, and web development. We offer a direct-to-talent approach, reducing reliance on

¹ GSV represents the total amount that clients spend on both our marketplace offerings and our managed services offering as well as additional fees we charge to users for other services. For additional information related to how we calculate GSV, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”

intermediaries such as staffing firms, recruiters, and traditional agencies, while providing features that help instill trust in remote work. Our platform also enables clients to streamline workflows, such as talent sourcing, outreach, and contracting. In addition, our platform provides access to essential functionality for remote engagements with freelancers, including communication and collaboration, time tracking, invoicing, and payment.

We believe that a key driver of our growth is our track record of creating trust and enabling freelancers and clients to successfully connect at scale on our platform. As the largest online global marketplace for highly-skilled freelancers as measured by GSV, we benefit from network effects that drive growth in both the number of clients posting jobs and the number of highly-skilled freelancers seeking work.

We have rapidly grown our business. GSV on our platform was \$1.15 billion and \$1.37 billion in 2016 and 2017, respectively, representing an annual growth rate of 20%. For the six months ended June 30, 2017 and 2018, GSV on our platform was \$643.2 million and \$834.5 million, respectively, representing a period-over-period growth rate of 30%. For the twelve months ended June 30, 2018, GSV on our platform was \$1.56 billion. In 2016 and 2017, our total revenue was \$164.4 million and \$202.6 million, respectively, representing an annual growth rate of 23%. For the six months ended June 30, 2017 and 2018, our total revenue was \$95.5 million and \$121.9 million, respectively, representing a period-over-period growth rate of 28%. For the twelve months ended June 30, 2018, our total revenue was \$228.9 million. In 2016 and 2017, our marketplace revenue was \$138.5 million and \$178.0 million, respectively, representing an annual growth rate of 29%. For the six months ended June 30, 2017 and 2018, our marketplace revenue was \$83.9 million and \$107.4 million, respectively, representing a period-over-period growth rate of 28%. We have made significant investments to grow our business, including in sales and marketing, research and development, operations, and personnel. As a result, we generated net losses of \$16.2 million and \$4.1 million in 2016 and 2017, respectively, and generated net income of \$1.4 million for the six months ended June 30, 2017 and a net loss of \$7.2 million for the six months ended June 30, 2018. Our adjusted EBITDA was \$1.3 million and \$7.9 million in 2016 and 2017, respectively, and \$7.0 million and \$0.3 million for the six months ended June 30, 2017 and 2018, respectively. See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for information regarding our use of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA.

Industry Background

Labor is Undergoing a Revolution

The online freelance economy represents a shift in how labor markets operate. We believe that we are still in the early stages of the online freelance economy, with a multi-industry and multi-decade global shift affecting how businesses find talent and how people want to work.

In today’s economy, knowledge is a key driver of productivity. The first and second industrial revolutions of the 18th and 19th centuries created the industrial economy and moved workers from farms to factories. The third industrial revolution of the 20th century created the knowledge economy and moved workers from factories to office buildings.

The World Economic Forum believes that the global economy is now undergoing the fourth industrial revolution, fueled by rapid technological advances. One of the defining features of the fourth industrial revolution is the transformation of how and where work gets done, as work is increasingly no longer constrained by location. In the fourth industrial revolution, instead of the worker moving to the workplace, we are seeing that work is moving to the worker—collaboration is less constrained than ever before by physical proximity and geographic borders, particularly for highly-skilled professionals.

Jobs are Overly Concentrated in Large Cities

Data from the Bureau of Economic Analysis shows that the top six U.S. metropolitan areas alone were responsible for 26% of total U.S. GDP in 2016. This has led to imbalances in labor markets, with jobs becoming

increasingly concentrated in those cities. Despite this concentration of jobs in metropolitan areas, workers not only have become increasingly reluctant to move into large cities, but are also leaving large cities at higher rates due to continued rising costs of living and lengthy commutes.

The Labor Market Remains Inefficient

Labor markets remain fragmented and local, and the increasing specialization of work has further reduced availability of talent in local labor markets. As a result, hiring processes can last several months, which is costly to businesses, workers, and the economy. In the United States alone, employers made an average of approximately 178,800 hires per day in 2017, according to the U.S. Department of Labor. Despite this volume of hiring, as of April 2018, the average time taken to fill a job vacancy in the United States was over 31 working days, according to DHI Group. Increasing restrictions on immigration and insufficient availability of visas for skilled workers are expected to make it even harder to find specialized skills.

Businesses Face a Skills Gap

In addition to the increasing specialization of work, several other factors are exacerbating skills shortages. According to a 2014 study by the Federal Reserve Board of Governors, labor mobility has been trending downwards since the 1980s. Due to the costs of relocation, labor immobility can often result in a local skills gap or persistent regional supply-demand imbalances within skill categories. In 2018, the number of visas sought by U.S. employers for skilled workers was over twice as high as the number available, and additional restrictions on immigration may increase skills shortages. Moreover, population aging is occurring throughout the world, with many countries facing growing labor force shortages due to demographic changes. Illustrating these difficulties, according to a survey conducted by the NFIB Research Center, 88% of small businesses surveyed that were hiring, or trying to hire, reported few or no qualified applicants for the positions they were trying to fill as of April 2018.

Businesses and Workers Desire Flexible Work

In January 2018, 59% of hiring managers indicated they were leveraging flexible talent, which includes temporary, freelance, and agency workers, up 24% from January 2017, according to the 2018 Future Workforce Report, a study we commissioned from the independent research firm Inavero. According to the same report, hiring managers anticipated work performed by flexible talent will increase by 168% in the next 10 years.

Simultaneously, knowledge workers are increasingly demanding flexible and independent work arrangements. According to economists Lawrence Katz of Harvard University and Alan Krueger of Princeton University, 94% of net job growth in the past decade was in the alternative work category, which they define as temporary help agency workers, on-call workers, contract company workers, and independent contractors or freelancers, and over 60% was due to the rise of independent contractors, freelancers, and contract company workers. The freelance workforce is one of the fastest-growing segments of the U.S. labor market. From millennials to retiring baby boomers, the number of people choosing to freelance is growing.

Technology is Enabling Remote Work

Rapid technological advancement and innovation in connectivity, communication, and collaboration solutions continue to enhance remote work capabilities and increase trust. Additionally, the global workforce is now able to access technologies and tools such as email, enterprise resource planning, and customer relationship management from anywhere with a laptop or mobile phone. With continued innovation in remote work capabilities, businesses are increasingly able to effectively connect and work with non-local talent, and the benefits of geographic proximity are diminishing. According to a McKinsey Global Institute report, an estimated 11% of service jobs worldwide could be performed remotely. Illustrating the increasing amount of remote work, the number of telecommuting workers grew 115% in a decade, from approximately 1.8 million in 2005 to approximately 3.9 million in 2015, according to the 2017 State of Telecommuting in the U.S. Employee Workforce report.

In the Accenture Technology Vision 2017 report, Accenture forecasts that in the next five years, on-demand work platforms will emerge as a primary driver of economic growth in developed and emerging economies worldwide. We believe that prevailing conventional methods for sourcing talent, finding and completing work, hiring, and making and receiving payments will be increasingly inadequate.

Our Marketplace

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by GSV. The freelancers on our platform include independent professionals and agencies of varying sizes. The clients on our platform range in size from small businesses to Fortune 500 companies.

We have built a proprietary platform that reduces the friction associated with searching for, contracting and collaborating with, and paying highly-skilled freelancers for short-term and longer-term projects. As early innovators in this space, we have built an expansive and unique repository of data on our platform, which, when combined with our machine learning capabilities, enables us to better connect clients with available talent for their projects. For example, we use machine learning to predict the availability, interest, and skill relevance of specific freelancers for specific projects.

Clients using our marketplace can find the right freelancers in less time and at a lower cost compared to traditional channels. In 2017 and in the six months ended June 30, 2018, we maintained high Net Promoter Scores, or NPS, of over 60 on average from both freelancers and clients.

Scale and Liquidity

In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients, including more than 30% of the Fortune 500 companies as of June 30, 2018. The size and scale of our platform provides clients with fast, secure, and efficient access to high-quality talent.

Global Reach

We help freelancers in over 180 countries connect with clients and enable freelancers to withdraw payments for their work in numerous currencies. Supported by strong network effects on our marketplace, we have been able to scale our business and our global community of users without the need for local physical presence and density.

Multi-Category

Our platform provides clients with access to highly-skilled freelancers with over 5,000 skills, across over 70 categories. In 2017, approximately 40% of clients engaged freelancers across multiple categories on our platform. Our platform had more than 20 categories that each generated over \$20 million of GSV in 2017.

Unique Data Assets

Our proprietary database maintains detailed and dynamic information, including skills, feedback, and success indicators of freelancers and clients transacting on our platform. Moreover, our machine learning algorithms leverage our closed-loop transaction data on millions of completed projects. The large volume of transactions on our marketplace allows us to continually improve the effectiveness of our search algorithms and product features, providing a compelling and differentiated value proposition for both new and existing freelancers and clients.

Benefits for Highly-Skilled Freelancers

Access to Quality Clients and Work

Our marketplace provides freelancers access to quality clients and rewarding projects. Our platform features both quick, discrete projects and longer-term projects. By reducing non-billable time, including time spent searching

for new clients and projects, invoicing, and collecting payments for completed projects, our platform enables freelancers to be more productive, increase their earnings, and find clients outside of their local geography.

Flexibility

Our platform enables freelancers to obtain the flexibility they seek to run their own businesses, choose their own clients, determine their own pricing, create their own schedules, and work from their preferred locations.

Secure and Timely Payments

Freelancers conveniently receive payments from their clients through our platform. Funds are securely held and transferred through our escrow service, enabling trust and timely payment.

Marketing and Reputation Building

We serve as a powerful marketing channel for freelancers to increase demand for their specialized skills. Using our marketplace, freelancers receiving positive client feedback typically benefit from increased demand for their services. We also enable freelancers to be visible in search results globally and to build a business reputation and brand through their skill profiles and project history on our platform.

Insights into High-Demand Skills

We give freelancers real-time visibility into which skills are highest in demand and associated rates paid for those services. With this insight, freelancers can actively invest their time and focus on developing sought-after skills to grow their businesses and increase their earnings.

Benefits for Clients

Access to High-Quality Freelancers

Every day, an average of approximately 10,000 independent professionals and agencies apply to join our platform. We leverage machine learning to automatically accept the registrations of high-quality, in-demand talent. As of February 2017, over 80% of freelancers using our platform held a college degree or advanced degree, with 34% holding a post-graduate degree, according to an internally-conducted survey. Based on information contained in comprehensive freelancer profiles, which include skill profiles and project history on our platform, we highlight the right freelancers to the right clients.

Speed to Hire

Clients often receive proposals within minutes of posting a job, and the median time to hire was 23 hours in 2017. Our marketplace streamlines the interviewing, screening, and contracting process through proprietary search algorithms incorporating freelancers' availability, online status, and skill profiles.

Cost Savings

Our platform offers a direct-to-talent approach, reducing the reliance on intermediaries such as staffing firms, recruiters, and traditional agencies. Clients using our platform only pay for the specific work they need. Based on client feedback, we believe that clients realize significant cost savings compared to hiring locally or using staffing firms or other intermediaries.

Streamlined Processes

Our end-to-end software platform streamlines workflows, such as talent sourcing, outreach, and engagement. Our platform includes a proposal tracking system, collaboration and communication features, time tracking and invoicing, and two-way feedback and review systems to better manage the lifecycle of project engagements.

Trust and Verification

Our technology was built to help instill trust in remote service relationships. Our platform provides insight into freelancer billing, allowing clients to verify work activity reflected on their invoices, while our collaboration and communication features foster responsiveness and transparency between freelancers and clients. Funds are securely held and released through escrow, enabling mutual trust and timely payments. Our platform also provides tools to enable users to provide both public and private feedback once the work is completed.

Unique Access to Specialized Skills

Freelancers on our platform offer over 5,000 skills across over 70 categories. Within each category, there are multiple skills. For example, skills for the mobile development category include Objective C, Swift, and Android app development. Skills on our platform dynamically evolve with the labor market, which enables clients to find freelancers in current and emerging skill areas, such as augmented reality, robotics, and blockchain. By having access to freelancers with an extensive variety of skills, clients can meet their needs for highly-skilled talent on one platform.

Our Strengths

Largest Online Global Marketplace for Highly-Skilled Freelancers

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by GSV. Today, our platform provides clients with access to highly-skilled freelancers with over 5,000 skills across over 70 categories. In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients in over 180 countries. We had over 1,400 clients that each spent over \$100,000 on our platform in 2017, and no single client accounted for more than two percent of total client spend.² We believe our size and scale demonstrate the effectiveness of our platform in connecting businesses with global talent.

Trusted Platform for Freelancers and Clients

We believe our ability to foster trust and credibility on our platform drives growth and differentiates us. We use a combination of the latest technology, data science, product features, and our skilled team to make our platform a trusted online marketplace to get work done. We build and use software to highlight relevant freelancers, facilitate security and identity verification for account ownership, and flag suspicious posts to maintain a trusted marketplace. We provide clients with tools to validate work performed by freelancers and to provide both public and private feedback once the work is completed. Our feedback system enables freelancers to build their business reputation by establishing long-term credibility with project review and client feedback. We provide escrow services so clients on our platform only pay for work that has been completed and freelancers are paid by their clients in full and on time.

Proprietary Data Drives Increasing Efficiencies

We have built an expansive and dynamic repository of data on our platform, which allows us to better enable clients to connect with the best talent for their projects. We use this data in our machine learning algorithms on our platform to provide a trusted, convenient, and effective user experience for both new and existing freelancers and clients.

Robust Platform Functionality

Our platform includes a proposal tracking system, search engine and collaboration functionality, time tracking and invoicing systems, and payments services. The robust functionality of our platform enables

² Client spend represents the total amount that clients spend on both our marketplace offerings and our managed services offering. For additional information related to how we calculate client spend, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”

freelancers to more easily run their businesses and clients to find and work with high-quality talent globally. As of June 30, 2018, we were actively working with approximately 400 engineers, including both our employees and freelancers, to innovate and improve our platform.

Powerful Global Network Effects

We have heavily invested in building a robust platform with features and functionalities that are necessary to connect freelancers and clients at scale. We believe our platform provides a strong value proposition for both sides of our marketplace and our scale creates powerful network effects that strengthen our competitive differentiation. Clients are attracted to our unique platform due to the availability of the more than 5,000 skills that freelancers offer in over 70 categories. In turn, as more clients use and post projects on our platform, we are able to attract more freelancers. As a result, we have been able to scale our business and our global community of users without the need for local physical presence and density.

Business Model with Strong Retention Metrics

The growth in our marketplace is driven by long-term and recurring use of our platform by freelancers and clients, which leads to increased revenue visibility for us. For example, for the quarterly period ended June 30, 2018, in addition to acquiring new clients, our client spend retention was 106%.³ Furthermore, the quality of our relationship with freelancers and clients that use our platform is reflected in our NPS, which exceeded 60 on average from both freelancers and clients throughout 2017 and the six months ended June 30, 2018. In addition, we believe the scale of our platform incentivizes freelancers to build their business reputations and continue to use our platform.

Proven Management Team

Our company was formed when two of the earliest innovators in the space, and the largest online talent marketplaces at the time, Elance and oDesk, combined in 2014. Our management team has a strong track record of scaling and running businesses with a focus on online marketplaces, business-to-business services and software, and global payments technologies. Our President and Chief Executive Officer, Stephane Kasriel, is an active thought leader in talent engagement and the future of work, and, from 2016 to 2018, served as the co-chair of the World Economic Forum's Global Future Council on Education, Gender and Work.

Growth Strategies

Increase Spend from Existing Clients

We intend to expand our relationship with our existing clients and increase their spend on our platform by investing in building new products and premium features.

Attract New Clients Through Marketing Efforts

We intend to expand our marketing efforts to increase awareness of our platform and the benefits of using flexible and remote talent and, as a result, attract new clients.

Remain a Preferred Platform for Freelancers

We will continue to invest in new products and features to help freelancers grow their businesses by finding more work and increasing their earnings.

Further Invest in Technology

We plan to continue to improve our user experience by enhancing our software capabilities, data science, security, and technology infrastructure.

³ For the definition of client spend retention, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics."

Invest in Domestic Marketplace Capabilities Internationally

We plan to invest in building domestic-to-domestic marketplaces internationally by connecting local clients to local freelancers, similar to our U.S.-to-U.S. domestic offering, including customizing our platform to support additional languages and currencies. We believe that by tailoring our platform experience to the nuances of regional markets, we can further improve the experience of our users.

Broaden and Deepen Categories

We have successfully scaled over 20 different categories to over \$20 million GSV in 2017. We intend to focus further on customizing experiences for categories through tailored features and functionalities, thus making it easier and more efficient for clients to connect with the right freelancers.

Focus on Premium Offerings

We plan to invest further in our direct sales team and expand our premium offerings. We believe there is a significant opportunity to expand existing client spend, add new enterprise clients, and cross-sell and upsell existing enterprise clients across various categories.

Risks Affecting Us

Our business is subject to numerous risks and uncertainties, including those in the section titled “Risk Factors” beginning on page 14 and elsewhere in this prospectus. These risks include the following:

- our growth depends on our ability to attract and retain a community of freelancers and clients, and the loss of our users, or failure to attract new users, could adversely impact our business;
- we have a history of net losses, anticipate increasing our operating expenses in the future, and may not achieve or sustain profitability;
- we have a limited operating history under our current platform and pricing model, which makes it difficult to evaluate our business and prospects and increases the risks associated with your investment;
- if the market for freelancers and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected;
- if we are not able to develop and release new products and services, or develop and release successful enhancements, new features, and modifications to our existing products and services, our business could be adversely affected;
- our operating results may fluctuate from quarter to quarter, which makes our future results difficult to predict;
- because we derive the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Standard offering, our inability to generate revenue from our marketplace offerings would adversely affect our business, operating results, financial condition, and growth prospects;
- we may be subject to new and existing laws and regulations, both in the United States and internationally; and
- we face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition, and operating results.

Corporate Information

We were incorporated in the State of Delaware in December 2013 prior to and in connection with the combination of Elance, Inc. and oDesk Corporation. In connection with the combination, we changed our name

to Elance-oDesk, Inc. in March 2014, and then to Upwork Inc. in May 2015. Our principal executive offices are located at 441 Logue Avenue, Mountain View, California 94043. Our telephone number is (650) 316-7500. Our website address is www.upwork.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock. Unless otherwise indicated, the terms “Upwork,” “we,” “us,” and “our” refer to Upwork Inc. and our consolidated subsidiaries.

Upwork, the Upwork logo, Talent Cloud, Upwork Enterprise, Elance, oDesk, Elance-oDesk, Work Without Limits, and other registered or common law trade names, trademarks, or service marks of Upwork appearing in this prospectus are the property of Upwork. This prospectus contains additional trade names, trademarks, and service marks of ours and of other companies. We do not intend our use or display of other companies’ trade names, trademarks, or service marks to imply a relationship with these other companies, or endorsement or sponsorship of us by these other companies. Other trademarks appearing in this prospectus are the property of their respective holders. Solely for convenience, our trademarks and tradenames referred to in this prospectus appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor, to these trademarks and tradenames.

Implications of Being an Emerging Growth Company

As a company with less than \$1.07 billion in revenue during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements;
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or a stockholder approval of any golden parachute arrangements; and
- extended transition periods for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest to occur of: (i) the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue; (ii) the date we qualify as a “large accelerated filer,” with at least \$700 million of equity securities held by non-affiliates; (iii) the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; and (iv) the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

We may take advantage of these exemptions until such time that we are no longer an emerging growth company. Accordingly, the information contained herein may be different than the information you receive from other public companies. Further, pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards. It is possible that some investors will find our common stock less attractive as a result, which may result in a less active trading market for our common stock and higher volatility in our stock price.

THE OFFERING

Common stock offered by us	6,818,181 shares
Common stock offered by the selling stockholders	5,453,297 shares
Total common stock to be outstanding after this offering	104,079,498 shares
Option to purchase additional shares of common stock from us	1,022,727 shares
Option to purchase additional shares of common stock from the selling stockholders	817,994 shares

Indication of Interest

One or more funds affiliated with Dragoneer Investment Group, LLC have indicated an interest in purchasing shares of common stock with an aggregate purchase price of up to \$27.0 million in this offering at the initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, one or more funds affiliated with Dragoneer Investment Group, LLC could determine to purchase more, less, or no shares in this offering or the underwriters could determine to sell more, less, or no shares to one or more funds affiliated with Dragoneer Investment Group, LLC. The underwriters will receive the same discount on any of our shares of common stock purchased by one or more funds affiliated with Dragoneer Investment Group, LLC as they will from any other shares of common stock sold to the public in this offering.

Use of proceeds

We estimate that the net proceeds from the sale of shares of our common stock that we are selling in this offering will be approximately \$63.7 million, or approximately \$74.2 million if the underwriters exercise their option to purchase additional shares in full, based upon an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

We primarily intend to use the net proceeds that we receive from this offering for working capital and other general corporate purposes. We also intend to use a portion of the net proceeds we receive from this offering to repay approximately \$10.0 million of indebtedness under our loan and security agreement with Silicon Valley Bank, or our Loan Agreement. We may also use a portion of the proceeds for the acquisition of, or investment in, technologies, solutions, or businesses that complement our business. However, we do not have agreements or commitments for any acquisitions or investments outside the ordinary course of business at this time. See the section titled "Use of Proceeds" for additional information.

Risk factors	See the section titled “Risk Factors” and other information included in this prospectus for a discussion of some of the factors you should consider before deciding to purchase shares of our common stock.
Nasdaq Global Market symbol	“UPWK”

The number of shares of our common stock to be outstanding after this offering is based on 97,159,082 shares of our common stock outstanding as of June 30, 2018 and 102,235 shares to be issued upon exercise of stock options by certain selling stockholders and sold in this offering, and excludes:

- 22,829,987 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2018, with a weighted-average exercise price of \$3.29 per share (other than 102,235 shares to be issued upon exercise of stock options by certain selling stockholders sold in this offering);
- 398,331 shares of convertible preferred stock issuable upon the exercise of a convertible preferred stock warrant outstanding as of June 30, 2018, with an exercise price of \$3.13 per share, which automatically converts into a warrant to purchase the same number of shares of common stock upon the completion of this offering;
- 2,693,123 shares of our common stock issuable upon the exercise of stock options granted after June 30, 2018, with a weighted-average exercise price of \$6.84 per share;
- approximately 458,177 shares of our common stock issuable upon the vesting of restricted stock units, or RSUs, to be granted effective as of the filing of our registration statement on Form S-8, based upon an assumed initial offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, including the RSUs to be granted to our non-employee directors in accordance with our non-employee director compensation policy described in the section titled “Management—Non-Employee Director Compensation;”
- 500,000 shares of our common stock issuable upon the exercise of a common stock warrant outstanding as of June 30, 2018 with an exercise price of \$0.01 per share that we issued in May 2018 to the Tides Foundation in connection with establishing The Upwork Foundation initiative; and
- 14,743,154 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (i) 2,543,154 shares of our common stock reserved for future issuance under our 2014 Equity Incentive Plan, or 2014 Plan, as of June 30, 2018 (which number of shares is prior to the stock options to purchase shares of our common stock granted after June 30, 2018 and an increase of 100,000 shares of our common stock reserved for future issuance under our 2014 Plan after June 30, 2018), (ii) 10,500,000 shares of our common stock reserved for future issuance under our 2018 Equity Incentive Plan, or 2018 Plan, which will become effective on the date immediately prior to the date of this prospectus (which is the number of shares reserved for future issuance prior to taking into account to the RSUs granted on the date of this prospectus), and (iii) 1,700,000 shares of our common stock reserved for issuance under our 2018 Employee Stock Purchase Plan, or 2018 ESPP, which will become effective on the date the registration statement for this offering is declared effective.

On the date immediately prior to the date of this prospectus, any remaining shares available for issuance under our 2014 Plan will be added to the shares of our common stock reserved for issuance under our 2018 Plan, and we will cease granting awards under the 2014 Plan. Our 2018 Plan and 2018 ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled “Executive Compensation—Employee Benefit and Stock Plans” for additional information.

Unless otherwise noted, the information in this prospectus reflects and assumes the following:

- the automatic conversion of 61,279,079 shares of our convertible preferred stock outstanding as of June 30, 2018 into the same number of shares of common stock in connection with the completion of this offering;

[Table of Contents](#)

- the automatic conversion of an outstanding warrant exercisable for 398,331 shares of our convertible preferred stock as of June 30, 2018 into a warrant exercisable for the same number of shares of common stock upon the completion of this offering;
- the filing of our restated certificate of incorporation and the effectiveness of our restated bylaws, each of which will occur immediately prior to the completion of this offering;
- no exercise of outstanding stock options or warrants subsequent to June 30, 2018, except for 102,235 shares of our common stock issued upon the exercise of options to purchase shares of common stock that will be sold in this offering; and
- no exercise of the underwriters' option to purchase additional shares of our common stock from us and the selling stockholders in this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated financial data. We derived our summary consolidated statements of operations data for 2016 and 2017 from our audited consolidated financial statements included elsewhere in this prospectus. We derived our summary consolidated statements of operations data for the six months ended June 30, 2017 and 2018 and our summary consolidated balance sheet data as of June 30, 2018, from the unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, on the same basis as our audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair statement of our consolidated financial position as of June 30, 2018 and our consolidated results of operations for the six months ended June 30, 2017 and 2018. Our historical results are not necessarily indicative of the results to be expected in the future, and our results of operations for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year or any other period. You should read the following summary consolidated financial data in conjunction with the sections titled “Selected Consolidated Financial and Other Data,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this prospectus.

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
(in thousands, except per share data and percentages)				
Consolidated Statements of Operations Data:				
Revenue:				
Marketplace	\$ 138,484	\$ 178,046	\$ 83,938	\$ 107,413
Managed services	25,961	24,506	11,593	14,486
Total revenue	164,445	202,552	95,531	121,899
Cost of revenue(1)	62,578	65,443	30,953	40,074
Gross profit	101,867	137,109	64,578	81,825
Operating expenses:				
Research and development(1)	37,902	45,604	21,005	26,303
Sales and marketing(1)	37,437	53,044	23,701	36,087
General and administrative(1)	35,446	37,334	16,463	22,395
Provision for transaction losses	5,550	4,250	1,784	2,720
Total operating expenses	116,335	140,232	62,953	87,505
Income (loss) from operations	(14,468)	(3,123)	1,625	(5,680)
Interest expense	858	960	430	1,085
Other (income) expense, net	908	62	(185)	422
Income (loss) before income taxes	(16,234)	(4,145)	1,380	(7,187)
Income tax benefit (provision)	1	22	(11)	(9)
Net income (loss)	\$ (16,233)	\$ (4,123)	\$ 1,369	\$ (7,196)
Premium paid on repurchase of redeemable convertible preferred stock	—	(6,506)	—	—
Undistributed earnings allocable to preferred stockholders	—	—	(1,369)	—
Net loss attributable to common stockholders	\$ (16,233)	\$ (10,629)	\$ —	\$ (7,196)
Net loss per share attributable to common stockholders, basic and diluted(2)	\$ (0.51)	\$ (0.32)	\$ —	\$ (0.21)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted(2)	32,072	32,945	32,487	34,651
Pro forma net loss per share attributable to common stockholders, basic and diluted(2)	\$ (0.04)	\$ (0.04)	\$ —	\$ (0.07)
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted(2)	—	98,072	—	95,930
Other Financial and Operating Data(3):				
Core clients(4)	76.5	86.4	78.6	95.7
Gross services volume (GSV)(5)	\$1,148,363	\$1,373,161	\$ 643,155	\$ 834,532
Client spend retention(6)	85%	99%	92%	106%
Adjusted EBITDA(7)	\$ 1,260	\$ 7,909	\$ 7,018	\$ 256

(1) Amounts include stock-based compensation expense as follows:

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(in thousands)			
Cost of revenue	\$ 193	\$ 290	\$ 193	\$ 105
Research and development	1,820	1,797	839	1,088
Sales and marketing	1,052	1,299	655	671
General and administrative	4,201	3,460	1,604	1,817
Total	<u>\$7,266</u>	<u>\$6,846</u>	<u>\$ 3,291</u>	<u>\$ 3,681</u>

- (2) See Notes 2 and 11 of the notes to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net loss per share attributable to common stockholders, basic and diluted, and pro forma net loss per share attributable to common stockholders, basic and diluted.
- (3) For a discussion of limitations in the measurement of core clients, GSV, and client spend retention, see the section titled “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.”
- (4) For the definition of core clients, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”
- (5) For the definition of gross services volume, or GSV, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”
- (6) For the definition of client spend retention, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”
- (7) For the definition of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA, see the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures.”

	As of June 30, 2018		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash	\$ 31,331	\$ 31,331	\$ 86,990
Working capital	24,148	24,148	79,807
Other assets, noncurrent	3,759	3,759	592
Total assets	290,263	290,263	342,755
Other liabilities, noncurrent	2,513	1,050	1,050
Debt, current and noncurrent	33,884	33,884	23,884
Redeemable convertible preferred stock	166,486	—	—
Total stockholders’ (deficit) equity	(30,611)	137,338	201,401

- (1) Reflects (i) the automatic conversion of 61,279,079 outstanding shares of our convertible preferred stock into the same number of shares of common stock and (ii) the automatic conversion of an outstanding warrant exercisable for 398,331 shares of our convertible preferred stock as of June 30, 2018 into a warrant exercisable for the same number of shares of common stock upon the completion of this offering.
- (2) Reflects (i) the pro forma adjustments described in footnote (1) and the sale by us of 6,818,181 shares of common stock in this offering at an assumed initial public offering price of \$11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, net of \$1.6 million of offering costs paid as of June 30, 2018, (ii) the application of such proceeds as described in the section titled “Use of Proceeds,” (iii) the reclassification of \$3.2 million of deferred offering costs recorded in other assets, noncurrent on the consolidated balance sheet to additional paid-in capital, and (iv) aggregate net proceeds of \$0.3 million received by us in connection with the exercise of options to purchase an aggregate of 102,235 shares of common stock in order to sell those shares in this offering. A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of pro forma as adjusted cash, working capital, total assets, and total stockholders’ (deficit) equity by \$6.3 million, assuming the number of shares we are offering, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) each of pro forma as adjusted cash, working capital, total assets, and total stockholders’ (deficit) equity by \$10.2 million, assuming the initial public offering price per share remains the same, after deducting underwriting discounts and commissions payable by us. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price, number of shares offered, and other terms of this offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to our Business and Industry

Our growth depends on our ability to attract and retain a community of freelancers and clients, and the loss of our users, or failure to attract new users, could adversely impact our business.

The size of our community of users, including both freelancers and clients, is critical to our success. Our ability to achieve significant growth in revenue in the future will depend, in large part, upon our ability to attract new users to, and retain existing users on, our platform. Achieving growth in our community of users may require us to increasingly engage in sophisticated and costly sales and marketing efforts that may not result in additional users. We may also need to modify our pricing model to attract and retain such users. If we fail to attract new users or fail to maintain or expand existing relationships in a cost-effective manner, our revenue will grow more slowly than expected and our business could be adversely impacted.

Freelancers have many different ways of marketing their services, securing clients, and obtaining payments from clients, including meeting and contacting prospective clients through other services, advertising to prospective clients online or offline through other methods, signing up for online or offline third-party agencies, using other online or offline platforms, signing up with staffing firms, using other payment services, or finding employment full-time or part-time through an agency or directly with a business. Clients have similarly diverse options to find and pay service providers, such as engaging and paying service providers directly, finding service providers through other online or offline platforms or through staffing firms and agencies, using other payment services, or hiring temporary, full-time, or part-time employees. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we generated significant revenue from one client, which accounted for more than 10% of revenue for each such period and, therefore, a decrease in revenue from this client could have an adverse effect on our operating results. Moreover, any decrease in the attractiveness of our platform or failure to retain these clients could lead to decreased traffic on our platform, diminished network effects, or result in a drop in GSV on our platform, which could adversely affect our business, revenue, financial condition, and operating results. In addition, if we fail to attract new freelancers, freelancers decrease their use of or cease using our platform, the quality or types of services provided by freelancers that use our platform are not satisfactory to clients, or freelancers increase their fees for services more than clients are willing to pay, clients may decrease their use of, or cease using, our platform and our revenue may be adversely impacted.

Users can generally decide to cease using our platform at any time. Users may stop using our platform and related services if the quality of the user experience on our platform, including our support capabilities in the event of a problem, does not meet their expectations or keep pace with the quality of the user experience generally offered by competitive products and services. Users may also choose to cease using our platform if they perceive that our pricing model is not in line with the value they derive from our platform or for other reasons. In addition, expenditures by clients may be cyclical and may reflect overall economic conditions or budgeting patterns. If users stop using our platform and services for any reason, including the foregoing reasons, our revenue and business would be adversely affected.

We have a history of net losses, anticipate increasing our operating expenses in the future, and may not achieve or sustain profitability.

We have incurred net losses in each fiscal year since the combination of Elance and oDesk, including net losses of \$16.2 million and \$4.1 million in 2016 and 2017, respectively, and a net loss of \$7.2 million for the six months ended June 30, 2018, and we expect to incur net losses for the foreseeable future. As of June 30, 2018, we had an accumulated deficit of \$130.8 million. We expect to make significant future expenditures related to the development and expansion of our business, including enhancing our Upwork Enterprise offering and our U.S.-to-U.S. domestic offering, expanding domestic-to-domestic offerings into new geographies, and broadening and deepening the categories on our platform, and in connection with legal, accounting, and other administrative expenses related to operating as a public company. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. While our revenue has grown in recent years, if our revenue declines or fails to grow at a rate faster than increases in our operating expenses, we will not be able to achieve and maintain profitability in future periods. As a result, we may continue to generate losses. We cannot ensure that we will achieve profitability in the future or that, if we do become profitable, we will be able to sustain profitability.

We have a limited operating history under our current platform and pricing model, which makes it difficult to evaluate our business and prospects and increases the risks associated with your investment.

We operated the Elance and oDesk platforms separately until we relaunched as Upwork in May 2015 and consolidated those platforms into a single platform. In recent years, we have also expanded our Upwork Enterprise offering, which helps enterprises and other larger businesses connect with freelancers and provides these larger clients with additional products and services. We also made significant changes to our pricing model in 2016. As a result, our platform and pricing model have not been fully proven, and we have only a limited operating history with our current pricing model to evaluate our business and future prospects, which subjects us to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. We have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including our ability to achieve market acceptance of our platform and attract and retain users, as well as increasing competition and increasing expenses as we continue to grow our business. We cannot ensure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these risks successfully. In addition, we may not achieve sufficient revenue to achieve or maintain positive cash flow from operations or profitability in any given period, or at all.

If the market for freelancers and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.

The market for freelancers and the services they offer is relatively new, rapidly evolving, and unproven. Our future success will depend in large part on the continued growth and expansion of this market and the willingness of businesses to engage freelancers to provide services. It is difficult to predict the size, growth rate, and expansion of this market, the entry of products and services that are competitive to ours, the success of existing competitive products and services, or technological or other developments that will impact the overall demand for freelancers. Furthermore, many businesses may be unwilling to engage freelancers for a variety of reasons, including perceived negative connotations with outsourcing work or security concerns. If the market for freelancers and the services they offer does not achieve widespread adoption, or there is a reduction in demand for freelancer services, it could result in decreased revenue and our business could be adversely affected.

If we are not able to develop and release new products and services, or develop and release successful enhancements, new features, and modifications to our existing products and services, our business could be adversely affected.

The market for our platform is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing user demands, and evolving industry standards. The

[Table of Contents](#)

introduction of products and services embodying new technologies can quickly make existing products and services obsolete and unmarketable. We invest substantial resources in researching and developing new products and services and enhancing our platform by incorporating additional features, improving functionality, and adding other improvements to meet our users' evolving demands in our highly competitive industry. The success of any enhancements or improvements to our platform or any new products and services depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies on our platform and third-party partners' technologies, and overall market acceptance. We cannot be sure that we will succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or new features to our platform or any new products and services that respond to continued changes in the market for talent or business services, nor can we be sure that any enhancements or new features to our platform or any new products and services will achieve market acceptance. Because further development of our platform is complex, challenging, and dependent upon an array of factors, the timetable for the release of new products and services and enhancements to existing products and services is difficult to predict, and we may not offer new products and services as rapidly as users of our platform require or expect. Any new products or services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. Moreover, even if we introduce new products and services, we may experience a decline in revenue from our existing products and services that is not offset by revenue from the new products or services. In addition, we may lose existing users who choose competing products or services. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

Our operating results may fluctuate from quarter to quarter, which makes our future results difficult to predict.

Our quarterly operating results have fluctuated in the past and may fluctuate in the future. Additionally, we have a limited operating history with our current platform and pricing model, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly operating results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our operating results in any given quarter can be influenced by numerous factors, many of which are unpredictable or are outside of our control, including:

- our ability to generate significant revenue from our Upwork Standard, Upwork Enterprise, and other premium offerings;
- fluctuations in revenue from our managed services offering due to our recognition of the entire GSV as revenue, including the amounts paid to freelancers;
- our ability to maintain and grow our community of users;
- the demand for and types of skills and services that are offered on our platform by freelancers;
- due to our tiered-pricing model for freelancer service fees, the mix in any period between freelancers that have billed larger amounts to clients on our platform, where we charge a lower rate on billings, and freelancers that have billed clients less on our platform, where we charge a higher rate on billings;
- spending patterns of clients, including whether those clients that use our platform frequently, or for larger projects, reduce their spend, stop using our platform, or change their method of payment to us;
- the disbursement methods chosen by freelancers;
- seasonal spending patterns by clients or work patterns by freelancers and seasonality in the labor market, including the number of business days in any given quarter or local, national, or international holidays;
- fluctuations in the prices that freelancers charge clients on our platform;
- fluctuations in the mix in payment provider costs;
- changes to our pricing model;

Table of Contents

- our ability to introduce new products and services and enhance existing products and services;
- our ability to generate significant revenue from new products and services;
- our ability to respond to competitive developments, including pricing changes and the introduction of new products and services by our competitors;
- the productivity of our sales force;
- changes in the mix of products and services that enterprise clients or other users demand;
- the length and complexity of our sales cycles;
- the episodic nature of freelance work;
- the cost to develop and upgrade our platform to incorporate new technologies;
- the impact of outages of our platform and associated reputational harm;
- changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue;
- potential costs to attract, onboard, retain, and motivate qualified talent to perform services for us;
- increases in, and timing of, operating expenses that we may incur to grow and expand our operations and to remain competitive;
- costs related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- security or privacy breaches, and associated remediation costs;
- litigation, adverse judgments, settlements, or other litigation-related costs;
- changes in the common law, statutory, legislative, or regulatory environment, such as with respect to privacy, wage and hour regulations, worker classification (including classification of independent contractors or similar service providers and classification of employees as exempt or non-exempt), internet regulation, payment processing, global trade, or tax requirements;
- fluctuations in currency exchange rates;
- changes in the mix of countries in which our users are located, which impacts the amount of revenue we derive from foreign exchange;
- the timing of stock-based compensation expense;
- operating lease expenses and other real estate expenses;
- expenses incurred in connection with The Upwork Foundation initiative; and
- general economic and political conditions and government regulations in the countries where we currently have significant numbers of users, or where we currently operate or may expand in the future.

The impact of one or more of the foregoing and other factors may cause our operating results to vary significantly. As such, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance. If we fail to meet or exceed the expectations of investors or securities analysts, then the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

[Table of Contents](#)

Because we derive the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Standard offering, our inability to generate revenue from our marketplace offerings would adversely affect our business, operating results, financial condition, and growth prospects.

Currently, we derive and expect to continue to derive, in the near future, the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Standard offering. As such, market acceptance of our marketplace offerings is critical to our continued success. Demand for our marketplace offerings is affected by a number of factors beyond our control, including the timing of development and release of new products and services by our competitors, our ability to respond to technological change and to innovate and grow, contraction in our market, and the other risks identified herein. If we are unable to continue to meet user demands, to expand the categories of services offered on our platform, or to achieve more widespread market acceptance of our marketplace offerings, our business operations, financial results, and growth prospects could be adversely affected.

We may be subject to new and existing laws and regulations, both in the United States and internationally.

We are subject to a wide variety of foreign and domestic laws. Laws, regulations, and standards governing issues such as worker classification, employment, payments, worker confidentiality obligations and whistleblowing, intellectual property, consumer protection, taxation, privacy, and data security are often complex and subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal and state administrative agencies. Many of these laws were adopted prior to the advent of the internet and mobile and related technologies and, as a result, do not contemplate or address the unique issues of the internet and related technologies. Other laws and regulations may be adopted in response to internet, mobile, and related technologies. New and existing laws and regulations (or changes in interpretation of existing laws and regulations), including those concerning worker classification, independent contractors, employment, payments, whistleblowing and worker confidentiality obligations, intellectual property, consumer protection, taxation, privacy, data security, benefits, unionizing and collective action, arbitration agreements and class action waiver provisions, terms of service, website accessibility, background checks (such as the Fair Credit Reporting Act, 15 U.S.C. § 1681), and escheatment, may also be adopted, implemented, or interpreted to apply to us and other online services marketplaces. As our platform's geographical scope expands, regulatory agencies or courts may claim that we, or our users, are subject to additional requirements, or are prohibited from conducting our business in or with certain jurisdictions, either generally or with respect to certain services. It is also possible that certain provisions in agreements with our service providers or between freelancers and clients may be found to be unenforceable or not compliant with applicable law.

Recent financial, political, and other events may increase the level of regulatory scrutiny on larger companies, technology companies in general, and companies engaged in dealings with independent contractors or payments in particular. Regulatory agencies may enact new laws or promulgate new regulations that are adverse to our business, or they may view matters or interpret laws and regulations differently than they have in the past or in a manner adverse to our business. Such regulatory scrutiny or action may create different or conflicting obligations on us from one jurisdiction to another.

Our success, or perceived success, and increased visibility may also drive some businesses that view our business model to be a threat to raise concerns about our business model to local policymakers and regulators. These businesses and their trade association groups or other organizations may take actions and employ significant resources to shape the legal and regulatory regimes in countries where we may have, or seek to have, a significant number of users in an effort to change such legal and regulatory regimes in ways intended to adversely affect or impede our business and the ability of users to utilize our platform.

As we look to expand our international footprint over time, we may become obligated to comply with additional laws and regulations of the countries or markets in which we operate or have users. If we are found to

[Table of Contents](#)

be subject to new or existing laws and regulations, contractual provisions that are designed to protect and mitigate against such risks, including terms of service, arbitration and class action waiver provisions, disclaimers of warranties, limitations of liabilities and indemnification provisions, could be deemed unenforceable as to the application of these laws and regulations by a court, arbitrator or other decision-making body. If we are unable to comply with these laws and regulations or manage the complexity of global operations and supporting an international user base successfully, our business, operating results, and financial condition could be adversely affected.

We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition, and operating results.

The market for freelancers and the clients that engage them is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new products and services. We compete with a number of online and offline platforms and services domestically and internationally to attract and retain users. Our main competitors fall into the following categories:

- traditional contingent workforce and staffing service providers and other outsourcing providers, such as The Adecco Group, Randstad, Recruit, ManpowerGroup, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr and Freelancer.com, or specific skill categories;
- other online providers of products and services for individuals or businesses seeking work or to advertise their services, including personal and professional social networks, such as LinkedIn (owned by Microsoft) and GitHub (which has agreed to be acquired by Microsoft), employment marketplaces, recruiting websites, and project-based deliverable providers;
- software and business services companies focused on talent acquisition, management, invoicing, or staffing management products and services;
- payment businesses, such as PayPal and Payoneer, that can facilitate payments to and from businesses and service providers;
- businesses that provide specialized, professional services, including consulting, accounting, marketing, and information technology services; and
- online and offline job boards, classified ads, and other traditional means of finding work and service providers, such as Craigslist, CareerBuilder, Indeed, Monster, and ZipRecruiter.

In addition, well-established internet companies, such as Google, LinkedIn, and Amazon, and social media platforms, such as Facebook, have entered or may decide to enter into our market segment, and some of these companies have launched products and services that directly compete with our platform. For example, in 2016, LinkedIn launched ProFinder, its service to connect LinkedIn members with one another for freelance service relationships.

Internationally, we compete against online and offline channels and products and services in most countries. These local competitors might have greater brand recognition than us in their local country and a stronger understanding of local culture and commerce. They may also offer their products and services in local languages that we do not offer. As our business grows internationally, we may increasingly compete with these international companies. We also compete against locally-sourced service providers and traditional, offline means of finding work and procuring services, such as personal and professional networks, classified ads, recruiters, and staffing businesses.

In the future, we may also compete with companies that utilize emerging technologies, such as blockchain, augmented reality, and machine learning. Many of the companies and services that utilize these technologies in our market are still new and not yet fully mature in their capabilities or network scale. However, we may face increased competition should these companies and services succeed. These competitors may offer products and

[Table of Contents](#)

services that may, among other things, provide automated alternatives to the services that freelancers provide on our platform or change the way that businesses engage service providers so as to make our platform less attractive to users.

Many of our current and potential competitors, both online and offline, enjoy substantial competitive advantages, such as greater name recognition, longer operating histories, greater financial, technical, and other resources, and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. These companies may use these advantages to offer products and services similar to ours at a lower price, develop different products and services to compete with our platform, or respond more quickly and effectively than we do to new or changing opportunities, technologies, standards, regulatory conditions, or user preferences or requirements. In addition, while we compete intensely in more established markets, we also compete in developing technology markets that are characterized by dynamic and rapid technological change, many and different business models, and frequent disruption of incumbents by innovative online and offline entrants. The barriers to entry into these markets can be low, and businesses easily can launch online or mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies in these markets. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party partners. By doing so, these competitors may increase their ability to meet the needs of existing or prospective users. These developments could limit our ability to obtain revenue from existing and new users. If we are unable to compete successfully against current and future competitors, our business, operating results, and financial condition would be adversely impacted.

If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.

The Upwork brand did not exist before 2015, but we believe that developing, maintaining, and enhancing awareness and integrity of our brand and reputation in a cost-effective manner are important to achieving widespread acceptance and use of our platform and are important elements in attracting new users and retaining existing users. Successful promotion of our brand and our business model depends on, among other things, the effectiveness of our marketing efforts, our ability to provide a reliable, trustworthy, and useful platform at competitive prices, the perceived value of our platform, and our ability to provide quality support. In order to reach brand awareness levels of our competitors, we will need to continuously invest in marketing programs that may not be successful in achieving meaningful awareness levels. Further, brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in building and maintaining our brand and reputation. For example, in 2017 and in the six months ended June 30, 2018, we increased investment in offline advertising in certain markets to increase our brand awareness, and it is not certain that these investments will have a positive impact on our brand. In order to protect our brand, we also expend substantial resources to register and defend our trademarks and to prevent others from using the same or substantially similar marks. Despite these efforts, we may not always be successful in registering and preventing misappropriation of our own marks and other intellectual property or preventing registration of confusingly similar marks, and we may suffer dilution, loss of reputation, or other harm to our brand. We also rely on our community of users in a variety of ways, including their willingness to give us feedback regarding our platform, and failure of our users to provide positive feedback on their experience on our platform could negatively impact the willingness of prospective users to use our platform. If we fail to promote and maintain our brand successfully or to maintain loyalty among our users, or if we incur substantial expenses in unsuccessful attempts to promote and maintain our brand, we may fail to attract new users or retain our existing users and our business and financial condition may be adversely affected.

[Table of Contents](#)

There may be adverse tax, legal, and other consequences if the contractor classification or employment status of freelancers that use our platform is challenged.

Clients are generally responsible for properly classifying the freelancers they engage through our platform under the terms of our user agreement. Some clients opt to classify freelancers as employees for certain assignments, while many freelancers are classified as independent contractors.

We offer an optional service to our Upwork Enterprise clients, for which we help classify freelancers as employees of third-party staffing providers or independent contractors. For clients that subscribe to this service, subject to applicable law and the terms of the client's agreement, we indemnify clients from misclassification risk and make warranties to the client (e.g., as to compliance with applicable laws). In addition, we offer a number of other premium services where we provide increased assistance to enable users to find each other. Third-party staffing providers employ freelancers classified as employees for clients, and failure of these staffing providers to comply with all legal and tax requirements could adversely affect our business. We also use our platform to find, classify, and engage freelancers to provide services for us or for our managed services offering. In general, were a court or administrative agency to determine that we or clients that use our platform have misclassified a service provider as an independent contractor, we and/or our users could incur tax and other liabilities for failing to properly withhold or pay taxes on the service providers' compensation as well as potential wage and hour and other liabilities depending on the circumstances and jurisdiction. Although we maintain insurance policies covering liability for certain claims, we cannot be certain that our coverage will extend to or be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

There is often uncertainty in the application of worker classification laws, and consequently there is risk to us and to users, both freelancers and clients, that independent contractors could be deemed to be misclassified under applicable law. The tests governing whether a service provider is an independent contractor or an employee are typically highly fact sensitive and vary by governing law. Laws and regulations that govern the status and misclassification of independent contractors are also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability. A misclassification determination or allegation creates potential exposure for users and for us, including but not limited to monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security, workers' compensation and unemployment; claims of discrimination, harassment, and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages (including but not limited to wage-based damages or restitution, compensatory damages, liquidated damages, and punitive damages), interest, fines, penalties, costs, fees (including but not limited to attorneys' fees), criminal and other liability, assessment, or settlement. Such an allegation, claim, adverse determination, including but not limited to with respect to the freelancers that provide services to us, or the requirement for us to indemnify a client, could also harm our brand and reputation, which could adversely impact our business. While these risks are mitigated, in part, by our contractual rights of indemnification against third-party claims, such indemnification agreements could be determined to be unenforceable, could be costly to enforce or ineffective, or indemnification may otherwise prove inadequate.

Because a substantial portion of the services offered on our platform is information technology services, a decline in the market for information technology service providers could adversely affect our business.

A significant portion of the services offered by freelancers on our platform relate to information technology. If, for any reason, the market for information technology services declines, including as a result of global economic conditions, automation, increased use of artificial intelligence, or otherwise, or if need for these services slows or businesses satisfy their needs for these services through alternative means, the growth in the number of users of our platform may slow or decline and as a result our revenue and business may be adversely impacted.

Future changes to our pricing model could adversely affect our business.

We implemented a significant change to our pricing model in 2016, and we may from time to time decide to make further changes to our pricing model due to a variety of reasons, including changes to the market for our products and services, and as competitors introduce new products and services. Changes to any components of our pricing model may, among other things, result in user dissatisfaction and could lead to a loss of users on our platform and could negatively impact our operating results, financial condition, and cash flows.

Adverse or changing economic conditions may negatively impact our business.

Our business depends on the overall demand for labor and on the economic health of current and prospective clients that use our platform. Any significant weakening of the economy in the United States or Europe or of the global economy, more limited availability of credit, a reduction in business confidence and activity, decreased government spending, economic uncertainty, financial turmoil affecting the banking system or financial markets, a more limited market for independent professional service providers or information technology services, and other adverse economic or market conditions may adversely impact our business and operating results. Global economic and political events or uncertainty may cause some of our current or potential clients to curtail spending on our platform, and may ultimately result in new regulatory and cost challenges to our operations. These adverse conditions could result in reductions in revenue, longer sales cycles, slower adoption of new technologies, and increased competition. There is also risk that when overall global economic conditions are positive, our business could be negatively impacted by a decreased demand for freelancers. We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally. If the conditions in the general economy significantly deviate from present levels, our business, financial condition, and operating results could be adversely affected.

Users may circumvent our platform, which could adversely impact our business.

Our business depends on users transacting through our platform. Despite our efforts to prevent them from doing so, users may circumvent our platform and engage with or pay each other through other means to avoid the fees that we charge on our platform. The loss of revenue associated with circumvention of our platform could have an adverse impact on our business, cash flows, operating results, and financial condition.

We face payment and fraud risks that could adversely impact our business.

Requirements on our platform relating to user authentication and fraud detection are complex. If our security measures do not succeed, our business may be adversely impacted. In addition, bad actors around the world use increasingly sophisticated methods to engage in illegal activities involving personal information, such as unauthorized use of another's identity or payment information, unauthorized acquisition or use of credit or debit card details and bank account information, and other fraudulent use of another's identity or information. This could result in any of the following, each of which could adversely impact our business:

- we may be, and we historically have been, held liable for the unauthorized use of an account holder's credit card or bank account number and required by card issuers or banks to pay a chargeback or return fee, and if our chargeback or return rate becomes excessive, credit card networks may also require us to pay fines or other fees and the California Department of Business Oversight, or the DBO, may require us to hold larger cash reserves;
- we may be subject to additional risk and liability exposure, including negligence, fraud, or other claims, if employees or third-party service providers, including freelancers that provide services to us, misappropriate user information for their own gain or facilitate the fraudulent use of such information;
- bad actors may use our platform, including our payment processing and disbursement methods, to engage in unlawful or fraudulent conduct, such as money laundering, terrorist financing, fraudulent sale of services, breaches of security, leakage of data, piracy or misuse of software and other copyrighted or trademarked content, and other misconduct;

[Table of Contents](#)

- users of our website who are subjected or exposed to the unlawful or improper conduct of other users or other third parties, including law enforcement, may seek to hold us responsible for the conduct of other users and may lose confidence in our platform, decrease or cease to use our platform, seek to obtain damages and costs, or impose fines and penalties;
- we may be subject to additional risk if clients fail to pay freelancers for services rendered, as freelancers may seek to hold us responsible for the clients' conduct and may lose confidence in our platform, may decrease or cease use of our platform, or seek to obtain damages and costs;
- if, for example, freelancers misstate their qualifications or location, provide misinformation, perform services they are not qualified or authorized to provide, produce insufficient or defective work product, or work product with a viral or other harmful effect, clients or other third parties may seek to hold us responsible for the freelancers' acts or omissions and may lose confidence in our platform, decrease or cease use of our platform, or seek to obtain damages and costs; and
- we may suffer reputational damage as a result of the occurrence of any of the above.

Despite measures we have taken to detect and reduce the risk of this kind of conduct, we do not have control over users of our platform and cannot ensure that any of our measures will stop illegal or improper uses of our platform. We also have received in the past, and may receive in the future, complaints from clients and other third parties concerning misuse of our platform. We have also brought claims against clients and other third parties for their misuse of our platform, and may be required to bring similar claims in the future. Even if these claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

We may be subject to escrow, payment services, and money transmitter regulations that may adversely affect our business.

Our subsidiary, Upwork Escrow Inc., is licensed as an internet escrow agent under California's Escrow Law and is subject to regulations applicable to internet escrow agents promulgated by the DBO. As of June 30, 2018, there have been two instances in which we have received inquiries from regulatory authorities inquiring whether we are engaging in payment activities through Upwork Escrow or oDesk, which is now Upwork Global Inc., that require a license in the applicable jurisdiction. In April 2013, we received an inquiry from the Washington Department of Financial Institutions, which was resolved in our favor in December 2013. In July 2013, oDesk received an inquiry from the DBO, which was favorably resolved in connection with the combination of Elance and oDesk in 2014.

Although we believe that our operations comply with existing U.S. federal and state, and international laws and regulatory requirements related to escrow, money transmission, and the handling or moving of money, the laws or regulations may change, and interpretations of existing laws and regulations may also change. As a result, Upwork Escrow or Upwork Global could be required to be licensed as an escrow agent or a money transmitter (or other similar licensee) in U.S. states or other jurisdictions or may choose to obtain such a license even if not required. Such a decision could also require Upwork Escrow or Upwork Global to register as a money services business under federal laws and regulations. It is also possible that Upwork Escrow or Upwork Global could become subject to regulatory enforcement or other proceedings in those states or other jurisdictions with escrow, money transmission, or other similar statutes or regulatory requirements related to the handling or moving of money, which could in turn have a significant impact on our business, even if we were to ultimately prevail in such proceedings. Upwork Escrow or Upwork Global may also be required to become licensed as a payment institution (or other similar license) under the European Payment Services Directive or other international laws and regulations. Any developments in the laws or regulations related to escrow, money transmission, or the handling or moving of money, or increased scrutiny of our business may lead to additional compliance costs and administrative overhead.

The application of laws and regulations related to escrow, money transmission, and the handling or moving of money is subject to significant complexity and uncertainty, particularly as they relate to new and evolving

[Table of Contents](#)

business models. If Upwork Escrow or Upwork Global is ultimately deemed to be in violation of one or more escrow or money transmitter or other similar statutes or regulatory requirements related to the handling or moving of money in any U.S. state or other jurisdiction, we may be subject to the imposition of fines, our ability to offer some or all of our services in the relevant jurisdiction may be suspended, and we may be subject to civil liability or criminal liability and our business, operating results, and financial condition could be adversely affected.

Having an international community of users and engaging freelancers internationally exposes us to risks that could have an adverse effect on our business, operating results, and financial condition.

Even though we currently have a limited physical presence outside of the United States, our users have a global footprint that subjects us to the risks of being found to do business internationally. We have users on our platform located in over 180 countries, including some emerging markets where we have limited experience, where challenges can be significantly different from those we have faced in more developed markets, and where business practices may create greater internal control risks. Further, certain skills and services are offered by freelancers concentrated in countries with higher risks of instability and geopolitical uncertainty, like Russia and Ukraine. In addition, we engage freelancers located in many countries to provide services for our managed services offering and to us for internal projects. Because our website is generally accessible by users worldwide, one or more jurisdictions may claim that we or our users are required to comply with their laws. Laws outside of the United States regulating internet, payments, escrow, privacy, taxation, terms of service, website accessibility, consumer protection, intellectual property ownership, services intermediaries, labor and employment, wage and hour, worker classification, background checks, and recruiting and staffing companies, among others, which could be interpreted to apply to us, are often less favorable to us than those in the United States, giving greater rights to competitors, users, and other third parties. Compliance with international laws and regulations may be more costly than expected, may require us to change our business practices or restrict our service offerings, and the imposition of any such laws or regulations on us, our users, or third parties that we or our users utilize to provide or use our services, may adversely impact our revenue and business. In addition, we may be subject to multiple overlapping legal or regulatory regimes that impose conflicting requirements and enhanced legal risks.

Risks inherent in conducting business with an international user base and engaging freelancers globally include, but are not limited to:

- being deemed to conduct business or have operations in the jurisdictions where we have users and being subject to their laws and regulatory requirements;
- new or changed regulatory requirements;
- varying worker classification standards and regulations;
- organizing or similar activity by local unions, works councils, or similar labor organizations;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- costs of localizing services, including adding the ability for clients to pay in local currencies;
- lack of acceptance of localized services;
- difficulties in and costs of staffing, managing, and operating international operations or support functions;
- tax issues;
- weaker intellectual property protection;
- economic weakness or currency related challenges or crises;
- the burden of complying with a wide variety of laws that may be deemed to apply to us, including those relating to labor and employment matters (including but not limited to requirements with respect to works councils or similar labor organizations), consumer and data protection, privacy, network security, encryption, data residency, and taxes, as well as securing expertise in local law and related practices;

[Table of Contents](#)

- our ability to adapt to sales practices and client requirements in different cultures;
- fluctuations in foreign currency exchange rates;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- corporate or state-sponsored espionage or cyberterrorism;
- macroeconomic conditions in certain foreign jurisdictions; and
- political instability and security risks in countries where we have users.

The risks described above may also make it difficult for us to expand our operations internationally. Analysis of, and compliance with, global laws and regulations may substantially increase our cost of doing business. We may be unable to keep current with changes in laws and regulations as they develop. Although we have implemented policies and procedures designed to analyze whether these laws apply and, if applicable, support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, users, and agents will comply. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, interest, costs and fees (including but not limited to legal fees), injunctions, loss of intellectual property rights, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of global operations and supporting an international user base successfully, our business, operating results, and financial condition could be adversely affected.

If we are unable to maintain our payment partners and bank relationships, or if our disbursement partners encounter business difficulties, our business could be adversely affected.

Our payment partners consist of payment processors and disbursement partners. We rely on banks and card processors to provide clearing, processing, and settlement functions for the funding of all transactions on our platform. We also rely on a network of disbursement partners to disburse funds to users.

Our payment partners are critical to our business. In order to maintain these relationships, we have in the past been, and may in the future be, forced to agree to terms that are unfavorable to us. If we are unable to maintain our agreements with current payment partners on favorable terms, or we are unable to enter into new agreements with new payment partners, our ability to disburse transactions and our revenue and business may be adversely affected. This could occur for a number of reasons, including the following:

- our payment partners may be unable to effectively accommodate changing service needs, such as those which could result from rapid growth or higher volume;
- our payment partners could choose to terminate or not renew their agreements with us, or only be willing to renew on different or less advantageous terms;
- our payment partners could reduce the services provided to us, cease doing business with us, or cease doing business altogether;
- our payment partners could be subject to delays, limitations, or closures of their own businesses, networks, or systems, causing them to be unable to process payments or disburse funds for certain periods of time; or
- we may be forced to cease doing business with payment processors if card association operating rules, certification requirements and laws, regulations, or rules governing electronic funds transfers to which we are subject change or are interpreted to make it difficult or impossible for us to comply.

We have experienced growth in recent periods and expect to continue to invest in our growth for the foreseeable future. If we are unable to manage our growth effectively, our revenue and profits could be adversely affected.

We have experienced growth in a relatively short period of time. For example, our total revenue grew from \$164.4 million in 2016 to \$202.6 million in 2017. In the six months ended June 30, 2018, our total revenue was

[Table of Contents](#)

\$121.9 million, representing a period-over-period growth rate of 28% over the same period in 2017. We plan to continue to expand our operations and personnel significantly. Sustaining our growth will place significant demands on our management as well as on our administrative, operational, and financial resources. To manage our growth, we must continue to improve our operational, financial, and management information systems; expand, motivate, and effectively manage our workforce; and effectively collaborate with our third-party partners. If we are unable to manage our growth successfully without compromising our quality of service or our profit margins, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, operating results, financial condition, and ability to successfully market our platform and serve our users could be adversely affected.

Our recent and historical growth should not be considered indicative of our future performance. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our financial condition and operating results could differ materially from our expectations, our growth rates may slow, and our business would be adversely impacted.

Our sales efforts are increasingly targeted at large enterprise clients, and as a result we may encounter greater pricing, implementation, and customization challenges, and we may have to delay revenue recognition for more complicated transactions, all of which could adversely impact our business and operating results.

Our sales efforts are increasingly targeted at large enterprise clients, and as a result, we face greater costs, longer sales cycles, and less predictability in completing some of our sales and in increasing spend by existing clients. For larger clients, use of our platform may require approvals by multiple departments and executive-level personnel and require us to provide greater levels of services and client education regarding the uses, benefits, security, privacy, worker classification, payments, and compliance services offered on our platform. Larger enterprises typically have longer decision-making and implementation cycles and may demand more customization, higher levels of support, a broader range of services, and greater payment flexibility. In addition, larger enterprises may require greater functionality and scalability and acceptance provisions that can lead to a delay in revenue recognition. We are often required to spend time and resources to better familiarize potential enterprise clients with the value propositions of our platform generally. Despite our efforts in familiarizing potential enterprise clients with the benefits of our platform, some potential enterprise clients may decide not to use our platform if, among other reasons, they do not feel that their procurement or compliance needs are met. It is more difficult to find sales personnel with the specific skills and technical knowledge needed to sell our Upwork Enterprise offering and other premium offerings. Even if we are able to hire qualified personnel, doing so may be costly. As a result of these factors, sales opportunities with large enterprises may require us to devote greater sales and administrative support and professional services resources to individual clients, which could increase our costs, lengthen our sales cycle, and divert our own sales and professional services resources to a smaller number of larger clients. We may spend substantial time, effort, and money in our sales efforts without being successful in producing sales or growing client spend.

Even if we reach agreement with an enterprise client to use our platform, a significant portion of the fees we typically receive from enterprise clients is contingent on the level of spend by the client. If an enterprise client does not engage freelancers on our platform or uses freelancers for projects of nominal value, our revenue from the relationship may be minimal.

We also have in the past agreed, and may in the future agree, to take on additional risk for worker classification, privacy, security, work product, payments, or other services for larger clients, or to other terms that are unfavorable to us in order to secure a client's business or increase their spend. All these factors can add further risk to business conducted with these clients even after a successful sale.

[Table of Contents](#)

Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to expand our sales force and increase the productivity of our sales force.

We have only recently begun generating revenue from our Upwork Enterprise offering and other premium offerings. In order to increase our revenue from these offerings and achieve and sustain profitability, we must increase the size of our sales force and generate additional revenue from new and existing users.

There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales and sales support personnel to support our growth. New sales personnel require significant training and can take a number of months to achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect and if our new sales personnel do not become fully productive on the timelines that we have projected, or at all, our revenue will not increase at anticipated rates, or at all, and our ability to achieve long-term projections may be negatively impacted. We may also be unable to hire or retain a sufficient number of qualified sales personnel. Furthermore, hiring sales personnel in new markets requires additional costs that we may not recover if the sales personnel fail to achieve full productivity. If we are unable to hire and train a sufficient number of effective sales personnel, or if our sales personnel are not successful in obtaining new business or increasing sales to our existing user base, our business will be adversely affected.

Our user growth and engagement on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

Mobile devices are increasingly used for marketplace transactions. A significant and growing portion of our users access our platform through mobile devices. There is no guarantee that popular mobile devices will continue to support our platform, that the use of mobile devices for marketplace transactions will be available on commercially reasonable terms, or that mobile device users will use our platform rather than competing products. We are dependent on the interoperability of our platform with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the functionality of our website or applications or give preferential treatment to competitors could adversely affect our platform's usage on mobile devices. Additionally, in order to deliver high-quality mobile products, it is important that our products are designed effectively and work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use our platform on their mobile devices or users find our mobile offering does not effectively meet their needs, our competitors develop products and services that are perceived to operate more effectively on mobile devices, or if our users choose not to access or use our platform on their mobile devices or use mobile products that do not offer access to our platform, our user growth and user engagement could be adversely impacted.

If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified, or our search result page rankings decline for other reasons, our user growth could decline.

We depend in part on various internet search engines, such as Google and Bing, as well as other channels to direct a significant amount of traffic to our website. Our ability to maintain the number of visitors directed to our website is not entirely within our control. For example, our competitors' search engine optimization and other efforts may result in their websites receiving a higher search result page ranking than ours, internet search engines or other channels that we utilize to direct traffic to our website could revise their methodologies in a manner that adversely impacts traffic to our website, or we may make changes to our website that adversely impact our search engine optimization rankings and traffic. As a result, links to our website may not be prominent enough to drive sufficient traffic to our website, and we may not be able to influence the results.

We may experience a decline in traffic to our website if third-party browser technologies are changed, or search engine or other channels that we utilize to direct traffic to our website change their methodologies or

[Table of Contents](#)

rules, to our disadvantage. We expect the search engines and other channels that we utilize to drive users to our website to continue to periodically change their algorithms, policies, and technologies. These changes may result in an interruption in users' ability to access our website or impair our ability to maintain and grow the number of users who visit our website. We may also be forced to significantly increase marketing expenditures in the event that market prices for online advertising and paid listings escalate or our organic ranking decreases. Any of these changes could have an adverse impact on our business and operating results.

If we or our third-party partners experience a security breach and unauthorized parties obtain access to our users' data, our data, or our platform, networks, or other systems, our platform may be perceived as not being secure, our reputation may be harmed, demand for our platform may be reduced, our operations may be disrupted, we may incur significant legal liabilities, and our business could be adversely affected.

Our business involves the storage, processing, and transmission of users' proprietary, confidential, and personal information as well as the use of third-party partners who store, process, and transmit users' proprietary, confidential, and personal information. We also maintain certain other proprietary and confidential information relating to our business and personal information of our personnel. Any security breach or incident that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our or our users' data, the loss, corruption, or alteration of this data, interruptions in our operations, or damage to our computers or systems or those of our users. Any of these could expose us to claims, litigation, fines, and potential liability. An increasing number of online services have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their services. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we and our third-party partners may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our or our third-party partners' security occurs, public perception of the effectiveness of our security measures and brand could be harmed, and we could lose users. Data security breaches and other data security incidents may also result from non-technical means, for example, actions by employees or contractors, such as freelancers that we engage on our platform to perform services for us. Any compromise of our or our third-party partners' security could result in a violation of applicable privacy and other laws, regulatory or other governmental investigations, enforcement actions, and legal and financial exposure, including potential contractual liability that is not always limited to the amounts covered by our insurance. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures. Any of these effects could adversely impact our business.

Our and our third-party partners' systems may be vulnerable to computer viruses and other malicious software, physical or electronic break-ins, or weakness resulting from intentional or unintentional service provider actions, and similar disruptions that could make all or portions of our website or applications unavailable for periods of time. We may need to expend significant resources to protect against, and to address issues created by, security breaches and other incidents. Security breaches and other security incidents, including any breaches of our security measures or those of parties with which we have commercial relationships (e.g., freelancers or other third-party service providers who provide development or other services to us) that result in the unauthorized access of users' confidential, proprietary or personal information, or the belief that any of these have occurred, could damage our reputation and expose us to a risk of loss or litigation and possible liability. Significant unavailability of our platform due to attacks could cause users to cease using our platform and adversely affect our business. Although we maintain cyber liability insurance, we cannot be certain our coverage will be adequate for liabilities actually incurred or will continue to be available to us on reasonable terms, or at all.

We rely on Amazon Web Services to deliver our platform to our users, and any disruption of service from Amazon Web Services or material change to our arrangement with Amazon Web Services could adversely affect our business.

We currently host our platform, serve our users, and support our operations using Amazon Web Services, or AWS, a provider of cloud infrastructure services. We do not have control over the operations of the facilities of

[Table of Contents](#)

AWS that we use. AWS' facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions to our platform. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. Our platform's continuing and uninterrupted performance is critical to our success. Users may become dissatisfied by any system failure that interrupts our ability to provide our platform to them. We may not be able to easily switch our AWS operations to another cloud or other data center provider if there are disruptions or interference with our use of AWS, and, even if we do switch our operations, other cloud and data center providers are subject to the same risks. Sustained or repeated system failures would reduce the attractiveness of our platform to users, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our platform. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service.

AWS does not have an obligation to renew its agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements on commercially reasonable terms, our agreements are prematurely terminated, or we add additional infrastructure providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center providers. If these providers increase the cost of their services, we may have to increase the fees to use our platform, and our operating results may be adversely impacted.

In addition, we and other customers of AWS have been subject to litigation by third parties claiming that AWS and basic HTTP functions infringe their patents. Although we expect Amazon to indemnify us with respect to at least a portion of such claims, the litigation may be time consuming, it may divert management's attention, and, if Amazon failed to indemnify us, it may adversely impact our operating results.

Failure to comply with anti-corruption, anti-money laundering, and sanctions laws, including the FCPA and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences.

We have voluntarily implemented an anti-money laundering program designed to address the risk of our platform being used to facilitate money laundering, terrorist financing, and other illicit activity. We also have policies, procedures, and sophisticated technology designed to comply with U.S. economic sanctions laws and prevent our platform from being used to facilitate business in countries, or with persons or entities, included on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, and equivalent foreign authorities. Although we have a program that we believe is reasonably designed to allow us to comply with applicable laws, rules, and regulations, we may still be subject to fines or other penalties in one or more jurisdictions levied by federal or state or local regulators, including state attorneys general, as well as those levied by foreign regulators in the event that we engage in any conduct, intentionally or not, that facilitates money laundering, terrorist financing, or other illicit activity, or that violates sanctions or otherwise constitutes sanctionable activity. Moreover, while we have implemented policies and procedures for compliance with OFAC regulations, given the technical limitations in developing controls to prevent, among other things, the ability of users to place on our platform false or deliberately misleading information or to develop sanctions evasion methods, it is possible that we may inadvertently and without our knowledge provide services to individuals or entities that have been designated by OFAC or are located in a country subject to an embargo by the United States that may not be in compliance with the economic sanctions regulations administered by OFAC. A State Department advisory issued in July 2018 stated that "there are cases where North Korean companies exploit the anonymity provided by freelancing websites to sell their IT services to unwitting buyers." Additionally, recent press reports have stated that North Korean operatives have used various social media applications and freelancing websites, including ours. Accordingly, although we have controls in place to detect and prevent such OFAC violations and our systems show no access from persons in North Korea, we may face higher levels of scrutiny by users, partners, and regulators due to the publishing of this advisory and such press reports. In addition to fines, penalties for failing to comply with applicable rules and regulations could include criminal and

civil lawsuits, forfeiture of significant assets, or other enforcement actions. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny. In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation and could cause us to lose existing users, prevent us from obtaining new users, cause payment partners to choose to terminate or not renew their agreements with us, require us to expend significant funds to remedy problems caused by violations and to avert further violations, and expose us to legal risk and potential liability. Further, even if we maintain proper controls and remain in compliance with OFAC regulations, should any of our competitors not implement sufficient OFAC controls and be found to have violated OFAC regulations, user perception of online freelance marketplaces in general may decrease and our business, brand, and reputation may be adversely affected.

We are also subject to the United States Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and the United Kingdom Bribery Act 2010, and may be subject to other anti-bribery, anti-money laundering, and sanctions laws in countries in which we conduct activities or have users. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit companies and their agents and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We intend to implement an anti-corruption compliance policy prior to this offering, and we cannot ensure that all of our employees, users, and agents, as well as those contractors to which we outsource certain of our business operations, will not take actions in violation of our policies or agreements and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-corruption laws, and other applicable laws could result in investigations and actions by federal or state attorneys general or foreign regulators, loss of export privileges, severe criminal or civil fines and penalties or other sanctions, forfeiture of significant assets, whistleblower complaints, and adverse media coverage, which could have an adverse effect on our reputation, business, operating results, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

Errors, defects, or disruptions in our platform could diminish demand, adversely impact our financial results, and subject us to liability.

Our users utilize our platform for important aspects of their businesses, and any errors, defects, or disruptions in our platform, or other performance problems with our platform could harm our brand and reputation and may damage the businesses of users. We are also reliant on third-party software and infrastructure, including the infrastructure of the internet, to provide our platform. Any failure of or disruption to this software and infrastructure could also make our platform unavailable to our users. Our platform is constantly changing with new updates, which may contain undetected errors when first introduced or released. Any errors, defects, disruptions in service, or other performance or stability problems with our platform could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, our inability to timely and accurately maintain our financial records, inaccurate or delayed invoicing of clients, delay of payment to us or freelancers, or claims by users for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help resolve the issue. Accordingly, any errors, defects, or disruptions in our platform could adversely impact our brand and reputation, revenue, and operating results.

Changes in laws or regulations relating to privacy or the protection or transfer of personal data, or any actual or perceived failure by us to comply with such laws and regulations or our privacy policies, could adversely affect our business.

We receive, collect, store, process, transfer, and use personal information and other user data. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other content, the scope of which are changing, subject to differing interpretations, and may be inconsistent among countries, or conflict with other laws and regulations. We are also subject to the terms of our privacy policies and obligations to third parties related to privacy, data protection, and information security. We strive to comply with applicable laws, regulations, policies, and other legal obligations relating to privacy, data protection, and information security to the extent possible. However, the regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Further, any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of our users' data, or their interpretation, or any changes regarding the manner in which the express or implied consent of users for the collection, use, retention, or disclosure of such data must be obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new services and features.

We also expect that there will continue to be new laws, regulations, and industry standards concerning data privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, European legislators adopted the General Data Protection Regulation, or GDPR, which became effective in May 2018, superseded existing European Union data protection legislation, imposes more stringent European Union data protection requirements, and provides for significant penalties for noncompliance. The GDPR created new compliance obligations applicable to our business and users, which could cause us to change our business practices, and increases financial penalties for noncompliance (including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious violations). Additionally, in June 2018, California passed the California Consumer Privacy Act, or CCPA, which provides new data privacy rights for consumers and new operational requirements for companies, effective in 2020. Fines for noncompliance may be up to \$7,500 per violation. The costs of compliance with, and other burdens imposed by, the GDPR and CCPA may limit the use and adoption of our products and services and could have an adverse impact on our business. As a result, we may need to modify the way we treat such information. Further, the United Kingdom initiating a process to leave the European Union has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom has proposed a Data Protection Bill that would be substantially consistent with the GDPR, this bill remains in the legislative process in the United Kingdom and it remains unclear whether it will be enacted or what it will provide for if enacted.

Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to users or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform.

Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise have an adverse effect on our reputation and business. Further, public scrutiny of or complaints about technology companies or their data handling or data

protection practices, even if unrelated to our business, industry, or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

The applicability of sales, use, and other tax laws or regulations on our business is uncertain. Adverse tax laws or regulations could be enacted or existing laws could be interpreted as applying or otherwise applied to us or users of our platform, which could subject us to additional tax liability and related interest and penalties, and adversely impact our business.

The application of federal, state, local, and international tax laws to services provided over the internet is evolving. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the internet and ecommerce. In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes. New income, sales, use, value-added, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services provided over the internet or could otherwise affect our financial position and operating results. Many countries in the European Union, as well as a number of other countries and organizations, such as the Organization for Economic Cooperation and Development, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could impact our tax obligations. In addition, tax reform legislation commonly referred to as the Tax Cuts and Jobs Act, or the Tax Act, was enacted in the United States in December 2017. We continue to review the impact of these tax reforms on our business. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain.

We may also be subject to non-income taxes, such as payroll, sales, use, value-added, and goods and services taxes in the United States and various foreign jurisdictions. In certain jurisdictions, we collect and remit indirect taxes on our fees. However, tax authorities may raise questions about, challenge or disagree with our calculation, reporting, or collection of taxes and may require us to remit additional taxes and interest, and could impose associated penalties and fees. Should any new taxes become applicable, or if the taxes we pay are found to be deficient, our business could be adversely impacted. We have in the past been, and may in the future be, audited by tax authorities with respect to non-income taxes, and we may have exposure to additional non-income tax liabilities, which could have an adverse effect on our operating results and financial condition. In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, the effectiveness of our tax planning strategies, or changes in tax laws or their interpretation. Such changes could have an adverse impact on our financial condition.

Moreover, state, local, and foreign tax jurisdictions have differing rules and regulations governing sales, use, value-added, and other taxes, and these rules and regulations can be complex and are subject to varying interpretations and enforcement positions that may change over time. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our users to pay additional tax amounts on prior sales and going forward, as well as require us or our users to pay fines, penalties, and interest for past amounts. Although our terms of service require our users to pay all applicable sales and other taxes and to indemnify us for any requirement that we pay any withholding amount to the appropriate authorities, our users may be reluctant to pay back taxes and associated interest or penalties and may fail to indemnify us, we may determine that it would not be commercially feasible or cost-effective to seek reimbursement, or the indemnification obligation may be deemed unenforceable. If we are required to collect and pay back taxes and associated interest and penalties, or we are unsuccessful in collecting such amounts from our users, we could incur potentially substantial unplanned expenses, thereby adversely impacting our operating results and cash flows.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely impact our operating results in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

Failure to protect our intellectual property could adversely affect our business.

Our success depends in large part on our proprietary technology and data. We rely on various intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as confidentiality provisions and contractual arrangements, to protect our proprietary rights. If we do not protect and enforce our intellectual property rights successfully, our competitive position may suffer, which could adversely impact our operating results.

Our pending patent or trademark applications may not be approved, or competitors or others may challenge the validity, enforceability, or scope of our patents, the registrability of our trademarks, or the trade secret status of our proprietary information. There can be no assurance that additional patents will be issued or that any patents that are issued will provide significant protection for our intellectual property. In addition, our patents, copyrights, trademarks, trade secrets, and other intellectual property rights may not provide us a significant competitive advantage. There is no assurance that the particular forms of intellectual property protection that we seek, including business decisions about when to file patents and when and how to maintain and protect trade secrets, will be adequate to protect our business.

Moreover, recent amendments to, developing jurisprudence regarding, and possible changes to intellectual property laws and regulations, including U.S. and foreign patent law, may affect our ability to protect and enforce our intellectual property rights. In addition, the laws of some countries do not provide the same level of protection for our intellectual property as do the laws of the United States. As our global reputation grows and/or we expand our international activities, our exposure to unauthorized copying and use of our platform and proprietary information will likely increase. Despite our precautions, our intellectual property is vulnerable to unauthorized access through employee or third-party error or actions, theft, cyber security incidents, and other security breaches and incidents. It is possible for third parties to infringe upon or misappropriate our intellectual property, to copy our platform, and to use information that we regard as proprietary to create products and services that compete with ours. Effective intellectual property protection may not be available to us in every country in which our platform is available. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Further, certain countries impose additional conditions on the transfer of intellectual property rights from individuals to companies, which may make it more difficult for us to secure and maintain intellectual property protection in those countries. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could be costly, time consuming, and distracting to management and could impair our business or adversely affect our domestic or international expansion. Moreover, we may not pursue or file patent applications or apply for registration of copyrights or trademarks in the United States and foreign jurisdictions in which we have a presence with respect to our potentially patentable inventions, works of authorship, and marks and logos for a variety of reasons, including the cost of procuring such rights and the uncertainty involved in obtaining adequate protection from such applications and registrations. If we cannot adequately protect and defend our intellectual property, we may not remain competitive, and our business, operating results, and financial condition may be adversely affected.

We enter into confidentiality and invention assignment or intellectual property ownership agreements with our employees and contractors and enter into confidentiality agreements with other parties. In addition, for employees of third-party staffing providers or other contractors, the employer enters into these agreements with individual workers. We cannot ensure that these agreements, or all the terms thereof, will be enforceable or compliant with applicable law, or otherwise effective in controlling access to, use of, and distribution of our proprietary information or in effectively securing exclusive ownership of intellectual property developed by our current or former employees and contractors. For example, when working with contractors, particularly those who are off-site, it may be more difficult to control use of confidential materials, increasing the risk that our source code or other confidential or trade secret information may be exposed. Further, these agreements with our employees, contractors and other parties may not prevent other parties from independently developing technologies that are substantially equivalent or superior to our platform.

We may need to spend significant resources securing and monitoring our intellectual property rights, and we may or may not be able to detect infringement by third parties. Our competitive position may be adversely

impacted if we cannot detect infringement or enforce our intellectual property rights quickly or at all. In some circumstances, we may choose not to pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. We have in the past been forced to rely on litigation, opposition, and cancellation actions, and other claims and enforcement actions, to protect our intellectual property, including to dispute registration or use of marks that may be confusingly similar to our own marks. Similar claims and other litigation may be necessary in the future to enforce and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses; counterclaims attacking the scope, validity, and enforceability of our intellectual property rights; or counterclaims and countersuits asserting infringement by us of third-party intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business, and we could lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others.

We are vulnerable to intellectual property infringement claims and challenges to our intellectual property rights brought against us by third parties.

We operate in a highly competitive industry, and there has been considerable activity in our industry to develop and enforce intellectual property rights. Successful intellectual property infringement claims against us or our users or clients could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that aspects of our platform, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties. We have in the past been, and may in the future be, subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. Our competitors have in the past challenged, and may in the future challenge, our registration or use of our trademarks, including “Upwork,” and, if successful, such a challenge could adversely affect our business. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to cease selling or using products and services that incorporate the intellectual property that we allegedly infringe, make substantial payments for legal fees, settlement payments, or other costs or damages, obtain a license to sell or use the relevant technology, which may not be available on reasonable terms or at all, or redesign the allegedly infringing products and services to avoid infringement, which could be costly, time-consuming, or impossible. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering aspects of our platform, or require that we comply with other unfavorable terms. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. We may also be obligated to indemnify certain clients on our platform or strategic partners or others in connection with such infringement claims, or to obtain licenses from third parties or modify our platform, and each such obligation could further exhaust our resources. Some of our infringement indemnification obligations related to intellectual property are contractually capped at a very high amount or not capped at all.

Any lawsuits resulting from allegations of intellectual property infringement could subject us to significant legal costs and liability for damages and invalidate our proprietary rights. Any potential future intellectual property disputes or litigation also could force us to do one or more of the following:

- cease conducting certain operations in some or all jurisdictions, or stop using technology that contains the allegedly infringing intellectual property;
- stop using the name “Upwork” or other trademarks in some or all jurisdictions;
- incur significant legal expenses;
- pay substantial damages to the party whose intellectual property rights we may be found to be infringing;

[Table of Contents](#)

- make expensive changes in our methods of doing business; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results. We expect that the occurrence of infringement claims is likely to grow as the market for freelancers and the clients that engage them grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources.

Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.

To grow our business, we anticipate that we will need to continue to establish and maintain relationships with third parties, such as staffing providers, banks, and payment processing and disbursement providers. For example, we work with third-party staffing providers that support our employment offering for our platform and premium offerings. As our agreements with third-party partners terminate or expire, we may be unable to renew or replace these agreements on comparable terms, or at all. Moreover, we cannot guarantee that the parties with which we have strategic relationships will continue to devote the resources necessary to expand our reach, increase our distribution or support an increased number of users and associated use cases. Further, some of our strategic partners offer, or could offer, competing products and services or also work with our competitors. As a result of these factors, many of our third-party partners may choose to develop alternative products and services in addition to, or in lieu of, our platform, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete or to grow our total revenue could be impaired and our operating results may be adversely impacted. Even if we are successful in establishing and maintaining these relationships with third parties, we cannot ensure that these relationships will result in increased usage of our platform or increased revenue.

Our ability to attract and retain users is dependent in part on ease and reliability of use and the quality of our support, and any failure to offer high-quality support could adversely impact our business, operating results, and financial condition.

Our ability to attract and retain users is dependent in part on the ease and reliability of our platform, including our ability to provide high-quality support. Our users depend on our support organization to resolve any issues relating to our platform. Our ability to provide effective support is largely dependent on our ability to attract, resource, and retain service providers who are not only qualified to support users of our platform, but are also well versed in our platform. As we seek to continue to grow our international user base, our support organization will face additional challenges, including those associated with delivering support and documentation in languages other than English. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our platform to existing and prospective users, and could adversely impact our business, operating results, and financial condition.

Our business model may subject us to disputes between users of our platform.

Our business model involves connecting freelancers and clients that contract directly through our platform. Freelancers and clients are free to negotiate any contract terms they choose, but we also provide optional service contract terms that they can use. It is possible that disputes may arise between freelancers and clients with regard to their contract terms, or otherwise, including with respect to service standards, payment, confidentiality, work product, and intellectual property ownership and infringement. If either party believes the contract terms were not met, our standard terms provide a mechanism for the parties to request assistance from us, and, for some contracts, if that is unsuccessful, they may choose to resolve the dispute with the help of a third-party arbitrator.

[Table of Contents](#)

Whether or not freelancers and clients decide to seek assistance from us, if these disputes are not resolved amicably, the parties might escalate to formal proceedings, such as by filing claims with a court or arbitral authority. Given our role in facilitating and supporting these arrangements, it is possible that claims will be brought against us directly as a result of these disputes, or that freelancers or clients may bring us into any claims filed against each other. We include language in our user agreements disclaiming responsibility or liability for any disputes between users (except with respect to the specified dispute assistance program); however, we cannot guarantee that these terms will, in all circumstances, be effective in preventing or limiting our involvement in user disputes. Even if these claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

Our business depends largely on our ability to attract and retain talented employees, including senior management and key personnel. If we lose the services of Stephane Kasriel, our President and Chief Executive Officer, or other members of our senior management team, we may not be able to execute on our business strategy.

Our future success depends on our continuing ability to attract, train, assimilate, and retain highly-skilled personnel, including software engineers and sales personnel. We face intense competition for qualified individuals from numerous software and other technology companies. In addition, competition for qualified personnel, particularly software engineers, is particularly intense in the San Francisco Bay Area, where our headquarters are located. We may not be able to retain our current key employees or attract, train, assimilate, or retain other highly-skilled personnel in the future. We may incur significant costs to attract and retain highly-skilled personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. To the extent we move into new geographies, we would need to attract and recruit skilled personnel in those areas. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, on a timely basis or at all, our business may be adversely affected.

Our future success also depends in large part on the continued services of senior management and other key personnel. In particular, we are dependent on the services of Stephane Kasriel, our President and Chief Executive Officer, and our technology, platform, future vision, and strategic direction could be compromised if he were to take another position, become ill or incapacitated, or otherwise become unable to serve as our President and Chief Executive Officer. We rely on our leadership team in the areas of product, engineering, operations, security, marketing, sales, support, and general and administrative functions. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason, and without notice. Historically, we have maintained, and currently we maintain, a key-person life insurance policy only on our President and Chief Executive Officer. If we lose the services of senior management or other key personnel, or if we are unable to attract, train, assimilate, and retain the highly-skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

Volatility or lack of appreciation in our stock price may also affect our ability to attract new talent and retain our key employees. Many of our senior personnel and other key employees have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own, or the shares underlying their vested options, have significantly appreciated in value relative to the original purchase price of the shares or the exercise price of the options, or conversely, if the exercise price of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, or if we need to increase our compensation expenses to retain our employees, our business, operating results, financial condition, and cash flows could be adversely affected.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a

[Table of Contents](#)

public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and operating results.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain additional executive management and qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of The Nasdaq Global Market, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve or otherwise change over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards (or changing interpretations of them), and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected. We also expect that being a public company and the associated rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit, risk, and compliance committee, compensation committee, and nominating and governance committee, and qualified executive officers.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

In addition, as a result of our disclosure obligations as a public company, we will have reduced flexibility and will be under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

[Table of Contents](#)

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal control over financial reporting. We have identified a material weakness in our internal control over financial reporting and if our remediation of this material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

As a public company, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting, provided that our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the later of the date we are deemed to be an “accelerated filer” or a “large accelerated filer,” each as defined in the Exchange Act, or the date we are no longer an emerging growth company, as defined in the JOBS Act. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

In connection with the preparation of our consolidated financial statements, we identified a number of adjustments to our consolidated financial statements that resulted in a revision to previously issued financial statements. As a result of these adjustments, for the year ended December 31, 2016, net loss increased by \$0.3 million and cash flows from operations decreased by \$0.3 million. There was no impact to cash flows from investing or financing activities for the year ended December 31, 2016. Moreover, total assets decreased by \$0.5 million and total liabilities increased by \$0.7 million as of December 31, 2016. These adjustments were related to complexities involving the accounting for financial instruments and treasury activities. We identified the cause of these adjustments was due to growth in the business, which required additional qualified accounting personnel with an appropriate level of experience, and additional controls in the period-end financial reporting process commensurate with the complexity of the business. Accordingly, we have determined that this control deficiency constituted a material weakness in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis. This deficiency could result in additional misstatements to our consolidated financial statements that would be material and would not be prevented or detected on a timely basis.

We have begun evaluating and implementing additional procedures in order to remediate this material weakness, however, we cannot assure you that these or other measures will fully remediate the material weakness in a timely manner. At the beginning of 2016, we had 15 accounting and finance employees. As part of our remediation plan to address the material weakness identified above, we hired a new Chief Financial Officer in October 2017 and subsequently hired additional accounting and finance employees with the specific technical accounting and financial reporting experience necessary for a public company, including a senior director of technical accounting, a senior manager of accounting operations, and additional treasury analysts. We have hired

[Table of Contents](#)

these personnel after considering the appropriateness of each individual's experience and believe that these personnel are qualified to serve in their current respective roles. As of July 31, 2018, we had 25 accounting and finance employees. We believe the current staffing in our accounting and finance department is sufficient to meet our requirements as a public company. However, we will continue to assess the adequacy of our accounting and finance personnel and resources, and will add additional personnel, as well as adjust our resources, as necessary, commensurate with any increase in the size and complexity of our business. We also increased the depth and level of review procedures with regard to financial reporting and internal control procedures. Despite this, there was insufficient time to remediate this material weakness. If we are unable to remediate the material weakness, or otherwise maintain effective internal control over financial reporting, we may not be able to report our financial results accurately, prevent fraud or file our periodic reports in a timely manner. If our remediation of this material weakness is not effective, or if we experience additional material weaknesses or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock. We cannot assure you that all of our existing material weaknesses have been identified, or that we will not in the future identify additional material weaknesses.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. During the evaluation and testing process, if we identify material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, including as a result of the material weakness described above, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Global Market.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our operating results could be adversely affected.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity as of the date of the financial statements, and the amount of revenue and expenses, during the periods presented, that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to determination of revenue recognition, the useful lives of assets, assessment of the recoverability of long-lived assets, goodwill impairment, allowance for doubtful accounts, reserves relating to transaction losses, the valuation of warrants, stock-based compensation, and accounting for income taxes. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our common stock.

Additionally, we regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards, and changes in interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business,

financial position, and profit, or cause an adverse deviation from our revenue and operating profit target, which may negatively impact our financial results.

Our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which could adversely impact our operating results.

We may expand the geographic scope of our operations and staff to support our global user base. Our corporate structure and associated transfer pricing policies contemplate future growth into international markets, and consider the functions, risks, and assets of the various entities involved in the intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to the intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

U.S. federal income tax reform could adversely affect us.

In December 2017, the Tax Act was enacted, which significantly reforms the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. The Tax Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and the use of net operating losses generated in tax years beginning after December 31, 2017, allows for the expensing of capital expenditures, and puts into effect the migration from a “worldwide” system of taxation to a territorial system. The Tax Act could have material adverse impacts on our business, cash flows, operating results or financial conditions, and we continue to examine the impact such reform may have.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2017, we had net operating loss carryforwards for U.S. federal income tax purposes and state income tax purposes of \$172.9 million and \$38.5 million, respectively, available to offset future taxable income. If not utilized, the federal net operating loss carryforward amounts will begin to expire in 2019, and the state net operating loss carryforward amounts will begin to expire in 2028. Realization of these net operating loss carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our operating results.

In addition, under Sections 382 and 383 of the Internal Revenue Code, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry-forwards and other tax attributes to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

We have not yet determined the consequences to our business of the Tax Act, which could have a material impact on the value of our deferred tax assets and could increase our future U.S. tax expense. For more information, see Note 12 of the notes to our consolidated financial statements. However, we anticipate that any adjustment to provisional amounts recorded would be fully offset by a corresponding change to our valuation allowance.

Our platform contains open source software components, and failure to comply with the terms of the underlying licenses could restrict our ability to market or operate our platform.

Our platform incorporates certain open source software. An open source license typically permits the use, modification, and distribution of software in source code form subject to certain conditions. Some open source licenses contain conditions that any person who distributes a modification or derivative work of software that was subject to an open source license make the modified version subject to the same open source license. Distributing software that is subject to this kind of open source license can lead to a requirement that certain aspects of our platform be distributed or made available in source code form. Although we do not believe that we have used open source software in a manner that might condition its use on our distribution of any portion of our platform in source code form, the interpretation of open source licenses is legally complex and, despite our efforts, it is possible that we may be liable for copyright infringement, breach of contract or other claims if our use of open source software is adjudged not to comply with the applicable open source licenses.

Moreover, we cannot ensure that our processes for controlling our use of open source software in our platform will be effective. If we have not complied with the terms of an applicable open source software license, we may need to seek licenses from third parties to continue offering our platform and the terms on which such licenses are available may not be economically feasible, to re-engineer our platform to remove or replace the open source software, to discontinue the sale of our platform if re-engineering could not be accomplished on a timely basis, to pay monetary damages, or to make available the source code for aspects of our proprietary technology, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, use of open source software can involve greater risks than those associated with use of third-party commercial software, as open source licensors generally do not provide warranties, assurances of title, performance, or non-infringement, or controls on the origin of the software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our platform.

Clients may fail to pay their invoices, necessitating action by us to compel payment.

In connection with our Upwork Enterprise offering, we advance payments to freelancers for invoiced services on behalf of the client and subsequently invoice the client for such services. In addition, in certain instances, we will advance payment on a freelancer invoice if the client issues a chargeback or their payment method is declined and the freelancer assigns us the right to recover any funds from the client. If a client fails to pay for these services rendered by a freelancer, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the applicable enterprise agreement or our terms of service, including through litigation. Furthermore, some clients may seek bankruptcy protection or other similar relief and fail to pay amounts due, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position, and cash flow.

We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We track certain performance metrics, including GSV, the number of core clients, and client spend retention, with internal tools, which are not independently verified by any third party. Our internal tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we report. If the internal tools we use to track

[Table of Contents](#)

these metrics undercount or overcount performance or contain algorithm or other technical errors, the data we report may not be accurate. In addition, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our longer term strategies. If our performance metrics are not accurate representations of our business, user base, or traffic levels; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, our reputation may be harmed, and our operating and financial results could be adversely affected.

We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions. We may acquire or invest in additional companies, which may divert our management's attention, result in additional dilution to our stockholders, and consume resources that are necessary to sustain our business.

Our business strategy may, from time to time, include acquiring other complementary products, technologies, or businesses. An acquisition, investment, or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, services, personnel, or operations of the acquired companies particularly if the key personnel of the acquired companies choose not to work for us, if an acquired company's software is not easily adapted to work with ours, or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for the development of our business. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown liabilities.

We may in the future seek to acquire or invest in additional businesses, products, technologies, or other assets. We also may enter into relationships with other businesses to expand our platform or our ability to provide our platform in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time consuming, difficult, and expensive, and our ability to close these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders' ownership interest;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur expenses or substantial liabilities;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures;
- encounter difficulties in assimilating acquired operations and development cultures;
- encounter diversion of management's attention to other business concerns; and
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

Any of these risks could adversely impact our business and operating results.

We may be required to comply with governmental export control laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business and operating results.

We may be subject to U.S. export controls and sanctions regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons targeted by U.S. sanctions. While we take precautions to prevent aspects of our platform from being exported in violation of these laws, including implementing internet protocol address blocking, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us.

[Table of Contents](#)

In addition, various countries regulate the import and export of certain encryption and other technology, including imposing import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute aspects of our platform or could limit our users' ability to access our platform in those countries. Changes in our platform, or future changes in export and import regulations may prevent our international users from utilizing our platform or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by existing or potential users with international operations. Any decreased use of our platform or limitation on our ability to export or sell our products would likely adversely affect our business, operating results, and financial results.

Future litigation could have a material adverse impact on our operating results and financial condition.

From time to time, we have been subject to litigation. The outcome of any litigation (including class actions and individual lawsuits), regardless of its merits, is inherently uncertain. Regardless of the merits of any claims that may be brought against us, pending or future litigation could result in a diversion of management's attention and resources and reputational harm, and we may be required to incur significant expenses defending against these claims. If we are unable to prevail in litigation, we could incur substantial liabilities. We may also determine that the most cost-effective and efficient way to resolve a dispute is to enter into a settlement agreement. Where we can make a reasonable estimate of the liability relating to pending litigation and determine that it is probable, we record a related liability. As additional information becomes available, we assess the potential liability and revise estimates as appropriate. However, because of uncertainties relating to litigation, the amount of our estimates could be wrong as determining reserves for pending litigation is a complex, fact-intensive process that is subject to judgment calls. Any adverse determination related to litigation or a settlement agreement could require us to change our technology or our business practices in costly ways, prevent us from offering certain products or services, require us to pay monetary damages, fines, or penalties, or require us to enter into royalty or licensing arrangements, and could adversely affect our operating results and cash flows, harm our reputation, or otherwise negatively impact our business.

Our Loan Agreement provides our lender with a first-priority lien against substantially all of our assets (excluding our intellectual property), and contains financial covenants and other restrictions on our actions, which could limit our operational flexibility and otherwise adversely affect our financial condition.

Our Loan Agreement restricts our ability to, among other things:

- incur additional indebtedness;
- sell certain assets;
- declare dividends or make certain distributions; and
- undergo a merger or consolidation or other transactions.

In addition, the interest rates we pay under our Loan Agreement are derived from the prime rate, which has increased recently, and may increase in the future. Interest rate increases will result in us having to make higher interest payments and reduce the amount of working capital available to us. Our Loan Agreement also prohibits us from falling below an adjusted quick ratio and below certain quarterly EBITDA thresholds. Our ability to comply with these EBITDA thresholds and other covenants is dependent upon our future business performance.

Our failure to comply with the covenants or payment requirements, or the occurrence of other events specified in our Loan Agreement, could result in an event of default under the credit agreement, which would give our lender the right to terminate their commitments to provide additional loans under the credit agreement and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, we have granted our lender first-priority liens against substantially all of our assets, as collateral, excluding our intellectual property (but including proceeds therefrom) and the funds and assets held by Upwork Escrow. We have also agreed to a negative pledge on our intellectual property. Failure to comply with the covenants or other

[Table of Contents](#)

restrictions in the credit agreement could result in a default. If the debt under our credit agreement was to be accelerated, we may not have sufficient cash on hand or be able to sell sufficient collateral to repay it, which would have an immediate adverse effect on our business and operating results. This could potentially cause us to cease operations and result in a complete loss of your investment in our common stock.

We may require additional capital to fund our business and support our growth, and any inability to generate or obtain such capital may adversely affect our operating results and financial condition.

In order to support our growth and respond to business challenges, such as developing new features or enhancements to our platform, acquiring new technologies, and improving our infrastructure, we have made significant financial investments in our business and we intend to continue to make such investments. As a result, we may need to engage in equity or debt financings to provide the funds required for these investments and other business endeavors. If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution and these securities could have rights, preferences, and privileges that are superior to that of holders of our common stock. If we obtain additional funds through debt financing, we may not be able to obtain such financing on terms favorable to us. Such terms may involve restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be adversely affected, requiring us to delay, reduce, or eliminate some or all of our operations.

We are an emerging growth company, and we cannot be certain that the reduced disclosure requirements applicable to emerging growth companies will not make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and, for so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year following the fifth anniversary of this offering; (ii) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more; (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (iv) the date on which we qualify as a “large accelerated filer.”

We cannot predict if investors will find our common stock less attractive or our company less comparable to certain other public companies because we will rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future operating results may not be as comparable to the operating results of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our reported financial results may be adversely affected by changes in U.S. GAAP.

U.S. GAAP is subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

In particular, in May 2014, the FASB issued ASC 606, which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASC 606 is that an entity should

[Table of Contents](#)

recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As an “emerging growth company,” we are allowed under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to take advantage of this extended transition period under the JOBS Act with respect to ASC 606, which will result in ASC 606 becoming effective for us for the year ending December 31, 2019. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

We are evaluating ASC 606 and have not determined the impact it may have on our financial reporting. If, for example, we were required to recognize revenue differently with respect to our subscriptions or professional services, the differential revenue recognition may cause variability in our reported operating results due to periodic or long-term changes in the mix among our subscription offerings.

If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in U.S. dollars, could be adversely affected.

As we expand our international footprint, we become more exposed to the effects of fluctuations in currency exchange rates. Although we expect an increasing number of sales contracts to be denominated in currencies other than the U.S. dollar in the future, all of our sales contracts have historically been denominated in U.S. dollars. However, we offer clients the option to settle invoices denominated in U.S. dollars in Euro, the British Pound, the Australian dollar, or the Canadian dollar, and therefore, our revenue is subject to foreign currency risk. While we currently use derivative instruments to hedge certain exposures to fluctuations in foreign currency exchange rates, the use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, a strengthening of the U.S. dollar could increase the real cost of transacting on our platform to clients located outside of the United States and could result in a loss of such clients, which could adversely affect our business, operating results, financial condition, and cash flows.

We may be adversely affected by natural disasters and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

A significant natural disaster, such as an earthquake, blizzard, hurricane, fire or flood, or other catastrophic events, such as a power loss or telecommunications failure, could have a material adverse impact on our business, financial condition, and operating results. In the event of natural disaster or other catastrophic event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our platform, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity and potentially subject to catastrophic fires. In addition, natural disasters and other catastrophic events could affect our partners’ ability to perform services for users on a timely basis. In the event any such partners’ information technology systems or service abilities are hindered by any of the events discussed above, our ability to provide marketplace and other services may be impaired, resulting in missing financial targets for a particular quarter or year, or longer period. Further, if a natural disaster or other catastrophic event occurs in a region from which we derive a significant portion of our revenue, users in that region may delay or forego use of our marketplace or other services, which may adversely impact our operating results. In addition, acts of terrorism, civil disorder, or military conflict could cause disruptions in our business or the business and activity of our partners, users, or the economy as a whole. These disruptions may be more severe than in the case of natural disasters. All of the aforementioned risks may be augmented if our or our partners’ business continuity and disaster recovery plans prove to be inadequate. To the extent that any of the above results in delays or reductions in marketplace availability, activities or other services, our business, financial condition and operating results would be adversely affected.

Risks Related to this Offering and Ownership of Our Common Stock

There has been no prior public market for our common stock, the stock price of our common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock will be determined through negotiations between the underwriters, us, and the selling stockholders, and may vary from the market price of our common stock following this offering. The market prices of the securities of newly public companies such as ours have historically been highly volatile. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- actual or anticipated fluctuations in our revenue and other operating results;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- negative publicity related to the real or perceived quality of our platform, as well as the failure to timely launch new products and services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of new products or services, commercial relationships, or significant technical innovations;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services or intellectual property rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- the expiration of contractual lock-up or market stand-off agreements; and
- sales of shares of our common stock by us or our stockholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

Participation in this offering by one or more funds affiliated with Dragoneer Investment Group, LLC could reduce the public float for our shares of common stock.

One or more funds affiliated with Dragoneer Investment Group, LLC have indicated an interest in purchasing shares of common stock with an aggregate purchase price of up to \$27.0 million in this offering at the

[Table of Contents](#)

initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, one or more funds affiliated with Dragoneer Investment Group, LLC could determine to purchase more, less, or no shares in this offering, or the underwriters could determine to sell more, less, or no shares to one or more funds affiliated with Dragoneer Investment Group, LLC. The underwriters will receive the same discount on any of our shares of common stock purchased by one or more funds affiliated with Dragoneer Investment Group, LLC as they will from any other shares of common stock sold to the public in this offering.

If one or more funds affiliated with Dragoneer Investment Group, LLC are allocated all or a portion of the shares in which it has indicated an interest in this offering or more, and purchase any such shares, such purchase could reduce the available public float for our shares if such entities hold these shares long term.

Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Sales of a substantial number of shares of our common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act.

Subject to certain exceptions, we, all of our directors and executive officers, the selling stockholders, and substantially all of the holders of our common stock, or securities exercisable for or convertible into our common stock outstanding immediately prior to this offering, are subject to market stand-off agreements with us or have entered into lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions described in the section titled "Underwriting," not to offer, sell, or agree to sell, directly or indirectly, any shares of common stock without the permission of each of Citigroup Global Markets Inc. and Jefferies LLC on behalf of the underwriters, for a period of 180 days from the date of this prospectus. These agreements are subject to certain customary exceptions. When the lock-up period expires, we and our securityholders subject to a lock-up agreement or market stand-off agreement will be able to sell our shares in the public market. In addition, the underwriters may, in their sole discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the lock-up period. See the section titled "Shares Eligible for Future Sale" for more information. Sales of a substantial number of such shares upon expiration of the lock-up and market stand-off agreements, or the perception that such sales may occur, or early release of these agreements, could cause our market price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, as of June 30, 2018, we had stock options outstanding that, if fully exercised, would result in the issuance of 22,932,222 shares of common stock. We also granted options to purchase 2,693,123 shares of our common stock after June 30, 2018 and will grant RSUs settleable for approximately 458,177 shares of our common stock on the date of this prospectus, based upon an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. All of the shares of common stock issuable upon the exercise of stock options or settlement of RSUs, and the shares reserved for future issuance under our equity incentive plans, will be registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance subject to existing lock-up or market stand-off agreements and applicable vesting requirements.

Immediately following this offering, the holders of 55,463,594 shares of our common stock, as of August 31, 2018, have rights, subject to some conditions, to require us to file registration statements for the public resale of the common stock issuable upon conversion of such shares or to include such shares in registration statements that we may file for us or other stockholders.

[Table of Contents](#)

We may also issue our shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, an acquisition, investments, or otherwise. We also expect to grant equity awards to employees, directors, and consultants under our equity incentive plans. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

The concentration of our stock ownership with insiders will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

We anticipate that our executive officers, directors, current 5% or greater stockholders, and affiliated entities will together beneficially own approximately 63.3% of our common stock outstanding after this offering (or 62.7% if the underwriters exercise their option to purchase additional shares in full) as of August 31, 2018. As a result, these stockholders, acting together, will have control over most matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders, including those who purchase shares in this offering, oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of us that other stockholders may view as beneficial.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the price of our common stock would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Even if our stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results.

An active public trading market may not develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on The Nasdaq Global Market, however, an active trading market may not develop following the completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the market price of your shares of common stock. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. We cannot predict the prices at which our common stock will trade. The initial public offering price of our common stock will be determined by negotiations between us, the underwriters, and the selling stockholders, and may not bear any relationship to the market price at which our common stock will trade after this offering or to any other established criteria of the value of our business and prospects.

Because the initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price is substantially higher than the pro forma net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, based on the midpoint of the price range set forth on the cover page of this prospectus, and the issuance by us of 6,818,181 shares of

[Table of Contents](#)

common stock in this offering, you will experience immediate dilution of \$10.29 per share, the difference between the price per share you pay for our common stock and its pro forma net tangible book value per share as of June 30, 2018. Furthermore, if the underwriters exercise their option to purchase additional shares, if outstanding stock options are exercised, if RSUs are settled, if we issue awards to our employees under our equity incentive plans, or if we otherwise issue additional shares of our common stock, you could experience further dilution. See the section titled “Dilution” for additional information.

We will have broad discretion in the use of the net proceeds to us from this offering and may not use them effectively.

We will have broad discretion in the application of the net proceeds to us from this offering, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. If we do not use the net proceeds that we receive in this offering effectively, our business, financial condition, operating results, and prospects could be adversely affected, and the market price of our common stock could decline. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities, such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government that may not generate a high yield for our stockholders. These investments may not yield a favorable return to our investors.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions under the terms of our credit agreement. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the market price of our common stock.

Provisions in our restated certificate of incorporation and restated bylaws that will be in effect immediately following the completion of this offering may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and restated bylaws include provisions that:

- provide that our board of directors will be classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only the chairperson of our board of directors, our chief executive officer, president, lead independent director, or a majority of our board of directors will be authorized to call a special meeting of stockholders;

Table of Contents

- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or DGCL, our restated certificate of incorporation, or our restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Our restated bylaws will also provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find the choice of forum provision contained in our restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely impact our business, operating results, and financial condition.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock. See the section titled "Description of Capital Stock" for additional information.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements contained in this prospectus other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “target,” “plan,” “expect,” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our total revenue, cost of revenue, gross profit or gross margin, operating expenses including changes in operating expenses and our ability to achieve and maintain future profitability;
- our business plan and our ability to effectively manage our growth;
- the widespread adoption of online global marketplaces for freelance work;
- our total market opportunity;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- market acceptance of our platform and our ability to increase adoption of our platform;
- beliefs and objectives for future operations;
- our ability to further attract, retain, and expand a community of users;
- our ability to timely and effectively scale and adapt our platform;
- our ability to develop new products and services and bring them to market in a timely manner and make enhancements to our platform;
- our expectations concerning relationships with third parties;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to continue to expand internationally;
- the effects of increased competition in our markets and our ability to compete effectively;
- future acquisitions or investments in complementary companies, products, services, or technologies;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- economic and industry trends, projected growth, or trend analysis;
- the attraction and retention of qualified service providers;
- the estimates and methodologies used in preparing our consolidated financial statements and determining stock option exercise prices; and
- the future market prices of our common stock.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

[Table of Contents](#)

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this prospectus or to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity, and market size, is based on information from various sources, as well as assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our platform. This information involves important assumptions and limitations, is inherently imprecise, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us. The information contained on, or that can be accessed through, any website listed below is not a part of this prospectus.

This prospectus contains statistical data, estimates, and forecasts that are based on publications or reports generated by third parties, including reports that we commissioned, or other publicly available information, as well as other information based on our internal sources.

The source of, and selected additional information contained in, the independent industry and other publications related to the information so identified are provided below. The information contained on, or that can be accessed through, the websites listed below are not part of this prospectus.

- Accenture, *Technology Vision 2017*, 2017.
- Bureau of Economic Analysis, U.S. Department of Commerce, *Gross Domestic Product by Metropolitan Area*, 2016.
- Bureau of Labor Statistics, *Job Openings and Labor Turnover Survey*, 2017.
- DHI Group, Inc., *Measure of National Mean Vacancy Duration*, June 2018.
- Federal Reserve, *Declining Migration Within the US: The Role of the Labor Market*, 2013.
- Global Workplace Analytics, *Flexjobs, 2017 State of Telecommuting in the U.S. Employee Workforce*, 2017.
- Inavero and Upwork Inc., *2018 Future Workforce Report* (commissioned by Upwork), February 2018.
- McKinsey Global Institute, *A Labor Market that Works: Connecting Talent with Opportunity in the Digital Age*, June 2015. This report can be found at: <https://www.mckinsey.com/featured-insights/employment-and-growth/connecting-talent-with-opportunity-in-the-digital-age>.
- McKinsey Global Institute, *Independent Work: Choice, Necessity, and the Gig Economy*, October 2016. This report can be found at: <https://www.mckinsey.com/featured-insights/employment-and-growth/independent-work-choice-necessity-and-the-gig-economy>.
- McKinsey Global Institute, *The Emerging Global Labor Market: Part 1—The Demand for Offshore Talent in Services*, June 2005. This report can be found at: <https://www.mckinsey.com/featured-insights/employment-and-growth/the-emerging-global-labor-market-demand-for-offshore-talent>.
- The NFIB Research Foundation, *Small Business Economic Trends*, © NFIB Research Center, April 2018.
- Oxford Internet Institute, *Online Labour Index*, 2017.
- United States Census Bureau, *How Do We Know? Working at Home is on the Rise*, June 2013.
- World Economic Forum, *Center for the Fourth Industrial Revolution*.

USE OF PROCEEDS

We estimate that the net proceeds from the sale by us of 6,818,181 shares of common stock that we are selling in this offering at an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$63.7 million, or \$74.2 million if the underwriters' option to purchase additional shares is exercised in full.

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders, although we will bear the costs, other than underwriting discounts and commissions, associated with the sale of these shares.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share would increase (decrease) the net proceeds to us from this offering by approximately \$6.3 million, assuming the number of shares of our common stock offered by us remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of our common stock offered by us would increase (decrease) the net proceeds from this offering by approximately \$10.2 million, assuming that the assumed initial public offering price of \$11.00 remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to create a public market for our common stock, increase our visibility in the marketplace, obtain additional capital, and increase our capitalization and financial flexibility. We currently intend to use the net proceeds we receive from this offering primarily for working capital and other general corporate purposes, which may include product development, general and administrative matters, and capital expenditures. We also intend to use a portion of the net proceeds we receive from this offering to repay approximately \$10.0 million of indebtedness under our Loan Agreement. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions, or businesses that complement our business. However, we do not have agreements or commitments for any acquisitions or investments outside the ordinary course of business at this time.

The approximately \$10.0 million of outstanding indebtedness that we intend to repay under our Loan Agreement represents \$10.0 million of outstanding indebtedness under a revolving line of credit. The \$10.0 million under the revolving line of credit is scheduled to mature in September 2020, and interest on such borrowings accrues at a fixed per annum rate equal to the prime rate. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Term and Revolving Loans."

We will have broad discretion over the uses of the net proceeds that we receive from this offering. Pending these uses, we intend to invest the net proceeds that we receive from this offering in short-term, investment-grade interest-bearing securities, such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. In addition, our Loan Agreement contains restrictions on our ability to pay cash dividends on our capital stock.

CAPITALIZATION

The following table sets forth our cash and capitalization as of June 30, 2018, on:

- an actual basis;
- a pro forma basis, which reflects (i) the automatic conversion of 61,279,079 outstanding shares of our convertible preferred stock as of June 30, 2018 into the same number of shares of our common stock, (ii) the automatic conversion of an outstanding warrant exercisable for 398,331 shares of our convertible preferred stock as of June 30, 2018 into a warrant exercisable for the same number of shares of common stock upon the completion of this offering, and (iii) the filing and effectiveness of our restated certificate of incorporation; and
- a pro forma as adjusted basis, which reflects (i) all adjustments included in the pro forma column, (ii) the sale by us of 6,818,181 shares of our common stock in this offering at an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, net of \$1.6 million of offering costs paid as of June 30, 2018, (iii) the reclassification of \$3.2 million of deferred offering costs recorded in other assets, noncurrent on the consolidated balance sheet to additional paid-in capital, (iv) the application of such proceeds as described in the section titled “Use of Proceeds,” and (v) the issuance of 102,235 shares of our common stock to certain selling stockholders upon the exercise of stock options in order to sell such shares in this offering, including net proceeds of \$0.3 million received by us in connection with the exercise of such options.

You should read this table together with our consolidated financial statements and related notes, “Selected Consolidated Financial and Other Data,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” each included elsewhere in this prospectus.

	As of June 30, 2018		Pro Forma as Adjusted ⁽¹⁾
	Actual	Pro Forma	
	(in thousands, except share and per share data)		
Cash	\$ 31,331	\$ 31,331	\$86,990
Debt, current and non-current	\$ 33,884	\$ 33,884	\$23,884
Redeemable convertible preferred stock warrant liability	1,463	—	—
Redeemable convertible preferred stock, \$0.0001 par value per share; 76,141,345 shares authorized, 61,279,079 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma as adjusted	166,486	—	—
Stockholders’ (deficit) equity:			
Preferred stock, \$0.0001 par value per share; no shares authorized, issued, and outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, \$0.0001 par value per share; 150,000,000 shares authorized, 35,880,003 shares issued and outstanding, actual; 490,000 shares authorized, 97,159,082 shares issued and outstanding, pro forma; 104,079,498 shares issued and outstanding, pro forma as adjusted	4	10	10
Additional paid-in capital	100,173	268,116	332,179
Accumulated deficit	(130,788)	(130,788)	(130,788)
Total stockholders’ (deficit) equity	(30,611)	137,338	201,401
Total capitalization	<u>\$ 171,222</u>	<u>\$ 171,222</u>	<u>\$225,285</u>

⁽¹⁾ The pro forma as adjusted information presented is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00

[Table of Contents](#)

per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash, additional paid-in capital, total stockholders' (deficit) equity, and total capitalization by \$6.3 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of our common stock offered by us would increase (decrease) the amount of our pro forma as adjusted cash, additional paid-in capital, total stockholders' (deficit) equity, and total capitalization by \$10.2 million, assuming that the assumed initial public offering price remains the same, after deducting the estimated underwriting discounts and commissions payable by us. If the underwriters' option to purchase additional shares from us is exercised in full, the pro forma as adjusted amount of each of cash, additional paid-in capital, total stockholders' (deficit) equity, and total capitalization would increase by \$10.5 million, after deducting estimated underwriting discounts and commissions payable by us, and we would have 105,102,225 shares of our common stock issued and outstanding, pro forma as adjusted.

The number of shares of our common stock to be outstanding after this offering is based on 97,159,082 shares of our common stock outstanding as of June 30, 2018 and 102,235 shares to be issued upon exercise of stock options by certain selling stockholders and sold in this offering, and excludes:

- 22,829,987 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2018, with a weighted-average exercise price of \$3.29 per share (other than 102,235 shares to be issued upon exercise of stock options by certain selling stockholders sold in this offering);
- 398,331 shares of convertible preferred stock issuable upon the exercise of a convertible preferred stock warrant outstanding as of June 30, 2018, with an exercise price of \$3.13 per share, which automatically converts into a warrant to purchase the same number of shares of common stock upon the completion of this offering;
- 2,693,123 shares issuable upon the exercise of stock options granted after June 30, 2018, with a weighted-average exercise price of \$6.84 per share;
- approximately 458,177 shares of our common stock issuable upon the vesting of RSUs to be granted effective as of the filing of our registration statement on Form S-8, based upon an assumed initial offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, including the RSUs to be granted to our non-employee directors in accordance with our non-employee director compensation policy described in the section titled "Management—Non-Employee Director Compensation;"
- 500,000 shares of our common stock issuable upon the exercise of a common stock warrant outstanding as of June 30, 2018 with an exercise price of \$0.01 per share that we issued in May 2018 to the Tides Foundation in connection with establishing The Upwork Foundation initiative; and
- 14,743,154 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (i) 2,543,154 shares of our common stock reserved for future issuance under our 2014 Plan, as of June 30, 2018 (which number of shares is prior to the stock options to purchase shares of our common stock granted after June 30, 2018 and an increase of 100,000 shares of our common stock reserved for future issuance under our 2014 Plan after June 30, 2018), (ii) 10,500,000 shares of our common stock reserved for future issuance under our 2018 Plan, which will become effective on the day immediately prior to the date of this prospectus (which is the number of shares reserved for future issuance prior to taking into account the RSUs granted on the date of this prospectus), and (iii) 1,700,000 shares of our common stock reserved for issuance under our 2018 ESPP, which will become effective on the date the registration statement for this offering is declared effective.

On the date immediately prior to the date of this prospectus, any remaining shares available for issuance under our 2014 Plan will be added to the shares of our common stock reserved for issuance under our 2018 Plan, and we will cease granting awards under the 2014 Plan. Our 2018 Plan and 2018 ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled "Executive Compensation—Employee Benefit and Stock Plans" for additional information.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of common stock in this initial public offering and the pro forma as adjusted net tangible book value per share of common stock immediately after this offering.

As of June 30, 2018, our pro forma net tangible book value was \$11.8 million, or \$0.12 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of June 30, 2018, after giving effect to (i) the automatic conversion of 61,279,079 outstanding shares of our convertible preferred stock into the same number of shares of our common stock, (ii) the automatic conversion of an outstanding warrant exercisable for 398,331 shares of our convertible preferred stock as of June 30, 2018 into a warrant exercisable for the same number of shares of common stock upon completion of this offering, and (iii) the filing and effectiveness of our restated certificate of incorporation.

After giving effect to (i) the sale by us in this offering of 6,818,181 shares of our common stock, at an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, net of \$1.6 million of offering costs paid as of June 30, 2018, (ii) the reclassification of \$3.2 million of deferred offering costs recorded in other assets, noncurrent on the consolidated balance sheet to additional paid-in capital, (iii) the application of such proceeds as described in the section titled "Use of Proceeds," and (iv) the issuance of 102,235 shares of our common stock to certain selling stockholders upon the exercise of stock options in order to sell such shares in this offering, our pro forma as adjusted net tangible book value as of June 30, 2018 would have been \$74.3 million, or \$0.71 per share. This represents an immediate increase in pro forma net tangible book value of \$0.59 per share to our existing stockholders and an immediate dilution of \$10.29 per share to investors purchasing common stock in this offering at the assumed initial public offering price.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share		\$11.00
Pro forma net tangible book value per share as of June 30, 2018, before giving effect to this offering	\$0.12	
Increase in pro forma net tangible book value per share attributable to new investors in this offering	<u>0.59</u>	
Pro forma as adjusted net tangible book value per share		<u>0.71</u>
Dilution in pro forma as adjusted net tangible book value per share to new investors in this offering		<u>\$10.29</u>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range reflected on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$0.06 per share and would increase (decrease) the dilution per share to new investors in this offering by \$0.94 per share, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of common stock offered by us would increase (decrease) the pro forma as adjusted net tangible book value per share after this offering by \$0.09 per share and would increase (decrease) the dilution to new investors by \$(0.09) per share, assuming the assumed initial public offering price, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

If the underwriters exercise their option to purchase additional shares in full, the pro forma as adjusted net tangible book value per share of our common stock after giving effect to this offering would be \$0.81 per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be \$10.19 per share.

[Table of Contents](#)

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2018, after giving effect to the pro forma adjustments described above, the difference between existing stockholders and new investors purchasing shares of common stock in this offering with respect to the number of shares purchased from us, the total consideration paid to us, and the average price per share paid by our existing stockholders or to be paid by investors purchasing shares in this offering at an assumed offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount (dollars in millions)	Percent	
Existing stockholders	97,159,082	93.4%	\$ 43.9	36.9%	\$ 0.45
New public investors	6,818,181	6.6	75.0	63.1	11.00
Total	<u>103,977,263</u>	<u>100%</u>	<u>\$ 118.9</u>	<u>100%</u>	

A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors and total consideration paid by all stockholders by approximately \$13.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

Sales of shares of common stock by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to 91,808,020, or approximately 88.2% of the total shares of common stock outstanding after this offering, and will increase the number of shares held by new investors to 12,271,478, or approximately 11.8% of the total shares of common stock outstanding after this offering.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock. If the underwriters exercise their option in full to purchase additional shares, our existing stockholders would own 86.5% and our new investors would own 13.5% of the total number of shares of our common stock outstanding after this offering, including the shares to be sold by selling stockholders.

In addition, to the extent we issue any additional stock options or RSUs or any outstanding stock options or warrants are exercised or outstanding RSUs are settled, or we issue any other securities or convertible debt in the future, investors will experience further dilution.

The number of shares of our common stock to be outstanding after this offering is based on 97,159,082 shares of our common stock outstanding as of June 30, 2018 and 102,235 shares to be issued upon exercise of stock options by certain selling stockholders and sold in this offering, and excludes:

- 22,829,987 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2018, with a weighted-average exercise price of \$3.29 per share (other than 102,235 shares to be issued upon exercise of stock options by certain selling stockholders sold in this offering);
- 398,331 shares of convertible preferred stock issuable upon the exercise of a convertible preferred stock warrant outstanding as of June 30, 2018, with an exercise price of \$3.13 per share, which automatically converts into a warrant to purchase the same number of shares of common stock upon the completion of this offering;
- 2,693,123 shares of our common stock issuable upon the exercise of stock options granted after June 30, 2018, with a weighted-average exercise price of \$6.84 per share;
- approximately 458,177 shares of our common stock issuable upon the vesting of RSUs to be granted effective as of the filing of our registration statement on Form S-8, based upon an assumed initial offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, including the RSUs to be granted to our non-employee directors in accordance with our non-employee director compensation policy described in the section titled "Management—Non-Employee Director Compensation;"

[Table of Contents](#)

- 500,000 shares of our common stock issuable upon the exercise of a common stock warrant outstanding as of June 30, 2018 with an exercise price of \$0.01 per share that we issued in May 2018 to the Tides Foundation in connection with establishing The Upwork Foundation initiative; and
- 14,743,154 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (i) 2,543,154 shares of our common stock reserved for future issuance under our 2014 Plan, as of June 30, 2018 (which number of shares is prior to the stock options to purchase shares of our common stock granted after June 30, 2018 and an increase of 100,000 shares of our common stock reserved for future issuance under our 2014 Plan after June 30, 2018), (ii) 10,500,000 shares of our common stock reserved for future issuance under our 2018 Plan, which will become effective on the day immediately prior to the date of this prospectus (which is the number of shares reserved for future issuance prior to taking into account the RSUs granted on the date of this prospectus), and (iii) 1,700,000 shares of our common stock reserved for issuance under our 2018 ESPP, which will become effective on the date the registration statement for this offering is declared effective.

Immediately prior to the date of this prospectus, any remaining shares available for issuance under our 2014 Plan will be added to the shares of our common stock reserved for issuance under our 2018 Plan, and we will cease granting awards under the 2014 Plan. Our 2018 Plan and 2018 ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled “Executive Compensation—Employee Benefit and Stock Plans” for additional information.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected historical consolidated financial and other data for our business. We derived the selected consolidated statements of operations data for 2016 and 2017 and the consolidated balance sheet data as of December 31, 2016 and 2017 from our audited consolidated financial statements that are included elsewhere in this prospectus. The selected consolidated statements of operations data for the six months ended June 30, 2017 and 2018, and the selected consolidated balance sheet data as of June 30, 2018, are derived from the unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP, on the same basis as our audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair statement of our consolidated financial position as of June 30, 2018 and our consolidated results of operations for the six months ended June 30, 2017 and 2018. Our historical results are not necessarily indicative of the results that may be expected for any other period in the future, and the results for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year or any other period. You should read this information in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this prospectus.

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	2016	2017	2017	2018
(in thousands, except per share data and percentages)				
Consolidated Statements of Operations Data:				
Revenue:				
Marketplace	\$ 138,484	\$ 178,046	\$ 83,938	\$ 107,413
Managed services	25,961	24,506	11,593	14,486
Total revenue	164,445	202,552	95,531	121,899
Cost of revenue ⁽¹⁾	62,578	65,443	30,953	40,074
Gross profit	101,867	137,109	64,578	81,825
Operating expenses:				
Research and development ⁽¹⁾	37,902	45,604	21,005	26,303
Sales and marketing ⁽¹⁾	37,437	53,044	23,701	36,087
General and administrative ⁽¹⁾	35,446	37,334	16,463	22,395
Provision for transaction losses	5,550	4,250	1,784	2,720
Total operating expenses	116,335	140,232	62,953	87,505
Income (loss) from operations	(14,468)	(3,123)	1,625	(5,680)
Interest expense	858	960	430	1,085
Other (income) expense, net	908	62	(185)	422
Income (loss) before income taxes	(16,234)	(4,145)	1,380	(7,187)
Income tax benefit (provision)	1	22	(11)	(9)
Net income (loss)	\$ (16,233)	\$ (4,123)	\$ 1,369	\$ (7,196)
Premium paid on repurchase of redeemable convertible preferred stock	—	(6,506)	—	—
Undistributed earnings allocable to preferred stockholders	—	—	(1,369)	—
Net loss attributable to common stockholders	\$ (16,233)	\$ (10,629)	\$ —	\$ (7,196)
Net loss per share attributable to common stockholders, basic and diluted ⁽²⁾	\$ (0.51)	\$ (0.32)	\$ —	\$ (0.21)

Table of Contents

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(in thousands, except per share data and percentages)			
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted ⁽²⁾	32,072	32,945	32,487	34,651
Pro forma net loss per share attributable to common stockholders, basic and diluted ⁽²⁾		\$ (0.04)		\$ (0.07)
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted ⁽²⁾		98,072		95,930
Supplemental pro forma net loss per share attributable to common stockholders, basic and diluted ⁽²⁾		\$ (0.04)		\$ (0.07)
Supplemental weighted-average shares used to compute supplemental pro forma net loss per share attributable to common stockholders, basic and diluted ⁽²⁾		98,154		96,840
Other Financial and Operating Data⁽³⁾:				
Core clients ⁽⁴⁾	76.5	86.4	78.6	95.7
Gross services volume (GSV) ⁽⁵⁾	\$ 1,148,363	\$ 1,373,161	\$ 643,155	\$ 834,532
Client spend retention ⁽⁶⁾	85%	99%	92%	106%
Adjusted EBITDA ⁽⁷⁾	\$ 1,260	\$ 7,909	\$ 7,018	\$ 256

(1) Amounts include stock-based compensation expense as follows:

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(in thousands)			
Cost of revenue	\$ 193	\$ 290	\$ 193	\$ 105
Research and development	1,820	1,797	839	1,088
Sales and marketing	1,052	1,299	655	671
General and administrative	4,201	3,460	1,604	1,817
Total	<u>\$7,266</u>	<u>\$6,846</u>	<u>\$3,291</u>	<u>\$3,681</u>

- (2) See Notes 2 and 11 of the notes to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net loss per share attributable to common stockholders, basic and diluted, and pro forma and supplemental pro forma net loss per share attributable to common stockholders, basic and diluted.
- (3) For a discussion of limitations in the measurement of core clients, GSV, and client spend retention, see the section titled "Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business."
- (4) For the definition of core clients, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics."
- (5) For the definition of GSV, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics."

Table of Contents

- (6) For the definition of client spend retention, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operational Metrics.”
- (7) For the definition of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA, see the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures.”

	As of December 31,		As of June 30,
	2016	2017	2018
(in thousands)			
Consolidated Balance Sheet Data:			
Cash	\$ 27,326	\$ 21,595	\$ 31,331
Working capital	31,205	29,483	24,148
Total assets	249,600	275,189	290,263
Debt, current and noncurrent	16,962	33,833	33,884
Redeemable convertible preferred stock	178,785	166,486	166,486
Total stockholders’ deficit	(30,131)	(31,367)	(30,611)

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, adjusted EBITDA is a non-GAAP measure that we believe is useful in evaluating our operating performance.

We define adjusted EBITDA as net income (loss) adjusted for stock-based compensation expense, depreciation and amortization, interest expense, other (income) expense, net, and income tax (benefit) provision.

The following table presents a reconciliation of net income (loss) to adjusted EBITDA, the most directly comparable financial measure prepared in accordance with U.S. GAAP, for each of the periods indicated:

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
(in thousands)				
Net income (loss)	\$ (16,233)	\$ (4,123)	\$ 1,369	\$ (7,196)
Add back (deduct):				
Stock-based compensation expense	7,266	6,846	3,291	3,681
Depreciation and amortization	8,462	4,186	2,102	2,255
Interest expense	858	960	430	1,085
Other (income) expense, net	908	62	(185)	422
Income tax (benefit) provision	(1)	(22)	11	9
Adjusted EBITDA	<u>\$ 1,260</u>	<u>\$ 7,909</u>	<u>\$ 7,018</u>	<u>\$ 256</u>

We use adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to items such as stock-based compensation expense, depreciation and amortization, interest expense, other (income) expense, net, and income tax (benefit) provision that can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with financial measures prepared in accordance with U.S. GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance; and
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our core operating results, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

[Table of Contents](#)

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- adjusted EBITDA excludes stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect: (a) changes in, or cash requirements for, our working capital needs; (b) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (c) tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of this measure for comparative purposes.

Because of these and other limitations, you should consider adjusted EBITDA along with other financial performance measures, including net loss and our other financial results prepared in accordance with U.S. GAAP.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this prospectus.

Overview

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by GSV. Freelancers are an increasingly sought-after, critical, and expanding segment of the global workforce. In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients in over 180 countries. We define freelancers as users of our platform that advertise and provide services to clients through our platform, and we define clients as users of our platform that work with freelancers through our platform. The freelancers on our platform include independent professionals and agencies of varying sizes. The clients on our platform range in size from small businesses to Fortune 500 companies.

Our platform reduces inefficiencies associated with searching for, contracting and collaborating with, and paying highly-skilled freelancers for short-term and longer-term projects. As early innovators in this space, we have built an expansive and unique repository of data on our platform, which, when combined with our machine learning capabilities, enables us to better connect clients with the best freelancers for their projects. As a result, clients are able to obtain specialized talent in less time and at a lower cost compared to traditional channels.

Our company was formed when two of the earliest innovators in driving the adoption of online work and the largest online talent marketplaces at the time, Elance and oDesk, combined in 2014. Since the combination, we have continued to innovate our offerings and achieved key business milestones that have driven our GSV, revenue, core client growth, and freelancer growth. Highlights of our history, innovation, and operational achievements include:

- In 1998 and 2003, Elance and oDesk, respectively, were founded as online talent marketplaces.
- In 2010, oDesk surpassed \$100.0 million in annual GSV.
- In 2011, Elance surpassed \$100.0 million in annual GSV.
- In 2014, our company was formed when Elance and oDesk combined.
- In 2015:
 - We relaunched as "Upwork," and we began integrating the Elance and oDesk platforms.
 - We surpassed \$1.0 billion in annual GSV.
- In 2016:
 - We began operating under a single platform following completion of the integration.
 - We launched our Upwork Enterprise offering and started building our enterprise sales team.
 - We changed our pricing model to a tiered service fee for freelancers and introduced client fees.
 - We achieved positive adjusted EBITDA.
- In 2017:
 - We launched our U.S.-to-U.S. domestic offering.

[Table of Contents](#)

- We surpassed \$1.3 billion in annual GSV.
- As of December 31, 2017, we had surpassed \$6.5 billion in cumulative GSV (including GSV from Elance and oDesk).

We serve as a powerful marketing channel for freelancers to find rewarding, engaging, and flexible work. Freelancers using our platform benefit from access to quality clients and secure and timely payments while enjoying the freedom to run their own businesses, create their own schedules, and work from their preferred locations. Moreover, freelancers have real-time visibility into opportunities that are highest in demand, so that they can invest their time and focus on developing sought-after skills.

Our platform provides clients with fast, secure, and efficient access to high-quality talent with over 5,000 skills across over 70 categories, such as content marketing, customer service, data science and analytics, graphic design, mobile development, sales, and web development. We offer a direct-to-talent approach, reducing reliance on intermediaries such as staffing firms, recruiters, and traditional agencies while providing features that help instill trust in remote work. Our platform also enables clients to streamline workflows, such as talent sourcing, outreach, and engagement. In addition, our platform provides access to essential functionality for remote engagements, including communication and collaboration, time tracking, invoicing, and payments.

In 2016 and 2017, GSV on our platform was \$1.15 billion and \$1.37 billion, respectively, representing an annual growth rate of 20%. For the six months ended June 30, 2017 and 2018, GSV on our platform was \$643.2 million and \$834.5 million, respectively, representing a period-over-period growth rate of 30%. For the twelve months ended June 30, 2018, GSV on our platform was \$1.56 billion. In 2016 and 2017, our total revenue was \$164.4 million and \$202.6 million, respectively, representing an annual growth rate of 23%. For the six months ended June 30, 2017 and 2018, our total revenue was \$95.5 million and \$121.9 million, respectively, representing a period-over-period growth rate of 28%. For the twelve months ended June 30, 2018, our total revenue was \$228.9 million. In 2016 and 2017, our marketplace revenue was \$138.5 million and \$178.0 million, respectively, representing an annual growth rate of 29%. For the six months ended June 30, 2017 and 2018, our marketplace revenue was \$83.9 million and \$107.4 million, respectively, representing a period-over-period growth rate of 28%. We have made significant investments to grow our business, including in sales and marketing, research and development, operations, and personnel. As a result, we generated net losses of \$16.2 million and \$4.1 million in 2016 and 2017, respectively, and generated net income of \$1.4 million for the six months ended June 30, 2017 and a net loss of \$7.2 million for the six months ended June 30, 2018. Our adjusted EBITDA was \$1.3 million and \$7.9 million in 2016 and 2017, respectively, and \$7.0 million and \$0.3 million for the six months ended June 30, 2017 and 2018, respectively. See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for information regarding our use of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA.

Our Business Model



[Table of Contents](#)

As a marketplace, we seek to attract and retain users by providing a platform that facilitates contracting and payment for projects. Our platform allows freelancers to run their businesses seamlessly and allows clients to find and work with high-quality talent on a global basis. We generate a majority of our revenue from fees charged to freelancers. For our Upwork Standard offering, clients engage freelancers under contracts that both parties agree to on our platform. The pricing negotiated between freelancers and clients is agreed upon in U.S. dollars. There are two types of contracts: hourly and fixed price.

We also generate revenue through fees charged to clients for transacting payments through our platform as well as foreign currency exchange, and premium offerings, such as Upwork Enterprise, Upwork Pro, and Upwork Payroll.

Our Upwork Enterprise and other premium offerings, which are primarily designed for larger clients, include access to additional product features, premium access to top talent, professional services, custom reporting, and invoicing on a monthly basis. For the Upwork Enterprise offering, we charge a monthly or annual subscription fee and a client service fee calculated as a percentage of the client's spend on freelancer services. Additionally, Upwork Enterprise clients can opt to subscribe to an offering that includes worker classification services for an additional fee. Upwork Enterprise clients may also choose to use our platform to engage freelancers that were not sourced through our platform for a lower fee percentage.

In addition, we provide a managed services offering where we engage freelancers to complete projects, directly invoice the client, and assume responsibility for work performed by the freelancers. Under U.S. GAAP, we are deemed to be the principal in these managed services arrangements, and, therefore, recognize the entire GSV of managed services projects, including the amounts paid to freelancers, as managed services revenue. Our managed services revenue decreased in 2017 as compared to 2016 as we focused our efforts on our marketplace offerings, and our client using the managed services offering used less of these services. For the six months ended June 30, 2018, our managed services revenue increased as compared to the six months ended June 30, 2017, as we invested additional resources to increase the spend by our client using the managed services offering.

In 2017 and the six months ended June 30, 2018, approximately 80% of our GSV was generated from clients with fewer than 100 employees, with the balance generated from businesses with 100 or more employees. More than 1,400 clients each spent over \$100,000 for freelancer services on our platform in 2017.

As a global platform that connects freelancers and clients regardless of their location, our GSV originates from around the world. In 2017, our GSV was \$1.37 billion. Approximately 19% of our GSV in 2017 was generated from U.S. freelancers, our largest freelancer geography. Some of our other largest freelancer geographies include India and the Philippines. Approximately 67% of our GSV in 2017 was generated from U.S. clients, with clients in no other country representing more than 10% of our GSV. We believe U.S. clients will continue to drive growth by engaging freelancers globally, particularly freelancers in the United States where there are various efficiencies associated with same-country engagements, such as cultural and contractual norms, time zones, and language.

Key Financial and Operational Metrics

We monitor the following key financial and operational metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions (in thousands, except percentages):

	As of or for the Year Ended December 31,		As of or for the Six Months Ended June 30,	
	2016	2017	2017	2018
Core clients	76.5	86.4	78.6	95.7
Gross services volume (GSV)	\$ 1,148,363	\$ 1,373,161	\$ 643,155	\$ 834,532
Client spend retention	85%	99%	92%	106%
Marketplace revenue	\$ 138,484	\$ 178,046	\$ 83,938	\$ 107,413
Adjusted EBITDA	\$ 1,260	\$ 7,909	\$ 7,018	\$ 256

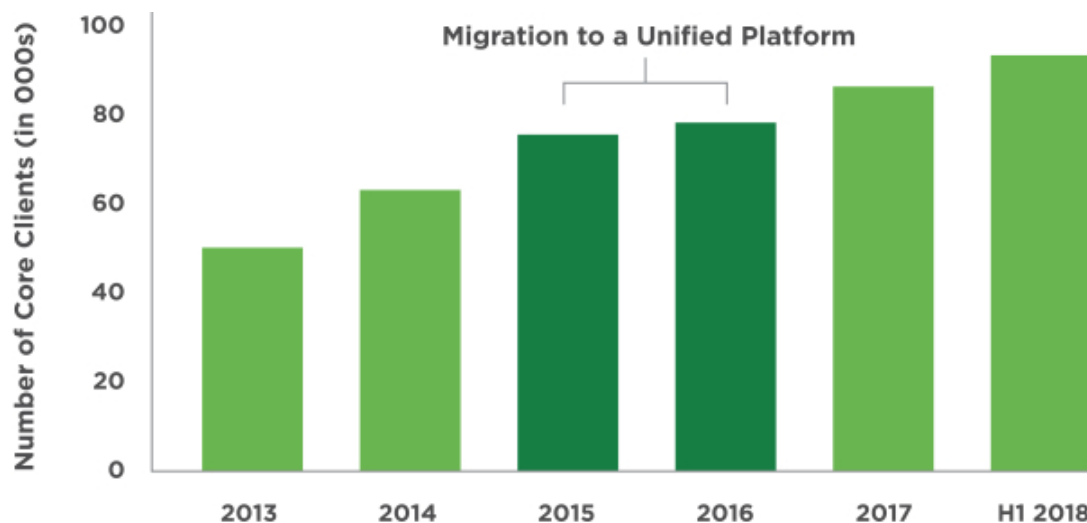
[Table of Contents](#)

We believe these key financial and operational metrics are useful to evaluate period-over-period comparisons of our business and in understanding our operating results. The number of core clients in any given period drives both GSV, which represents the amount of business transacted through our platform, and client spend retention. Client spend retention impacts the growth rate of GSV. We believe our marketplace revenue, which represents a majority of our revenue, will grow as GSV grows, although they could grow at different rates. For a discussion of limitations in the measurement of core clients, GSV, and client spend retention, see “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.”

Core Clients

We define a core client as a client that has spent in the aggregate at least \$5,000 since it began using our platform and also had spend activity during the twelve months preceding the date of measurement. This includes the total amount spent by the client on both the Elance and oDesk platforms for the periods prior to the consolidation of the two platforms. We believe \$5,000 is an important spend milestone as it indicates that the client is actively using our platform. Historically, these core clients have been more likely to continue using our platform, and, for 2017 and the six months ended June 30, 2018, represented approximately 80% of our GSV. We believe that the number of core clients is a key indicator of our growth and the overall health of our business because core clients are a primary driver of GSV, and, therefore, marketplace revenue.

Following the combination of Elance and oDesk in 2014, we enhanced and refreshed the oDesk legacy platform and, in May 2015, relaunched it as the Upwork platform. In August 2015, we began enabling clients, freelancers, and their projects to migrate from the Elance platform to the new Upwork platform. This migration to the unified Upwork platform resulted in a short-term negative impact on growth of core clients as some users did not transition to the Upwork platform. The chart below shows the reduced growth rate of the number of core clients between 2015 and 2016. We believe, however, this one-time platform consolidation resulted in a larger, more liquid marketplace, including access to more jobs for freelancers and skills and expertise for clients, and provided us with significant cost efficiencies.



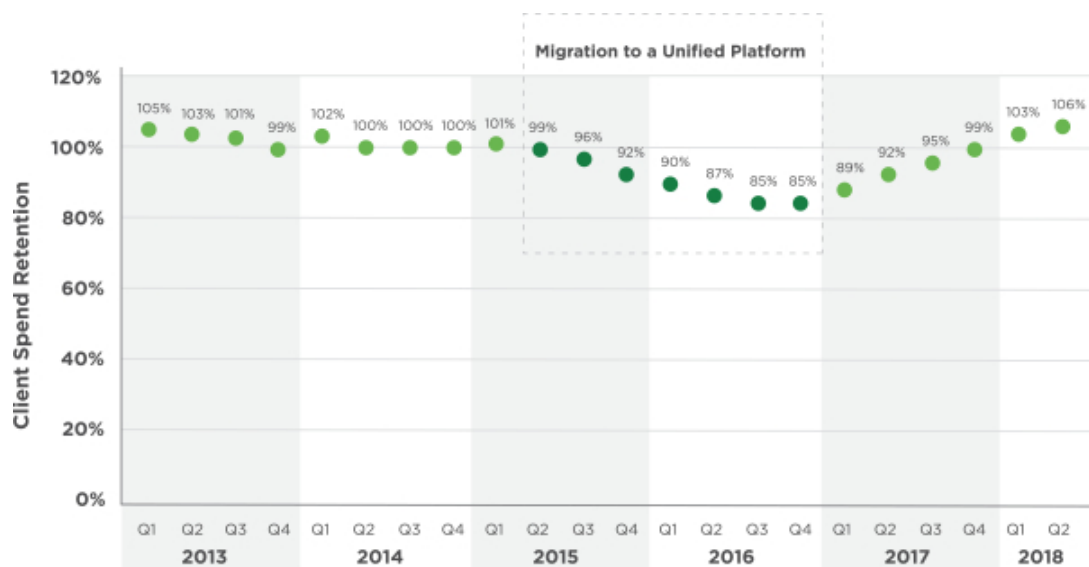
Gross Services Volume

Gross services volume, or GSV, includes both client spend and additional fees charged for other services. Client spend—the total amount that clients spend on both our marketplace offerings and our managed services offering—is the primary component of our GSV. GSV also includes additional fees charged by us for other services, such as freelancer withdrawals and foreign currency exchange.

GSV is an important metric because it represents the amount of business transacted through our platform. Growth in the number of core clients and increased client spend retention are the primary drivers of GSV growth. In addition, our marketplace revenue is primarily comprised of the service fees paid by freelancers as a percentage of the total amount freelancers charge clients for services accessed through our platform. Therefore, marketplace revenue is correlated to GSV, and we believe that our marketplace revenue will grow as GSV grows, although they could grow at different rates. For example, in 2016 and 2017, GSV on our platform was \$1.15 billion and \$1.37 billion, respectively, representing an annual growth rate of 20%, while marketplace revenue was \$138.5 million and \$178.0 million, respectively, representing an annual growth rate of 29%. We expect our GSV growth rates to fluctuate between periods due to a number of factors, including the volume and characteristics of projects that are posted by clients on our platform, such as size, duration, pricing, and the factors described below under the section titled “—Factors Affecting our Performance.”

Client Spend Retention

We calculate client spend retention by dividing our recurring client spend by our base client spend. We define base client spend as the aggregate client spend from all clients during the four quarters ended one year prior to the date of measurement. We define our recurring client spend as the aggregate client spend during the four quarters ended on the date of measurement from the same clients included in our measure of base client spend. Our business is recurring in nature even though clients are not contractually required to spend on a recurring basis. As shown in the chart below, we experienced a decrease in client spend retention during 2015 and 2016 due to some users not transitioning from the Elance platform to the Upwork platform following the one-time platform consolidation, which commenced in August 2015. Our client spend retention returned to pre-consolidation levels in the quarter ended December 31, 2017, and was above average pre-consolidation levels in the quarters ended March 31, 2018 and June 30, 2018. We believe that client spend retention is a key indicator of the value of our platform and the overall health of our business because it impacts the growth rate of GSV, and, therefore, marketplace revenue.



[Table of Contents](#)

As of June 30, 2018, client spend retention was 106%, while we retained 58% of all clients and 83% of core clients. We believe client spend retention, rather than the absolute number of clients that we retain between periods, is more meaningful to evaluate period-to-period comparisons of our business and understand our operating results. Most of our clients have spent less than \$5,000, in aggregate, during their lifetime on the platform and are therefore not considered core clients. For example, in 2017, approximately 20% of the clients that used our platform were considered core clients, and those core clients represented approximately 80% of our GSV. Therefore, we can lose a significant number of non-core clients in any given period without experiencing a significant impact on our client spend retention, GSV or marketplace revenue. Conversely, if we lost a small number of core clients, each with a significant amount of client spend, this will be reflected in lower client spend retention, which would negatively impact GSV and marketplace revenue. Therefore, we believe the amount of client spend that we retain between periods is a more meaningful metric because it directly impacts our GSV and, therefore, marketplace revenue. Accordingly, we believe that client spend retention is a more useful indicator of the health of our business and therefore we do not believe that a disparity between client spend retention and number of clients retained is a limitation on the usefulness of the client spend retention metric.

The growth in our marketplace is driven by long-term and recurring use by freelancers and clients, which leads to increased revenue visibility for us. While continued use of our platform by freelancers is a factor that impacts our ability to attract and retain clients, our platform currently has a significant surplus of freelancers in relation to the number of clients actively engaging freelancers. For example, in 2017, approximately 375,000 freelancers completed projects through our platform and every day on average approximately 10,000 independent professionals and agencies applied to join our platform. On the client side, in 2017, we had 86,400 core clients, which represented approximately 80% of our GSV. As a result of this surplus of freelancers relative to core clients, we primarily focus our efforts on retaining client spend and acquiring new clients as opposed to acquiring new freelancers and retaining existing freelancers. Moreover, we generate revenue when clients engage and pay freelancers and therefore our key metrics and operating results are directly impacted by client spend. On the other hand, the number of freelancers retained between periods is merely one of many factors that may impact client spend in a particular period and is not directly related to our key metrics and operating results. For these reasons, we do not calculate or track freelancer retention metrics in order to manage our business.

Marketplace Revenue

Marketplace revenue, which represents the majority of our revenue, consists of revenue derived from our Upwork Standard, Upwork Enterprise, and other premium offerings. We generate marketplace revenue from both freelancers and clients. Our marketplace revenue is primarily comprised of the service fees paid by freelancers as a percentage of the total amount freelancers charge clients for services accessed through our platform. In addition, we generate marketplace revenue from our Upwork Standard offering by charging clients a payment processing and administration fee. We also generate marketplace revenue for other services, such as foreign currency exchange and premium offerings. Marketplace revenue is an important metric because it is the primary driver of our business model, and we believe it provides greater comparability to other online marketplaces. The growth rate of marketplace revenue fluctuates in relation to the growth rate of GSV. Therefore, marketplace revenue is correlated to GSV, and we believe that our marketplace revenue will grow as GSV grows, although they could grow at different rates.

Adjusted EBITDA

We define adjusted EBITDA as net loss adjusted for stock-based compensation expense, depreciation and amortization, interest expense, other (income) expense, net, and provision for (benefit from) income taxes. See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for information on our use of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA.

Factors Affecting Our Performance

Adoption of Freelance Work

We believe that the inefficiencies in the labor market have created a significant opportunity for online global marketplaces for freelance work, and that as a result of challenges facing the labor market, we have a large market opportunity. However, any acceleration, or slowing, of the growth in the market for freelancers could affect our operating and financial performance, and our success will continue to depend on the willingness of businesses to engage freelancers. In addition, fluctuations in macroeconomic conditions could impact the overall demand for freelancers. While the impacts to our business of a macroeconomic downturn are uncertain, we believe such a downturn may increase the pace at which freelance work is adopted as businesses may turn to faster, project-based, more cost-effective, and less restrictive ways of addressing their talent needs. Alternatively, businesses may elect to focus on utilizing their existing employees to a greater degree as they adjust to macroeconomic conditions.

Retention and Growth of Client Spend

Our growth has been driven in significant part by retaining client spend from existing clients as we grow our client base. As illustrated in the first chart below, we have been able to retain client spend over long periods of time with clients in historical cohorts continuing to spend on our platform. We identify a cohort of clients based on the period in which the client first spends on our platform. In 2017 and the six months ended June 30, 2018, almost 50% of client spend was from clients that had used our platform for longer than three years. Additionally, over time we generally have been able to grow total client spend. Additionally, each new annual cohort spend has exceeded the prior year's new cohort spend, except for 2015, which was impacted by the Elance migration. For example, in 2014, client spend from new clients was \$210.4 million; in 2016 and 2017, client spend from new clients was \$222.4 million and \$237.9 million, respectively.

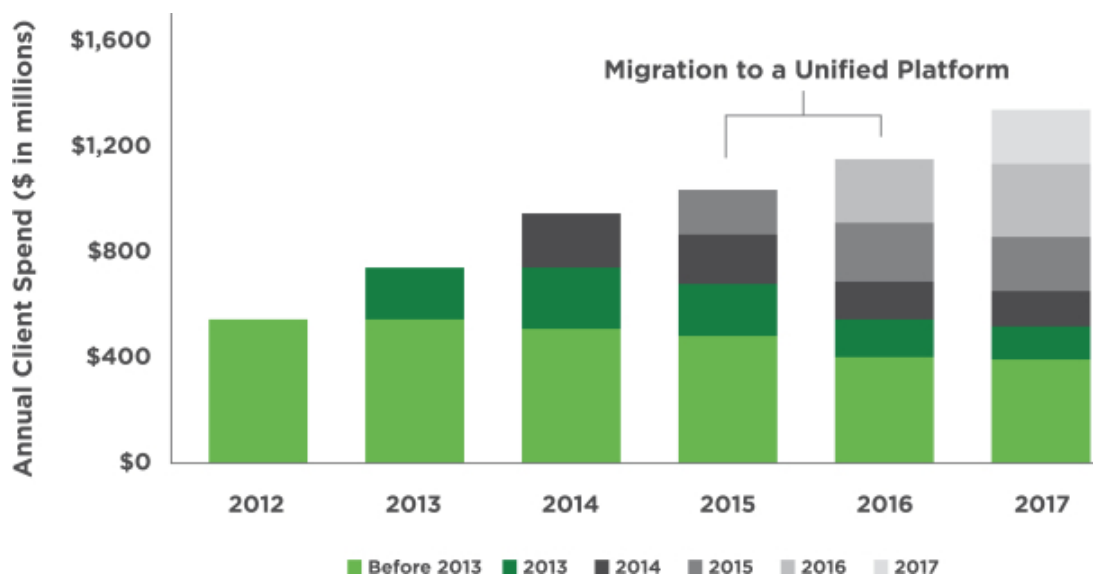
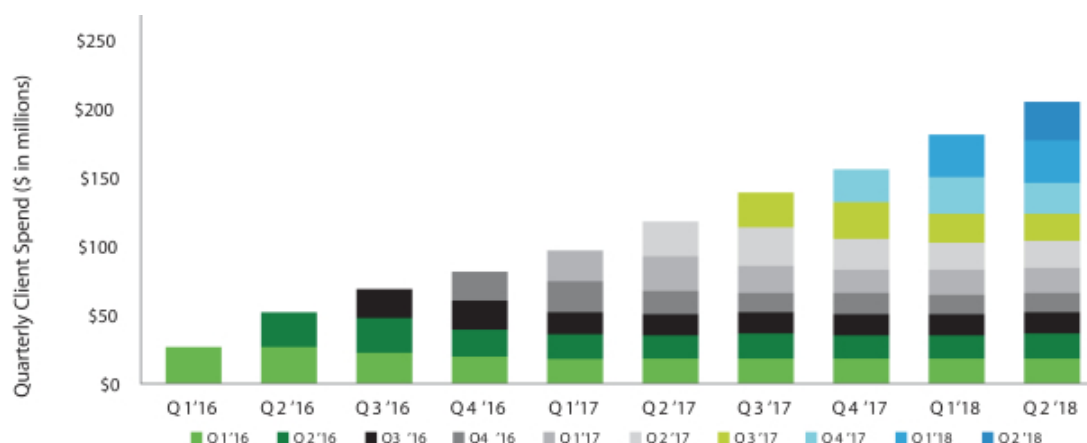


Table of Contents

The next chart illustrates the performance of our client cohorts in the ten sequential quarters ended June 30, 2018. As illustrated in the chart, in their fourth quarter on our platform, these client cohorts spent approximately 70% of what they spent in their first quarter on our platform, and maintained approximately that same level of spend in subsequent quarters thereafter. While we have many clients join our platform on a non-recurring basis, the clients that have recurring spend tend to increase their spend with us over time.



Investments in Growth

We intend to continue to make focused investments to grow our revenue and scale operations to support that growth. We plan to invest in marketing to increase our brand awareness through both online and offline channels. We also plan to invest in enhancing our U.S.-to-U.S. domestic offering, building other domestic-to-domestic marketplaces internationally on our platform, broadening and deepening the categories on our platform, and expanding our Upwork Enterprise offering. We are undertaking such investments to capitalize on the increasing adoption by businesses of freelancers, but as cost of revenue, operating expenses, and capital expenditures fluctuate over time, we may experience short-term, negative impacts to our operating results and cash flows.

Components of Our Results of Operations

Revenue

Marketplace Revenue. Marketplace revenue is generated from our Upwork Standard, Upwork Enterprise, and other premium offerings. Under our Upwork Standard offering, we generate revenue from both freelancers and clients. Marketplace revenue, which represents the majority of our total revenue, is primarily comprised of the service fees paid by freelancers as a percentage of the total amount that freelancers charge clients for services accessed through our platform. For our Upwork Standard offering, we have a tiered freelancer service fee schedule based on cumulative lifetime billings by the freelancer to each client. Freelancers on our Upwork Standard offering typically pay us 20% of the first \$500, 10% for the next \$9,500, and then 5% for any amount over \$10,000 they bill to each client through our platform. Prior to June 2016, we typically charged a flat 10% fee to freelancers. We also generate revenue from freelancers through withdrawal and other fees, which are currently immaterial.

In addition, we generate marketplace revenue from our Upwork Standard offering by charging clients a payment processing and administration fee, which we introduced in June 2016. Clients using our Upwork Standard offering pay either 2.75% of their client spend or a flat fee of \$25 per month for unlimited payment transactions with qualifying payment methods. We also generate revenue from foreign currency exchange fees from clients, which are currently immaterial.

Our Upwork Enterprise offering and other premium offerings, which are designed for larger clients, include access to additional product features, premium access to top talent, professional services, custom reporting, and invoicing on a monthly basis. For our Upwork Enterprise offering, we charge clients a monthly or annual

[Table of Contents](#)

subscription fee and a service fee calculated as a percentage of the client's spend on freelancer services, in addition to the service fees paid by freelancers. Additionally, Upwork Enterprise clients can also subscribe to a compliance offering that includes worker classification services for an additional fee. Upwork Enterprise clients may also choose to use our platform to engage freelancers that were not sourced through our platform for a lower fee percentage.

One of our premium offerings, Upwork Payroll, is offered to clients whose freelancers are classified as employees for engagements on our online marketplace. The client enters into an Upwork Payroll agreement with us, and we separately contract with unrelated third-party staffing providers who provide employment services to such clients. Revenue from Upwork Payroll is currently immaterial.

Managed Services Revenue. Through our managed services offering, we are responsible for providing services and engaging freelancers directly or as employees of third-party staffing providers to perform services on our behalf. The freelancers delivering managed services include independent professionals and agencies of varying sizes. Under U.S. GAAP, we are deemed to be the principal in these managed services arrangements, and therefore, recognize the entire GSV of managed services projects as managed services revenue, as compared to recognizing only the percentage of the client spend that we receive, as we do with our marketplace offerings.

Cost of Revenue and Gross Profit

Cost of Revenue. Cost of revenue consists primarily of the cost of payment processing fees, amounts paid to freelancers to deliver services for the client under our managed services offering, personnel-related costs for our services and support personnel, third-party hosting fees for our use of AWS, and the amortization expense associated with acquired intangibles and capitalized internal-use software and platform development. We define personnel-related costs as salaries, bonuses, benefits, travel and entertainment, and stock-based compensation costs for employees and the costs related to other service providers we engage.

We expect cost of revenue to increase in absolute dollars in future periods due to higher payment processing fees, third-party hosting fees, and personnel-related costs in order to support additional transaction volume on our platform. Amounts paid to freelancers to deliver services under our managed services offering are tied to the volume of managed services used by our client. The level and timing of all of these items could fluctuate and affect our cost of revenue in the future.

Gross Profit and Gross Margin. Our gross profit and gross margin may fluctuate from period-to-period. Such fluctuations may be influenced by our revenue, timing and amount of investments to expand hosting capacity, our continued investments in our services and support teams, the timing and amount of services freelancers deliver for clients under our managed services offering, and the amortization expense associated with acquired intangibles and capitalized internal-use software and platform development cost. In addition, gross margin will be impacted by fluctuations in our revenue mix between marketplace revenue and our managed services revenue.

Operating Expenses

Research and Development. Research and development expense primarily consists of personnel-related costs and third-party hosting costs related to development. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software and platform development that qualifies for capitalization. We believe continued investments in research and development are important to attain our strategic objectives, and expect research and development expense to increase in absolute dollars, but this expense may vary as a percentage of total revenue, for the foreseeable future.

Sales and Marketing. Sales and marketing expense consists primarily of expenses related to personnel-related costs, including sales commissions, which we expense as they are incurred, and advertising and marketing activities. In 2017, we increased our marketing expenditures by investing in outdoor and radio advertising to drive greater brand awareness. Further, to grow our Upwork Enterprise offering, we hired additional sales personnel in 2017, with many of them starting late in the year. We intend to continue to invest in our sales and

[Table of Contents](#)

marketing capabilities in the future and expect this expense to increase in absolute dollars in future periods. Sales and marketing expense as a percentage of total revenue may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over future periods.

General and Administrative. General and administrative expense consists primarily of personnel-related costs for our executive, finance, legal, human resources, and operations functions. General and administrative expense also includes outside consulting, legal, and accounting services, and insurance.

We expect to invest in corporate infrastructure and incur additional expenses associated with transitioning to and operating as a public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums, and compliance costs. As a result, we expect general and administrative expense to increase in absolute dollars in future periods, but this expense may vary as a percentage of total revenue.

Provision for Transaction Losses. Provision for transaction losses consists primarily of losses resulting from fraud and bad debt expense associated with our trade and client receivables balance and transaction losses associated with chargebacks. Provisions for these items represent estimates of losses based on our actual historical incurred losses and other factors. As result, we expect provision for transaction losses to vary in future periods.

Interest Expense

Interest expense consists of interest on our outstanding borrowings.

Other (Income) Expense, Net

Other (income) expense, net consists primarily of gains and losses from foreign currency exchange transactions and expenses resulting from the revaluation of our warrant liability. Our warrant liability will be converted to additional paid-in capital upon the completion of this offering.

Income Tax Benefit (Provision)

We account for income taxes in accordance with the liability method. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the change in deferred tax assets and liabilities. We establish a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. We regularly assess the likelihood that deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that we believe any amounts are less likely than not to be realized, we record a valuation allowance to reduce our deferred tax assets. The 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 have been fully offset by a valuation allowance. If we subsequently realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities based on an estimate of whether, and the extent to which, additional taxes will be due. We account for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in our income tax return, and also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for

[Table of Contents](#)

evaluation of uncertain tax positions. The first step is to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. The second step is to measure the tax benefit as the largest amount, which is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Results of Operations

The following tables set forth our consolidated results of operations in dollars and as a percentage of total revenue for the periods presented:

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	(in thousands)			
Revenue:				
Marketplace	\$138,484	\$178,046	\$83,938	\$107,413
Managed services	25,961	24,506	11,593	14,486
Total revenue	164,445	202,552	95,531	121,899
Cost of revenue ⁽¹⁾	62,578	65,443	30,953	40,074
Gross profit	101,867	137,109	64,578	81,825
Operating expenses:				
Research and development ⁽¹⁾	37,902	45,604	21,005	26,303
Sales and marketing ⁽¹⁾	37,437	53,044	23,701	36,087
General and administrative ⁽¹⁾	35,446	37,334	16,463	22,395
Provision for transaction losses	5,550	4,250	1,784	2,720
Total operating expenses	116,335	140,232	62,953	87,505
Income (loss) from operations	(14,468)	(3,123)	1,625	(5,680)
Interest expense	858	960	430	1,085
Other (income) expense, net	908	62	(185)	422
Income (loss) before income taxes	(16,234)	(4,145)	1,380	(7,187)
Income tax benefit (provision)	1	22	(11)	(9)
Net income (loss)	<u>\$ (16,233)</u>	<u>\$ (4,123)</u>	<u>\$ 1,369</u>	<u>\$ (7,196)</u>

⁽¹⁾ Includes stock-based compensation expense as follows:

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	(in thousands)			
Cost of revenue	\$ 193	\$ 290	\$ 193	\$ 105
Research and development	1,820	1,797	839	1,088
Sales and marketing	1,052	1,299	655	671
General and administrative	4,201	3,460	1,604	1,817
Total	<u>\$7,266</u>	<u>\$6,846</u>	<u>\$3,291</u>	<u>\$3,681</u>

[Table of Contents](#)

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(as percentage of total revenue)			
Revenue:				
Marketplace	84%	88%	88%	88%
Managed services	16	12	12	12
Total revenue	100	100	100	100
Cost of revenue	38	32	32	33
Gross profit	62	68	68	67
Operating expenses:				
Research and development	23	23	22	22
Sales and marketing	23	26	25	30
General and administrative	22	18	17	18
Provision for transaction losses	3	2	2	2
Total operating expenses	71	69	66	72
Income (loss) from operations	(9)	(1)	2	(5)
Interest expense	1	1	1	1
Other (income) expense, net	—	—	—	—
Income (loss) before income taxes	(10)	(2)	1	(6)
Income tax benefit (provision)	—	—	—	—
Net income (loss)	<u>(10)%</u>	<u>(2)%</u>	<u>1%</u>	<u>(6)%</u>

Comparison of the Six Months Ended June 30, 2017 and 2018

Revenue

	Six Months Ended June 30,			% Change
	2017	2018	\$ Change	
	(dollars in thousands)			
Marketplace	\$83,938	\$107,413	\$23,475	28%
Percentage of total revenue	88%	88%		
Managed services	\$11,593	\$14,486	\$2,893	25%
Percentage of total revenue	12%	12%		
Total revenue	<u>\$95,531</u>	<u>\$121,899</u>	<u>\$26,368</u>	28%

Total revenue increased by \$26.4 million, or 28%, to \$121.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Marketplace revenue represented 88% of total revenue for the six months ended June 30, 2018, an increase of \$23.5 million, or 28%, as compared to the six months ended June 30, 2017. Marketplace revenue increased primarily due to an increase in GSV. GSV grew by 30% period-over-period, primarily driven by a 22% increase in the number of core clients, and higher client spend retention, which increased from 92% as of June 30, 2017 to 106% as of June 30, 2018. Additionally, the number of projects increased 12% from approximately 1.0 million in the six months ended June 30, 2017 to approximately 1.1 million in the six months ended June 30, 2018. We believe these increases were primarily due to investments in marketing to acquire new clients and drive brand awareness and research and development to build new product features. Additionally, late in the second quarter of 2016, we introduced a client payment processing and administration fee that generated \$13.3 million of revenue in the six months ended June 30, 2017 and \$16.8 million of revenue in the six months ended June 30, 2018.

Managed services revenue represented 12% of total revenue for the six months ended June 30, 2018 as compared to 12% for the six months ended June 30, 2017. The increase of \$2.9 million, or 25%, was primarily

[Table of Contents](#)

due to an increase in the amount of freelancer services engaged by a client through our managed services offering.

Cost of Revenue and Gross Margin

	Six Months Ended June 30,		\$ Change	% Change
	2017	2018		
Cost of revenue	\$ 30,953	\$ 40,074	\$ 9,121	29%
Components of cost of revenue:				
Costs of freelancer services to deliver managed services	9,583	12,052	2,469	26%
Other components of cost of revenue	21,370	28,022	6,652	31%
Total gross margin	68%	67%		

Cost of revenue increased by \$9.1 million, or 29%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The increase was primarily due to increases of \$3.4 million in payment processing fees due to an increase in client spend on our platform, \$1.9 million in third-party hosting costs, and \$1.2 million in personnel-related costs due to an increase in personnel to support our growth. Costs of freelancer services to deliver managed services increased by 26% to \$12.1 million for the six months ended June 30, 2018 from \$9.6 million for the six months ended June 30, 2017. The increase was due to an increase of \$2.9 million, or 25%, in managed services revenue for the six months ended June 30, 2018 as compared with the same period in 2017. In general, the cost of freelancer services to deliver managed services is correlated to our managed services revenue.

Total gross margin was 67% for the six months ended June 30, 2018 compared to 68% in the six months ended June 30, 2017. The decrease in gross margin was due primarily to third-party hosting costs that grew at a slightly faster rate than total revenue.

Research and Development

	Six Months Ended June 30,		\$ Change	% Change
	2017	2018		
Research and development	\$ 21,005	\$ 26,303	\$ 5,298	25%
Percentage of total revenue	22%	22%		

Research and development expense increased by \$5.3 million, or 25%, for the six months ended June 30, 2018, as compared to the six months ended June 30, 2017 and was consistent as a percentage of total revenue. The increase was primarily due to an increase in personnel-related costs of \$5.7 million, driven by development of new products and features, and an increase of \$0.5 million in licensed software and \$0.4 million in facilities-related costs, partially offset by \$1.7 million of internal-use software costs that were capitalized.

Sales and Marketing

	Six Months Ended June 30,		\$ Change	% Change
	2017	2018		
Sales and marketing	\$23,701	\$36,087	\$12,386	52%
Percentage of total revenue	25%	30%		

Sales and marketing expense increased by \$12.4 million, or 52%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase was primarily due to increases of \$6.2 million in personnel-related costs to build out our enterprise sales team, including sales commissions that we expense as incurred, and \$4.9 million in marketing and advertising costs associated with online and local marketing programs to drive brand awareness and attract new users.

[Table of Contents](#)**General and Administrative**

	<u>Six Months Ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2018</u>		
	(dollars in thousands)			
General and administrative	\$ 16,463	\$ 22,395	\$ 5,932	36%
Percentage of total revenue	17%	18%		

General and administrative expense increased by \$5.9 million, or 36%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase was primarily due to increases of \$3.4 million in personnel-related costs, which included adding additional personnel in our finance organization, \$1.2 million in facilities-related expenses and \$1.0 million in professional expenses related to us preparing to become a public company.

Provision for Transaction Losses

	<u>Six Months Ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2018</u>		
	(dollars in thousands)			
Provision for transaction losses	\$ 1,784	\$ 2,720	\$ 936	52%
Percentage of total revenue	2%	2%		

Provision for transaction losses increased \$0.9 million, or 52%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase was primarily due to an increase in our outstanding trade and client receivables balance.

Interest Expense and Other (Income) Expense, Net

	<u>Six Months Ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2018</u>		
	(dollars in thousands)			
Interest expense	\$ 430	\$ 1,085	\$ 655	152%
Other (income) expense, net	(185)	422	607	328%

Interest expense increased \$0.7 million, or 152%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. This increase was due to an increase in outstanding borrowings in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, offset by a lower interest rate.

Other (income) expense, net increased \$0.6 million, or 328%, for the six months ended June 30, 2018 as compared to the six months ended 2017. This increase was primarily due to an increase of \$0.3 million resulting from the revaluation of our warrant liability and an increase of \$0.3 million in net losses from foreign currency transactions.

Comparison of the Years Ended December 31, 2016 and 2017**Revenue**

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2017</u>		
	(dollars in thousands)			
Marketplace	\$ 138,484	\$ 178,046	\$ 39,562	29%
Percentage of total revenue	84%	88%		
Managed services	\$ 25,961	\$ 24,506	\$(1,455)	(6)%
Percentage of total revenue	16%	12%		
Total revenue	<u>\$ 164,445</u>	<u>\$ 202,552</u>	<u>\$ 38,107</u>	23%

[Table of Contents](#)

Total revenue increased by \$38.1 million, or 23%, to \$202.6 million in 2017 as compared to 2016.

Marketplace revenue represented 88% of total revenue in 2017, an increase of \$39.6 million, or 29%, in 2017 as compared to 2016. Marketplace revenue increased primarily due to an increase in GSV. GSV grew by 20%, primarily driven by a 13% increase in the number of core clients, and higher client spend retention, which increased from 85% for the year ended December 31, 2016 to 99% for the year ended December 31, 2017. Additionally, the number of projects increased 13%, from over 1.6 million in 2016 to over 1.8 million in 2017. We believe these increases were primarily due to investments in marketing to acquire new clients and drive brand awareness and research and development to build new product features. Marketplace revenue also grew, to a lesser extent, due to the Upwork Standard pricing model change implemented in the second quarter of 2016.

We changed our Upwork Standard pricing model late in the second quarter of 2016 to implement a tiered freelancer service fee based on cumulative lifetime billings by the freelancer to each client. Previously, we had typically charged freelancers a flat 10% fee. The goal of the pricing change was to encourage longer-term relationships between freelancers and clients on our platform, allowing us to attract more projects, and to align client incentives with our incentives to use lower cost payment methods. Additionally, late in the second quarter of 2016, we introduced a client payment processing and administration fee that generated \$12.6 million of marketplace revenue in 2016 and \$27.9 million of marketplace revenue in 2017.

Managed services revenue represented 12% of total revenue in 2017 as compared to 16% in 2016. The decrease of \$1.5 million, or 6%, was primarily due to a decline in the amount of freelancer services used by the client using our managed services offering.

Cost of Revenue and Gross Margin

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
Cost of revenue	\$ 62,578	\$ 65,443	\$ 2,865	5%
Components of cost of revenue:				
Costs of freelancer services to deliver managed services	21,051	19,986	(1,065)	(5)%
Other components of cost of revenue	41,527	45,457	3,930	9%
Total gross margin	62%	68%		

Cost of revenue increased by \$2.9 million, or 5%, in 2017 as compared to 2016. This increase was primarily due to increases of \$3.6 million in payment processing fees as a result of an increase in client spend on our platform, \$0.9 million in third-party hosting costs as a result of our transition to AWS and increased transaction volume on our platform, and \$2.9 million in personnel-related costs from an increase in personnel to support our growth, partially offset by a decrease of \$2.6 million in amortization of intangibles that related to developed technology and \$0.5 million in amortization that related to capitalized internal-use software and platform development. Costs of freelancer services to deliver managed services decreased by \$1.1 million, or 5%, due to a decline in the amount of freelancer services used by the client using our managed services offering. In general, the cost of freelancer services to deliver managed services is directly correlated to our managed services revenue.

Total gross margin improved from 62% in 2016 to 68% in 2017 primarily driven by the introduction of the payment processing and administration fee to clients in June 2016.

Research and Development

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
Research and development	\$ 37,902	\$ 45,604	\$ 7,702	20%
Percentage of total revenue	23%	23%		

[Table of Contents](#)

Research and development expense increased by \$7.7 million, or 20%, in 2017 as compared to 2016 and was consistent as a percentage of total revenue at 23%. The increase was primarily due to an increase in personnel-related costs, driven by development of new products and features.

Sales and Marketing

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
	(dollars in thousands)			
Sales and marketing	\$ 37,437	\$ 53,044	\$15,607	42%
Percentage of total revenue	23%	26%		

Sales and marketing expense increased by \$15.6 million, or 42%, in 2017 as compared to 2016. This increase was primarily due to increases of \$8.5 million in personnel-related costs to build out our enterprise sales team, including sales commissions that we expense as incurred, and \$6.2 million in marketing and advertising costs associated with online and local marketing programs to drive brand awareness and attract new users.

General and Administrative

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
	(dollars in thousands)			
General and administrative	\$ 35,446	\$ 37,334	\$ 1,888	5%
Percentage of total revenue	22%	18%		

General and administrative expense increased \$1.9 million, or 5%, in 2017 as compared to 2016. This increase was primarily due to increases of \$2.8 million of personnel-related costs and \$0.5 million in audit and accounting-related costs in preparation to become a public company, partially offset by a \$1.1 million legal settlement resulting from a trademark dispute accrued in 2016.

Provision for Transaction Losses

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
	(dollars in thousands)			
Provision for transaction losses	\$ 5,550	\$ 4,250	\$(1,300)	(23)%
Percentage of total revenue	3%	2%		

Provision for transaction losses decreased \$1.3 million, or 23%, in 2017 as compared to 2016. This decrease was primarily due to improvements in managing transaction losses and chargebacks for fraud on our platform and bad debt expense associated with our trade and client receivables as we improved on collections from enterprise clients.

Interest Expense and Other (Income) Expense, Net

	Year Ended December 31,		\$ Change	% Change
	2016	2017		
	(dollars in thousands)			
Interest expense	\$ 858	\$ 960	\$ 102	12%
Other (income) expense, net	908	62	(846)	(93)%

Interest expense increased \$0.1 million, or 12%, in 2017 as compared to 2016. This increase was due to a higher amount of outstanding borrowings in 2017 as compared to 2016.

Other (income) expense, net decreased \$0.8 million, or 93%, in 2017 compared to 2016. This decrease was primarily due to a decrease of \$0.5 million in net losses from foreign currency transactions and a decrease of \$0.3 million in prepayment fees paid to a lender.

[Table of Contents](#)

Quarterly Results of Operations

The following tables summarize our selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended June 30, 2018. The information for each of these quarters has been prepared on a basis consistent with our audited financial statements and, in the opinion of management, includes all adjustments of a normal, recurring nature that are necessary for the fair statement of the results of operations for these periods in accordance with U.S. GAAP. The data should be read in conjunction with our audited financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for a full year or in any future period.

	Three Months Ended							
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
	(in thousands)							
Revenue:								
Marketplace	\$37,328	\$38,195	\$40,860	\$43,078	\$46,186	\$47,922	\$51,959	\$55,454
Managed service	6,542	6,009	5,886	5,707	6,076	6,837	7,259	7,227
Total revenue	43,870	44,204	46,746	48,785	52,262	54,759	59,218	62,681
Cost of revenue	14,884	14,805	15,025	15,928	16,894	17,596	19,617	20,457
Gross profit	28,986	29,399	31,721	32,857	35,368	37,163	39,601	42,224
Operating expense:								
Research and development ⁽¹⁾	10,069	9,859	10,303	10,702	11,514	13,085	13,491	12,812
Sales and marketing ⁽¹⁾	8,845	10,964	12,327	11,374	13,626	15,717	19,673	16,414
General and administrative ⁽¹⁾	8,577	10,627	8,623	7,840	8,952	11,919	11,176	11,219
Provision for transaction losses	1,515	1,619	883	901	1,073	1,393	1,270	1,450
Total operating expenses	29,006	33,069	32,136	30,817	35,165	42,114	45,610	41,895
Income (loss) from operations	(20)	(3,670)	(415)	2,040	203	(4,951)	(6,009)	329
Interest expense	205	217	223	207	199	331	529	556
Other (income) expense, net	29	480	(160)	(25)	260	(13)	249	173
Income (loss) before income taxes	(254)	(4,367)	(478)	1,858	(256)	(5,269)	(6,787)	(400)
Income tax benefit (provision)	28	7	(9)	(2)	(45)	78	3	(12)
Net income (loss)	\$ (226)	\$ (4,360)	\$ (487)	\$ 1,856	\$ (301)	\$ (5,191)	\$ (6,784)	\$ (412)

⁽¹⁾ Includes stock-based compensation expense as follows:

	Three Months Ended							
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
	(in thousands)							
Cost of revenue	\$ 50	\$ 44	\$ 52	\$ 141	\$ 48	\$ 49	\$ 52	\$ 53
Research and development	281	470	461	378	432	526	550	538
Sales and marketing	226	226	267	388	312	332	340	331
General and administrative	955	1,662	830	774	734	1,122	946	871
Total	\$ 1,512	\$ 2,402	\$ 1,610	\$ 1,681	\$ 1,526	\$ 2,029	\$ 1,888	\$ 1,793

Table of Contents

The following table sets forth our unaudited quarterly consolidated results of operations data for each of the periods indicated as a percentage of total revenue:

	Three Months Ended							
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
Revenue:								
Marketplace	85%	86%	87%	88%	88%	88%	88%	88%
Managed service	15	14	13	12	12	12	12	12
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue	34	33	32	33	32	32	33	33
Gross profit	66	67	68	67	68	68	67	67
Operating expense:								
Research and development	23	22	22	22	22	24	23	20
Sales and marketing	20	25	27	23	26	28	33	27
General and administrative	20	24	18	16	19	22	19	18
Provision for transaction losses	4	4	2	2	2	3	2	2
Total operating expenses	67	75	69	63	69	77	77	67
Income (loss) from operations	(1)	(8)	(1)	4	(1)	(9)	(10)	—
Interest expense	—	1	—	—	—	1	1	1
Other (income) expense, net	—	1	—	—	—	—	—	—
Income (loss) before income taxes	(1)	(10)	(1)	4	(1)	(10)	(11)	(1)
Income tax benefit (provision)	—	—	—	—	—	—	—	—
Net income (loss)	(1)%	(10)%	(1)%	4%	(1)%	(10)%	(11)%	(1)%

Quarterly Revenue, Cost of Revenue, Gross Profit, and Gross Margin Trends

Over the periods presented, we have experienced growth in total revenue. Our marketplace revenue has generally grown at a faster rate than our managed services revenue, and as a result the percentage of total revenue from our marketplace offering has either increased or stayed constant over the periods presented. Cost of revenue has generally grown at a slower rate than revenue. This improvement is due to the cost of payment processing growing slower than revenue as we introduced new pricing in the second quarter of 2016, the cost of freelancer services for managed services grew at a slower rate than total revenue as our marketplace revenue has become a larger part of our business. This improvement in cost of revenue has been offset by increased third-party hosting costs. As a result of cost of revenue growing slower than revenue over the periods presented our gross margin has improved.

Quarterly Expense Trends

We have historically invested in marketing spend in the first and fourth quarters to drive brand awareness and performance marketing. In the quarter ended December 31, 2017, we spent and expensed marketing dollars to develop an offline brand awareness campaign. We launched that campaign in the quarter ended March 31, 2018, leading to an increase in marketing expenses in the quarter ended March 31, 2018. We also invested in hiring our enterprise sales team throughout 2017 and 2018. We invest in research and development at approximately the same rate as revenue growth and quarterly variations in the percentage of revenue allocated to research and development costs are due to variations in personnel costs and capitalized internal-use software and

[Table of Contents](#)

platform development cost. General and administrative expenses increased during the quarters ended December 31, 2016 and 2017 primarily related to increased headcount and professional services to support our growth and preparation to become a public company.

Interest expense increased starting in the quarter ended December 31, 2017 as we drew down an additional \$19.0 million under our Loan Agreement.

Financial and Operational Metrics

	Three Months Ended							
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
	(in thousands, except percentages)							
Core clients	77.0	76.5	77.2	78.6	82.6	86.4	91.0	95.7
Gross services volume (GSV)	\$ 289,372	\$ 295,246	\$ 311,134	\$ 332,021	\$ 353,495	\$ 376,511	\$ 402,248	\$ 432,284
Client spend retention	85%	85%	89%	92%	95%	99%	103%	106%
Marketplace revenue	\$ 37,328	\$ 38,195	\$ 40,860	\$ 43,078	\$ 46,186	\$ 47,922	\$ 51,959	\$ 55,454
Adjusted EBITDA	\$ 3,506	\$ (53)	\$ 2,257	\$ 4,761	\$ 2,762	\$ (1,871)	\$ (3,057)	\$ 3,313

The following table presents a reconciliation of net income (loss) to adjusted EBITDA, the most directly comparable financial measure prepared in accordance with U.S. GAAP, for each of the periods presented:

	Three Months Ended								
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	
	(in thousands)								
Net income (loss)		\$ (226)	\$ (4,360)	\$ (487)	\$ 1,856	\$ (301)	\$ (5,191)	\$ (6,784)	\$ (412)
Add back (deduct):									
Stock-based compensation		1,512	2,401	1,611	1,680	1,526	2,029	1,888	1,793
Depreciation and amortization		2,014	1,216	1,061	1,041	1,033	1,051	1,064	1,191
Interest expense		205	217	223	207	199	331	529	556
Other (income) expense, net		29	480	(160)	(25)	260	(13)	249	173
Income tax (benefit) provision		(28)	(7)	9	2	45	(78)	(3)	12
Adjusted EBITDA		<u>\$ 3,506</u>	<u>\$ (53)</u>	<u>\$ 2,257</u>	<u>\$ 4,761</u>	<u>\$ 2,762</u>	<u>\$ (1,871)</u>	<u>\$ (3,057)</u>	<u>\$ 3,313</u>

Liquidity and Capital Resources

We have financed our operations and capital expenditures primarily through sales of convertible preferred stock, bank borrowings, and utilization of cash generated from operations in the period in which we generated cash flows from operations. As of June 30, 2018, we had \$31.3 million in cash.

We believe our existing cash, cash flow from operations, and amounts available for borrowing under the Loan Agreement will be sufficient to meet our working capital requirements for at least the next twelve months. To the extent existing cash, cash from operations, and amounts available for borrowing under the Loan Agreement are insufficient to fund future activities, we may need to raise additional funds. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

Escrow Funding Requirements

We offer escrow services to users of our platform. As such, we are licensed as an internet escrow agent and are therefore required to hold our users' escrowed cash and in-transit cash in trust as an asset and record a corresponding liability of escrow funds on behalf of freelancers and clients on our balance sheet. Escrow regulations require us to fund the trust with our parent company's operating cash if there is ever a shortage due to the timing of cash receipts from clients for completed hourly billings. Freelancers submit their billings for hourly contracts to their clients on a weekly basis every Sunday and the aggregate amount of such billings is added to escrow funds payable to freelancers on the same day. As of Sunday each week, we have not yet collected funds for hourly billings from clients as these funds are in transit. Therefore, every Sunday we fund any shortage of cash in trust with our own operating cash and collect this cash shortage from clients within the next several days. As a result, we expect our total cash and cash flows from operating activities to be impacted when a quarter ends on a Sunday, as occurred on December 31, 2017 and will occur on September 30, 2018, March 31, 2019, and June 30, 2019. As of December 31, 2017, funds held in escrow, including funds in transit, were \$87.2 million and we used \$13.4 million of our cash on December 31, 2017 to temporarily fund that one week of hourly billings. To the extent we have not yet collected funds for hourly billings from clients which are in-transit due to timing differences in receipt of cash from clients and payments of cash to freelancers, we may, from time to time, utilize the revolving line of credit under our Loan Agreement, to fund such shortage of cash. To fund the shortage of cash in trust that will occur on September 30, 2018, we plan to draw down \$15.0 million pursuant to the revolving line of credit under the Loan Agreement in September 2018 which we then intend to repay in early October 2018.

Term and Revolving Loans

Loan Agreement. In September 2017, we entered into the Loan Agreement, which was amended in November 2017 and September 2018. The aggregate amount of the facility is up to \$49.0 million, consisting of a term loan of \$15.0 million, or the first term loan, a term loan of \$9.0 million, or the second term loan, and a revolving line of credit of up to \$25.0 million based on eligible trade and client accounts receivable. Contemporaneously, we used the proceeds of the term loan to pay off our outstanding borrowings under a prior loan and security agreement in the then- principal amount of \$14.0 million. The first term loan, second term loan, and revolving line of credit mature in March 2022, September 2022, and September 2020, respectively. The first term loan bears interest at the prime rate plus a spread of 0.25% per annum and has a repayment term of 18 months of interest-only payments ending in March 2019 followed by 36 equal monthly installments of principal plus interest. Prior to this offering, the second term loan bears interest at the prime rate plus a spread of 5.25% per annum. Following this offering, the second term loan will bear interest at the prime rate plus a spread of 0.25% per annum. The second term loan has a repayment term of eleven months of interest-only payments ending in October 2018, followed by 47 equal monthly installments of principal plus interest. If we achieve trailing six-month EBITDA of \$1.0 million for the period ending September 30, 2018, the interest-only repayment period will be extended to March 2019, followed by 42 equal monthly installments of principal plus interest. The revolving line of credit bears interest at the prime rate with accrued interest due monthly. In November 2017, we borrowed \$19.0 million under the Loan Agreement, which we used to repurchase shares of our capital stock from a then-existing stockholder. As of December 31, 2017 and June 30, 2018, we had \$24.0 million outstanding pursuant to the term loans and \$10.0 million outstanding pursuant to the revolving line of credit under the Loan Agreement.

Our obligations under the Loan Agreement are secured by substantially all of our assets excluding our intellectual property (but including proceeds therefrom) and the funds and assets held by Upwork Escrow. The Loan Agreement contains affirmative covenants, including financial covenants that, among other things, require us to maintain an adjusted quick ratio of not less than 1.3 and achieve certain EBITDA targets. The Loan Agreement also contains certain non-financial covenants. We were in compliance with the covenants under the Loan Agreement as of June 30, 2018. For the reasons described in the section titled "—Escrow Funding Requirements," we intend to draw down \$15.0 million in September 2018 under the revolving line of credit, which we intend to repay in early October 2018.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(in thousands)			
Net cash provided by (used in) operating activities	\$ 3,148	\$ (4,001) ⁽¹⁾	\$ 9,077	\$ 10,403
Net cash used in investing activities	(475)	(2,111)	(810)	(3,342)
Net cash provided by (used in) financing activities	5,232	381	(1,339)	2,675
Net increase (decrease) in cash	<u>\$ 7,905</u>	<u>\$ (5,731)</u>	<u>\$ 6,928</u>	<u>\$ 9,736</u>

(1) We used \$13.4 million on December 31, 2017 to temporarily fund the trust account associated with our escrow services. See the section titled “—Liquidity and Capital Resources—Escrow Funding Requirements.”

Operating Activities

Our largest source of operating cash is revenue generated from our platform. Our primary uses of cash from operating activities are for personnel-related expenditures and third-party hosting costs. In addition, because we are licensed as an internet escrow agent, our total cash and cash provided by (used in) operating activities may be impacted by the timing of the end of our fiscal quarter as discussed in the section titled “—Liquidity and Capital Resources—Escrow Funding Requirements.”

Net cash provided by operating activities during the six months ended June 30, 2018 was \$10.4 million, which resulted from non-cash charges of \$2.3 million for depreciation and amortization, \$3.7 million for stock-based compensation, \$2.7 million for provision for transaction losses, \$0.4 million related to the change in fair value of our redeemable preferred stock warrant liability, and net cash inflows of \$8.5 million from changes in operating assets and liabilities, partially offset by a net loss of \$7.2 million. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of \$17.3 million in other liabilities and \$0.3 million in accounts payable, partially offset by an increase of \$0.6 million in prepaid expenses and other assets and an increase of \$8.6 million in trade and client receivables reflecting the last day of the quarter was a Saturday compared to a Sunday on December 31, 2017. On Sunday, December 31, 2017, trade and client receivables include the full week of marketplace accounts receivable for the last week of December. On Saturday, June 30, 2018, unbilled revenue reflects six days of the last week of June. In addition, the last week of June client spend was approximately 40% higher than the last week of December which magnified the scale of the timing effect.

Net cash provided by operating activities during the six months ended June 30, 2017 was \$9.1 million, which resulted from non-cash charges of \$2.1 million for depreciation and amortization, \$3.3 million for stock-based compensation, \$1.8 million for provision for transaction losses, net cash inflows of \$0.5 million from changes in operating assets and liabilities and net income of \$1.4 million. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of \$3.3 million in accrued expenses and other liabilities, \$0.7 million in accounts payable and \$0.2 million in deferred revenue, partially offset by a decrease of \$3.7 million in trade and client receivables.

Net cash used in operating activities during 2017 was \$4.0 million, which resulted from a net loss of \$4.1 million and net cash outflows of \$15.4 million from changes in operating assets and liabilities, offset by non-cash charges of \$6.8 million for stock-based compensation, \$4.3 million for provision for transaction losses, and \$4.2 million for depreciation and amortization. The net cash outflows from changes in operating assets and liabilities were primarily the result of increases of \$8.9 million in trade and client receivables and \$0.5 million in prepaid expenses and other assets and a decrease of \$6.1 million in accrued expenses and other liabilities. The increase in trade and client receivables was primarily because the last calendar day of 2017 (i.e., December 31, 2017) fell on a Sunday, requiring us to fund the shortage of cash in the trust until we collect this from clients over the next few days, and an increase in our trade and client receivables for our Upwork Enterprise clients, who pay us

[Table of Contents](#)

on net terms. Due to the growth in revenue and the number of transactions on our platform, coupled with fluctuations of the timing of cash receipts from clients, our trade and client receivables may fluctuate in the future. The decrease in accrued expenses and other liabilities was primarily due to fluctuations in timing of cash payments.

Net cash provided by operating activities during 2016 was \$3.1 million, which resulted from non-cash charges of \$8.5 million for depreciation and amortization, \$7.3 million for stock-based compensation, and \$5.6 million for provision for transaction losses, partially offset by a net loss of \$16.2 million and net cash outflows of \$2.1 million from changes in operating assets and liabilities. The net cash outflows from changes in operating assets and liabilities were primarily the result of increases of \$8.3 million in trade and client receivables and \$0.5 million in prepaid expenses and other assets and a decrease of \$0.6 million in accounts payable, partially offset by increases of \$7.1 million in accrued expenses and other liabilities and \$0.2 million in deferred revenue. The increase in trade and client receivables and deferred revenue was primarily due to growth in revenue and the number of transactions on our platform as well as the timing of cash receipts from clients. The decrease in accounts payable and the increase in accrued expenses and other liabilities was primarily due to the timing of cash payments and increased activities to support overall business growth.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2018 was \$3.3 million, which resulted from capitalized internal-use software and platform development costs of \$1.9 million, purchases of property and equipment of \$1.3 million for leasehold improvements and furniture, and an increase of \$0.1 million in restricted cash related to cash reserve requirements under California escrow laws and regulations based on the transaction volume.

Net cash used in investing activities during the six months ended June 30, 2017 was \$0.8 million, which resulted from capitalized internal-use software and platform development costs of \$0.2 million and purchases of property and equipment of \$0.6 million.

Net cash used in investing activities during 2017 was \$2.1 million, which resulted from purchases of property and equipment of \$1.8 million and capitalized internal-use software and platform development costs of \$0.5 million, partially offset by a decrease of \$0.2 million in restricted cash related to cash collateral for letters of credit issued in conjunction with operating leases and foreign currency forward contracts.

Net cash used in investing activities during 2016 was \$0.5 million, which resulted from purchases of property and equipment of \$0.9 million, partially offset by a decrease of \$0.4 million in restricted cash related to the refund of a security deposit for new office space.

Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2018 was \$2.7 million primarily due to proceeds of \$4.3 million from the exercise of stock options, partially offset by \$1.6 million in deferred offering costs paid for our initial public offering.

Net cash used in financing activities during the six months ended June 30, 2017 was \$1.3 million primarily due to the repayment of \$3.0 million in borrowings, partially offset by proceeds of \$1.7 million from the exercise of stock options and a convertible preferred stock warrant.

Net cash provided by financing activities during 2017 was \$0.4 million primarily due to proceeds from the exercise of stock options, proceeds from borrowings of \$33.8 million, net of borrowing costs, under the Loan Agreement and \$2.8 million from the exercise of stock options and a convertible preferred stock warrant, offset by the repayment of \$17.0 million in borrowings under a prior loan and security agreement, and a repurchase by us of convertible preferred stock for \$19.2 million.

Net cash provided by financing activities during 2016 was \$5.2 million primarily due to net proceeds from borrowings of \$17.0 million under a prior loan and security agreement, partially offset by the repayment of \$12.0 million in borrowings under an earlier loan and security agreement.

Obligations and Other Commitments

Our principal commitments consist of obligations under our non-cancelable operating leases for office space and the Loan Agreement. The following tables summarize our contractual obligations as of December 31, 2017 and June 30, 2018:

	Payments due by period as of December 31, 2017				
	Total	Less than 1 Year	1 - 3 Years (in thousands)	3 - 5 Years	More Than 5 Years
Leases ⁽¹⁾	\$ 6,320	\$ 3,892	\$ 2,428	\$ —	\$ —
Debt principal	34,000	10,383	13,346	10,271	—
Total contractual obligations	<u>\$40,320</u>	<u>\$14,275</u>	<u>\$ 15,774</u>	<u>\$ 10,271</u>	<u>\$ —</u>

	Payments due by period as of June 30, 2018				
	Total	Less than 1 Year	1 - 3 Years (in thousands)	3 - 5 Years	More Than 5 Years
Leases ⁽¹⁾	\$ 4,488	\$ 3,924	\$ 564	\$ —	\$ —
Debt principal	34,000	12,782	20,644	574	—
Total contractual obligations	<u>\$38,488</u>	<u>\$16,706</u>	<u>\$ 21,208</u>	<u>\$ 574</u>	<u>\$ —</u>

(1) Represents minimum operating lease payments under operating leases for office facilities, excluding potential lease renewals, net of tenant improvement allowances.

In the ordinary course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for indemnification. In addition, we have entered into indemnification agreements with our directors and executive officers and certain employees that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as our directors, executive officers, or employees. The terms of such obligations may vary. To date, we have not paid any material claims or been required to defend any actions related to our indemnification obligations.

As of December 31, 2017 and June 30, 2018, we had accrued liabilities related to uncertain non-income tax positions based on management's best estimate of its liability, which are reflected on our consolidated balance sheet. We could be subject to examination in various jurisdictions related to income and non-income tax matters. The resolution of these types of matters, giving recognition to the recorded reserve, could have an adverse impact on our business.

Subsequent to June 30, 2018, we extended our office lease in San Francisco through 2024. Minimum payments under this operating lease extension are \$15.7 million. Following June 30, 2018, we entered into a new office lease in Chicago, the duration of which will extend through 2024. Minimum payments under this operating lease are \$5.1 million. Additionally, we expect to incur approximately \$4.5 million in construction costs in connection with this operating lease between October 2018 and January 2019. We plan to sublease the office space in Chicago that we leased prior to the execution of this new operating lease.

Off-Balance Sheet Arrangements

As of December 31, 2017 and June 30, 2018, we did not have any relationships with other entities or financial partnerships such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign currency exchange rates.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not make investments for trading or speculative purposes. Because our cash has a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. Borrowings under our Loan Agreement have variable interest rates. We had \$34.0 million of principal outstanding under our Loan Agreement as of December 31, 2017 and June 30, 2018. We do not believe that a hypothetical increase or decrease in interest rates of 100 basis points would have a material impact on our operating results or financial condition.

Foreign Currency Risk

Our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. In addition to the U.S. dollar, we offer clients the option to settle the invoices denominated in the U.S. dollar in Euro, the British Pound, the Australian dollar, or the Canadian dollar. When clients make payments in one of these currencies, we are exposed to foreign currency risk during the period between when payment is made and when the payment amounts settle. To mitigate this risk, we have entered into forward contracts. As such, the impact of foreign currency exchange rate fluctuations to our operating results have been insignificant to date.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

We believe estimates and assumptions associated with the evaluation of revenue recognition criteria, including the determination of revenue reporting as gross versus net in our revenue arrangements, internal-use software and platform development costs, fair values of stock-based awards, and income taxes have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

We primarily generate revenue from freelancers and clients from marketplace and managed services offerings.

We recognize revenue in accordance with ASC 605, *Revenue Recognition*, and related authoritative guidance. Under ASC 605, revenue is recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) fees are fixed or determinable; (iii) the collection of the fees is reasonably assured; and (iv) services have been rendered.

We report revenue in conformity with ASC 605-45, *Revenue Recognition-Principal Agent Considerations*. The determination of whether we are the principal or agent, and therefore whether to report revenue on a gross basis for the amount billed or on a net basis for the amount earned from each transaction, requires us to evaluate a number of indicators. We evaluate each separate unit of account for gross versus net as required.

We also report revenue in conformity with ASC 605-50, *Customer Payments and Incentives*. The determination of whether we should characterize consideration paid to customers as costs or a reduction to revenue requires us to evaluate whether the consideration paid has an identifiable separable benefit to us and is at fair value.

Marketplace

Our marketplace revenue is derived from both our Upwork Standard offering and our Upwork Enterprise and other premium offerings.

Upwork Standard

We earn fees from freelancers under our Upwork Standard offering as follows:

Service Fees. We provide freelancers access to our platform to perform specified services agreed between freelancers and clients. Freelancers charge clients on an hourly or a milestone basis for services accessed through our platform, which we refer to as freelancer billings. We charge freelancers a service fee as a percentage of freelancer billings using a tiered service fee model based on cumulative lifetime billings by the freelancer to each client. For service fees charged to freelancers, we recognize revenue on a net basis, as an agent, for providing access to our platform as we take no responsibility for the freelancer services, and therefore we are not considered the primary obligor for the freelancer services. We recognize the service fee as services are rendered.

Withdrawal Fees. We generate revenue from withdrawal fees from freelancers when the freelancers withdraw funds from their cash balances held with us. We charge a flat withdrawal fee for each withdrawal transaction and recognize that fee as it is earned for each transaction.

Membership and Connects Fees. We generate revenue from membership and connects fees from freelancers that are charged these fees in order to access additional features on our platform. Membership fees are recognized over the period of the membership, which is generally monthly, and connects fees are recognized as services are rendered.

We earn fees from clients under our Upwork Standard offering as follows:

Client Payment Processing and Administration Fee. We generate revenue from clients for payment processing fees at the time the client is charged for the amounts due from the client. We charge a fee per transaction or a flat monthly payment processing fee. Per-transaction payment processing fees are recognized when the client is charged for the amount due and fees charged on a monthly basis are recognized over the month that payment processing services are provided. For client payment processing fees, we earn revenue on a gross basis as a principal and not net of the third-party payment processing costs incurred because we are considered the primary obligor for payment processing and administration services and have the latitude to set the price with clients separate and apart from the fees we pay our third-party payment processors.

Foreign Currency Exchange and Upwork Payroll Service Fees. We generate revenue from foreign currency exchange fees from clients by charging a fixed mark-up above quoted foreign currency exchange rates when we collect amounts denominated in foreign currency. We generate revenue from Upwork Payroll service fees from clients paying for freelancer services when freelancers are classified as employees and are employed by third-party staffing providers.

Upwork Enterprise and Other Premium Offerings

We earn fees from freelancers under Upwork Enterprise and other premium offerings as follows:

Service Fees. We provide freelancers access to our platform to perform freelancer services for clients. We charge freelancers a service fee as a percentage of the total freelancer billings. We earn service fees based on a fixed percentage fee. For service fees charged to freelancers, we recognize revenue on a net basis, as an agent, for providing access to our platform as we take no responsibility for the freelancer services, and therefore we are not considered the primary obligor for the freelancer services. We recognize the service fee as services are rendered.

We earn fees from clients under Upwork Enterprise and other premium offerings as follows:

Client Service Fees. We offer clients access to our platform to source freelancers in exchange for a client service fee calculated as a percentage of the freelancer billings. We recognize the client service fees as services are rendered by the freelancers.

Enterprise Compliance Service Fees. We generate revenue from enterprise compliance service fees from clients under a compliance agreement with us to determine whether a freelancer should be classified as an employee or an independent contractor based on the scope of freelancer services agreed between the client and freelancer and other factors. We charge enterprise compliance service fees as a percentage of freelancer billings. We recognize revenue as services are rendered.

[Table of Contents](#)

Subscription Fees. We generate revenue from monthly or annual subscription fees for subscription services that include additional service features, premium access to top talent, professional services, custom reporting, and invoicing. The revenue attribution is consistent with membership fees for our Upwork Standard offering.

Revenue Sharing Arrangements. For our Upwork Standard, Upwork Enterprise, and other premium offerings, we generate a revenue share as a percentage of the fees charged by certain financial institutions to the freelancers. We recognize revenue from these arrangements as they are earned, which is generally monthly based on the contractual terms.

Managed Services

Under a managed services arrangement, we are responsible for providing services and engaging freelancers directly or as employees of third-party staffing providers to perform the services on our behalf. We recognize revenue on a gross basis for amounts charged to the client based on our determination that we are deemed to be the primary obligor as we take responsibility and risk for these services completed for the client. We determine pricing for these services and then identify and engage these freelancers or third-party staffing providers to fulfill the service obligation to the client. Revenue for these services is recognized as these services are rendered.

See Note 2 of the notes to our consolidated financial statements for a further description of our revenue recognition policies.

Goodwill

Goodwill represents the excess of the aggregate fair value of the consideration transferred over the fair value of the net tangible and identifiable assets acquired in 2014 as a result of the combination of Elance and oDesk. The total accounting purchase price of this combination was \$147.4 million. Elance and oDesk each considered a number of factors when deciding whether to consummate the 2014 combination between the two companies. The business reasons for the combination, and the rationale for the purchase price, included creating greater scale and visibility of the combined company to gain increased market share by attracting new users, improving operational efficiencies, and benefits from cost synergies. Additional factors included our expectations regarding the ongoing changes in the labor market, including the impact of technology in reducing the prevailing inefficiencies in the labor market, which we believed would result in a greater market opportunity for the combined company than had the two companies remained independent.

Our achievement of these anticipated benefits are reflected in our overall performance following the 2014 combination, particularly starting in 2017 after the initial integration initiatives involving the two companies, including the migration to a unified Upwork platform, had generally concluded. Specifically, we have invested in building a robust, unified platform with features and functionalities that we believe resulted in a larger, more liquid marketplace, including more access to jobs for freelancers and skills and expertise for clients, and provided us with significant cost efficiencies. We also believe the quality of our unified platform, Upwork, is reflected in our NPS, which exceeded 60 on average from both freelancers and clients throughout 2017 and the six months ended June 30, 2018. Furthermore, we believe our product enhancements and technical expertise have enabled us to successfully scale over 20 different categories each to surpass over \$20 million GSV in 2017.

Goodwill from this combination is not amortized but is assessed for impairment at least annually, or more frequently if events or changes in circumstances indicate the goodwill may be impaired. We conduct our annual assessment during the fourth quarter of each calendar year based on a single reporting unit structure.

We have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if we conclude otherwise, then we are required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of the reporting unit with its respective book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be

impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then a second step is required that compares the carrying amount of the goodwill with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally-generated and unrecognized intangible and tangible net assets. If the carrying amount of goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

For 2016, we conducted our goodwill impairment testing by performing the first step of the two-step impairment model. The fair value was determined by us with assistance from an independent third-party valuation firm by using a combination of income and market approaches. In estimating the fair value of our reporting unit, we compared current period results to relevant projections. Actual revenue results for such period were approximately 20% lower than the initial projections prepared at the time of the combination of Elance and oDesk. The difference between actual and projected results for such period was primarily due to the decision (made subsequent to the consummation of the Elance-oDesk combination) to enable clients, freelancers, and their projects to migrate from the legacy Elance platform to the unified Upwork platform, which resulted in a portion of the pre-existing Elance clients and freelancers electing not to migrate to the unified Upwork platform. Projections used in estimating the fair value of the reporting unit incorporated the effects of the migration as well as other current management expectations. The estimated fair value of our reporting unit was approximately three times greater than the book value at the impairment testing date and as such, we concluded there was no impairment to goodwill at the impairment testing date.

For 2017, we conducted our goodwill impairment testing by assessing qualitative factors to determine whether it was more likely than not that the fair value of our reporting unit was less than its carrying amount. As part of this assessment, we considered factors, including but not limited to, the overall macroeconomic environment, specific industry and market conditions, cost factors, our overall financial performance against expectations, changes in strategy or the manner in which we use our assets, and changes in key management personnel. While we had a history of operating losses, our operating results improved in 2017 compared to 2016. No other indicators of impairment were identified during our assessment. Furthermore, we considered the most recent valuations of our common stock, which indicated that there was substantial excess of fair value over book value. Accordingly, we concluded there was no impairment to goodwill at the impairment testing date.

Multiple-Element Arrangements

Some of our offerings consist of multiple elements, which can include a mix of service fees along with other services, including subscription services, Upwork Payroll services, compliance services, and payment processing services. Where neither vendor-specific objective evidence nor third-party evidence of selling price exists, we are required to use our best estimate of selling price to allocate arrangement consideration on a relative basis to each element. At the inception of arrangements, which do not include subscription services, as there is no fixed consideration to be allocated, a relative fair value allocation is not required. In the instance the multiple-element arrangement includes subscription services, the only fixed consideration relates to the subscription services, which is a separate unit of accounting, and the fixed consideration is allocated only to the subscription services at inception as all other fees in the arrangement are contingent on certain activities being performed.

Internal-Use Software and Platform Development Costs

We capitalize certain internal-use software and platform development costs associated with creating and enhancing internal-use software related to our software platform and technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the criteria for capitalization are expensed as incurred and recorded in research and development expenses in our consolidated statements of operations.

Software development activities generally consist of three stages: (i) the planning stage; (ii) the application and infrastructure development stage; and (iii) the post-implementation stage. Costs incurred in the planning and post-implementation stages of software development, including costs associated with the post configuration training and repairs and maintenance of the developed technologies, are expensed as incurred. We capitalize

[Table of Contents](#)

costs associated with software developed for internal use when both the preliminary project stage is completed and management has authorized further funding for the completion of the project. Costs incurred in the application and infrastructure development stages, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete and the software and technologies are ready for their intended purpose. Internal-use software and platform development costs are amortized using a straight-line method over the estimated useful life of two years, commencing when the software is ready for its intended use. Amortization expenses of the capitalized internal-use software and platform development costs are included in cost of revenue.

Stock-Based Compensation

We account for stock-based compensation expense under the fair value recognition and measurement provision in accordance with the applicable standards, which require all stock-based awards granted to employees to be measured based on the grant date fair value and amortized over the respective period during which the employee is required to provide service in order for the award to vest. We calculate the fair value of stock options on the date of grant using the Black-Scholes option-pricing model for stock options, which is impacted by the fair value of our common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected common stock price volatility over the term of the option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield.

We recognize stock-based compensation for stock-based awards on a straight-line basis over the period during which a service provider is required to provide services in exchange for the award (generally the vesting period). Prior to the adoption of Accounting Standards Update No. 2016-09, or ASU 2016-09, on January 1, 2018, stock-based compensation expense was recognized only for those options expected to vest. We estimated forfeitures based on historical rates of forfeitures of stock options adjusted to reflect future changes in facts and circumstances, if any, and revised the estimated forfeiture rate if actual forfeitures differed from initial estimates. Subsequent to the adoption, we account for forfeitures as they occur.

The estimated grant-date fair value of our equity-based awards issued to service providers was calculated using the Black-Scholes option-pricing model, based on the following assumptions:

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
Dividend yield	0%	0%	0%	0%
Expected term (in years)	6.08	5.3 - 6.3	5.9 - 10	5.2 - 6.27
Risk-free interest rate	1.2% - 2.1%	1.9% - 2.2%	1.9% - 2.7%	2.5% - 2.9%
Expected volatility	42% - 45%	39% - 43%	42% - 48%	38% - 40%

Dividend Yield. The expected dividend is zero as we have never declared dividends and have no current plans to do so in the foreseeable future.

Expected Term. The expected term represents the period that our stock-based awards are expected to be outstanding. We estimate expected term using historical data on employee exercises and post-vesting employment termination behavior taking into account the contractual life of the award.

Risk-Free Interest Rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock option's expected term.

Expected Volatility. Since we do not have a trading history of our common stock, the expected volatility was derived from the average historical stock volatilities of several unrelated public companies within our industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants. We intend to continue to consistently apply this process using the same or similar companies to estimate the expected volatility until sufficient historical information regarding the volatility of the share price of our common stock becomes available.

We also grant stock-based awards to non-employees. We believe that for stock options issued to non-employees, the fair value of the stock option is more reliably measurable than the fair value of the services rendered. Therefore, we estimate the fair value of non-employee stock options using a Black-Scholes valuation model with appropriate assumptions. The estimated fair value of non-employee stock options is re-measured over the vesting period, and the expense is recognized on a straight-line basis over the period during which the award vests.

Common Stock Valuations

In the absence of a public trading market, the fair value of our common stock was determined by our board of directors, with input from management, taking into account our most recent valuations from an independent third-party valuation specialist. Our board of directors intended all stock options granted to have an exercise price per share not less than the per share fair value of our common stock on the date of grant. The valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The assumptions we use in the valuation models were based on future expectations combined with management judgment, and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant, including the following factors:

- contemporaneous valuations performed at periodic intervals by unrelated third-party specialists;
- the liquidation preferences, rights, preferences, and privileges of our convertible preferred stock relative to the common stock;
- our actual operating and financial performance;
- current business conditions and projections;
- our stage of development;
- the likelihood and timing of achieving a liquidity event for the shares of common stock underlying the stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability of the common stock underlying the granted options;
- the market performance of comparable publicly-traded companies; and
- the U.S. and global capital market conditions.

In valuing our common stock at various dates in 2016, 2017, and the six months ended June 30, 2018, our board of directors determined the equity value of our business using various valuation methods including combinations of income and market approaches with input from management. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in our cash flows.

The market approach estimates value considering an analysis of guideline public companies. The guideline public companies method estimates value by applying a representative revenue multiple from a peer group of companies in similar lines of business to our forecasted revenue. To determine our peer group of companies, we considered public marketplace companies, software, and recruitment service companies and selected those that represent similar, but alternative investment opportunities. From time to time, we updated the set of comparable companies as new or more relevant information became available. This approach involves the identification of relevant transactions, and determining relevant multiples to apply to our revenue.

The equity values implied by the income and market approaches reasonably approximated each other as of each valuation date.

[Table of Contents](#)

Once we determined an equity value, we used a combination of approaches to allocate the equity value to each class of our stock. We used the option pricing method, or OPM. The OPM allocates values to each equity class by creating a series of call options on our equity value, with exercise prices based on the liquidation preferences, participation rights, and exercise prices of the equity instruments.

We also considered an appropriate discount adjustment to recognize the lack of marketability and liquidity due to the fact that stockholders of private companies do not have access to trading markets similar to those enjoyed by stockholders of public companies. The discount for marketability was determined using a protective put option model, in which a put option is used as a proxy for measuring discounts for lack of marketability of securities.

In addition, we also considered any private or secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered include transaction volume, timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

Application of these approaches involves the use of estimates, judgment, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

For valuations after the completion of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant. Future expense amounts for any particular period could be affected by changes in our assumptions or market conditions.

Based upon the assumed initial public offering price of \$11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, the aggregate intrinsic value of stock options outstanding as of June 30, 2018 was \$176.8 million, of which \$98.8 million related to vested stock options and \$78.0 million related to unvested stock options. In addition, we granted options to purchase 2,693,123 shares of our common stock subsequent to June 30, 2018.

Income Taxes

We utilize the asset and liability method under which deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided for under currently enacted tax law. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

We regularly review our tax positions and benefits to be realized. We recognize tax liabilities based upon our estimate of whether, and the extent to which, additional taxes will be due when such estimates are more likely than not to be sustained. An uncertain income tax position will be recognized only if it is more likely than not to be sustained. We recognize interest and penalties related to income tax matters as income tax expense.

Recent Accounting Pronouncements

See Note 2 of the notes to our consolidated financial statements included elsewhere in this prospectus for recently issued accounting pronouncements not yet adopted as of the date of this prospectus.

LETTER FROM STEPHANE KASRIEL, UPWORK CEO

Why does Upwork exist? On the surface, a simple business explanation is that people need a better way to connect and work together and Upwork provides just that. But Upwork is more than that, because we are doing good for the world while operating an efficient, growing business. We are a team of people **creating economic opportunities so people have better lives**. That is our mission and working towards this goal is what brought me to Upwork and what motivates me as a leader.

I believe that right now we are in the midst of a transformation in how we work. As a recent co-chair of the World Economic Forum's (WEF) Future Council on Education, Gender and Work, I have had the honor of participating in conversations about this transformation, which the WEF calls the "fourth industrial revolution." Essentially, technology is enabling an increasing number of people to work how, where, when and with whom they please. Simultaneously, businesses need better access to talent in order to remain competitive.

Why is this the "fourth" revolution? A couple of hundred years ago most of us were farmers. Then the first industrial revolution came, and most of us became factory workers. During the second industrial revolution, electricity enabled more mass production. Next, the information technology revolution arrived, and during this third industrial revolution we became office workers. Now, we believe our world is changing again.

Over the last 20 years, tech companies have created efficient online marketplaces for just about every imaginable product, from shopping, to cars, to houses, to clothes... each of which moved from offline to online. What is one of the few products for which the internet has not yet enabled an efficient online marketplace? Talent. Until now...

Upwork is the largest global online marketplace for highly-skilled freelance talent.⁴ We are a part of a fundamental change in technology. Our innovations are bridging skills gaps caused by rigid traditional hiring methods that no longer make sense and, in doing so, are removing friction from the job market. The challenge prior to Upwork was matching talent with the right opportunities, which are concentrated in specific geographical areas where much of the talent does not happen to live. Upwork is helping people find jobs much more efficiently and flexibly. And in doing so, Upwork's platform and others like us are potentially creating trillions of dollars in GDP.

The last industrial revolution didn't remove many of the limitations in the way that we work. This industrial revolution is an opportunity to make a more positive future of work a reality. We believe we can provide economic opportunity for millions of people. This is what drives us at Upwork.

Right now, our economy is becoming more fractured not less. For many, the education system is broken. Our urban infrastructures are overloaded. I am a father and I want to make sure future generations live in a world where, if they are willing to work hard and learn throughout their lives, they can find opportunities and feel fulfilled in society. We owe it to future generations to create a job market where each individual has the best chance of having a constructive role to play.

Every day I think about how to create more value for our society. So does our entire team—countless people have told me that our mission is the reason they are excited to come to work. We will stay true to our mission and, as we make decisions, filter them through what best furthers it.

I am proud of my team, our community, and what we are achieving together. In the twelve months ended June 30, 2018 on Upwork:

- Freelancers earned more than \$1.5 billion
- Freelancers worked on approximately 2 million projects, giving freelancers the opportunity to do work they love
- 475,000 businesses were able to grow by finding talent via Upwork

⁴ As measured by GSV.

[Table of Contents](#)

What really brings our impact to life is the people. The highlight of my job is meeting people and hearing their stories. While it is impossible to do them justice in a short letter, a few stories that stand out most in my mind are:

- Shari, an instructional designer in Hawaii, who previously was in the military and whose husband is still in active duty. As a military spouse, Shari had to look for a new job every time her husband's job moved, which happened on average every three years. Via Upwork, she can continue to work and grow her career wherever she needs to be. As a mother, being in control of her schedule and work enables Shari to live the life she wants—being with her family and having fulfilling work.
- Joana, an architect in Portugal, where there is not a lot of work in her industry. When Joana had a baby, her non-Upwork client did not want to work with her and let her go. At first she was scared she would not be able to find work but when she found Upwork, she suddenly had access to clients all over the world and has grown into managing teams of freelancers for her clients. Joana's future changed from being at the mercy of one client to now controlling where and when she works and having the stability she always dreamed of for her family.
- Brad, a virtual and augmented reality developer in St. Louis, Missouri, was worried he would have to move to a major tech city in order to find meaningful work in this cutting-edge field. When he found Upwork, he not only realized he could stay in St. Louis, but he saw so much opportunity in his field that he is building his own agency. By being able to stay in Missouri, Brad is also helping grow the local technology scene by participating in the small business community and connecting with other local companies.

As we anticipate Upwork's next chapter, I believe being a public company will help us increase our positive impact. My personal commitment is to try harder than ever to maximize this impact. We already connect with stakeholders to try to help create better functioning job markets, including through my participation with the WEF. We'll also work with others such as governments, educational systems and non-profit organizations to improve the support systems professionals and businesses need to thrive.

We believe that more flexible work will result in not only better quality of life but in better economies. Today's technologies, including Upwork, can be a source of job reinvention the likes of which the world has not seen since the inventions of the assembly line and the steam-powered engine. We will change how people find opportunities and work together to shape the outcome of the current work revolution for the better.

The people who work together through our site are groundbreakers, already working in a way that creates more freedom and flexibility to live the lives they want in the locations they want. By using Upwork, they're not only able to increase their quality of life but by empowering more remote work we're also decreasing the number of commuters and congestion and pollution that come with them. It is my duty, and that of the entire Upwork team, to be the catalyst for positive change not only for the individuals in our community but for the optimal functioning of job markets. I truly believe that the future of work can be a better one and that Upwork will be at the center of shaping this future.

I hope you will join us in this journey to make the way people work together, and the world along with it, a better place.

Stephane Kazvich

BUSINESS

Our Mission

Our mission is to create economic opportunities so people have better lives.

Overview

We are changing the way work gets done by connecting businesses with great talent to work without limits.

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by GSV. Freelancers are an increasingly sought-after, critical, and expanding segment of the global workforce. In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients in over 180 countries.

Our platform reduces inefficiencies associated with searching for, contracting and collaborating with, and paying highly-skilled freelancers for short-term and longer-term projects. As early innovators in this space, we have built an expansive and unique repository of data on our platform, which, when combined with our machine learning capabilities, enables us to better connect clients with the best freelancers for their projects. As a result, clients are able to obtain specialized talent in less time and at a lower cost compared to traditional channels.

Knowledge is a key driver of today's global economy. As the pace of change accelerates and companies conceive and execute their digital transformation strategies, businesses increasingly need access to specialized, knowledge-based talent to compete. In addition, knowledge workers are now seeking more flexible work options, independence, and easier access to work opportunities. However, the traditional means by which businesses seek and hire talent have not kept pace with these changes. These factors ultimately have contributed to less efficient local economies as businesses struggle to find the right talent to meet their needs.

We believe these inefficiencies in the labor market have created a significant opportunity for online global marketplaces for freelance work and that businesses globally will continue to adopt freelance work. We estimate that the total global GSV opportunity for our platform was approximately \$560 billion in 2017. McKinsey Global Institute estimates that, by 2025, online talent platforms could add \$2.7 trillion annually, or 2%, to global GDP.

We serve as a powerful marketing channel for freelancers to find rewarding, engaging, and flexible work. Freelancers using our platform benefit from access to quality clients and secure and timely payments while enjoying the freedom to run their own businesses, create their own schedules, and work from their preferred locations. Moreover, freelancers have real-time visibility into opportunities that are in high demand, so that they can invest their time and focus on developing sought-after skills.

Our platform provides clients with fast, secure, and efficient access to high-quality talent with over 5,000 skills across over 70 categories, such as content marketing, customer service, data science and analytics, graphic design, mobile development, sales, and web development. We offer a direct-to-talent approach, reducing reliance on intermediaries such as staffing firms, recruiters, and traditional agencies, while providing features that help instill trust in remote work. Our platform also enables clients to streamline workflows, such as talent sourcing, outreach, and contracting. In addition, our platform provides access to essential functionality for remote engagements with freelancers, including communication and collaboration, time tracking, invoicing, and payment.

We believe that a key driver of our growth is our track record of creating trust and enabling freelancers and clients to successfully connect at scale on our platform. As the largest online global marketplace for highly-skilled freelancers as measured by GSV, we benefit from network effects that drive growth in both the number of clients posting jobs and the number of highly-skilled freelancers seeking work.

We have rapidly grown our business. GSV on our platform was \$1.15 billion and \$1.37 billion in 2016 and 2017, respectively, representing an annual growth rate of 20%. For the six months ended June 30, 2017 and 2018, GSV on our platform was \$643.2 million and \$834.5 million, respectively, representing a period-over-period

[Table of Contents](#)

growth rate of 30%. For the twelve months ended June 30, 2018, GSV on our platform was \$1.56 billion. In 2016 and 2017, our total revenue was \$164.4 million and \$202.6 million, respectively, representing an annual growth rate of 23%. For the six months ended June 30, 2017 and 2018, our total revenue was \$95.5 million and \$121.9 million, respectively, representing a period-over-period growth rate of 28%. For the twelve months ended June 30, 2018, our total revenue was \$228.9 million. In 2016 and 2017, our marketplace revenue was \$138.5 million and \$178.0 million, respectively, representing an annual growth rate of 29%. For the six months ended June 30, 2017 and 2018, our marketplace revenue was \$83.9 million and \$107.4 million, respectively, representing a period-over-period growth rate of 28%. We have made significant investments to grow our business, including in sales and marketing, research and development, operations, and personnel. As a result, we generated net losses of \$16.2 million and \$4.1 million in 2016 and 2017, respectively, and generated net income of \$1.4 million for the six months ended June 30, 2017 and a net loss of \$7.2 million for the six months ended June 30, 2018. Our adjusted EBITDA was \$1.3 million and \$7.9 million in 2016 and 2017, respectively, and \$7.0 million and \$0.3 million for the six months ended June 30, 2017 and 2018, respectively. See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for information regarding our use of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA.

Industry Background

Every day, millions of businesses search for the talent they need to compete in an increasingly global and digital economy. Global competitive pressures are pushing companies to be more innovative and flexible in filling the skills gap and scaling their workforces rapidly. Increasing connectivity, rising educational levels domestically and around the world, and shifting career trajectory expectations are bringing diverse talent to the market. However, to access these skills, companies need to shift the way they search for, and engage with, talent.

We believe that the following trends will increasingly change the way businesses and talent think about hiring, seeking work, how and where work gets done, and even what it means to work:

Labor is Undergoing a Revolution

The online freelance economy represents a shift in how labor markets operate. We believe we are still in the early stages of the online freelance economy, with a multi-industry and multi-decade global shift affecting how businesses find talent and how people want to work.

In today’s economy, knowledge is a key driver of productivity. The first and second industrial revolutions of the 18th and 19th centuries created the industrial economy and moved workers from farms to factories. The third industrial revolution of the 20th century created the knowledge economy and moved workers from factories to office buildings.

The World Economic Forum believes that the global economy is now undergoing the fourth industrial revolution, fueled by rapid technological advances. One of the defining features of the fourth industrial revolution is the transformation of how and where work gets done, as work is increasingly no longer constrained by location. In the fourth industrial revolution, instead of the worker moving to the workplace, we are seeing that work is moving to the worker—collaboration is less constrained than ever before by physical proximity and geographic borders, particularly for highly-skilled professionals.

Jobs are Overly Concentrated in Large Cities

Data from the Bureau of Economic Analysis shows that the top six U.S. metropolitan areas alone were responsible for 26% of total U.S. GDP in 2016. This has led to imbalances in labor markets, with jobs becoming increasingly concentrated in those cities. Despite this concentration of jobs in metropolitan areas, workers not only have become increasingly reluctant to move into large cities, but are also leaving large cities at higher rates due to continued rising costs of living and lengthy commutes.

The Labor Market Remains Inefficient

Labor markets remain fragmented and local, and the increasing specialization of work has further reduced availability of talent in local labor markets. As a result, hiring processes can last several months, which is costly

[Table of Contents](#)

to businesses, workers, and the economy. In the United States alone, employers made an average of approximately 178,800 hires per day in 2017, according to the U.S. Department of Labor. Despite this volume of hiring, as of April 2018, the average time taken to fill a job vacancy in the United States was over 31 working days, according to DHI Group. Increasing restrictions on immigration and insufficient availability of U.S. visas for skilled workers are expected to make it even harder to find specialized skills.

Businesses Face a Skills Gap

In addition to the increasing specialization of work, several other factors are exacerbating skills shortages. According to a 2014 study by the Federal Reserve Board of Governors, labor mobility has been trending downwards since the 1980s. Due to the costs of relocation, labor immobility can often result in a local skills gap or persistent regional supply-demand imbalances within skill categories. In 2018, the number of visas sought by U.S. employers for skilled workers was over twice as high as the number available, and additional restrictions on immigration may increase skills shortages. Moreover, population aging is occurring throughout the world, with many countries facing growing labor force shortages due to demographic changes. Illustrating these difficulties, according to a survey conducted by the NFIB Research Center, 88% of small businesses surveyed that were hiring, or trying to hire, reported few or no qualified applicants for the positions they were trying to fill as of April 2018.

Businesses and Workers Desire Flexible Work

In January 2018, 59% of hiring managers indicated they were leveraging flexible talent, which includes temporary, freelance, and agency workers, up 24% from January 2017, according to the 2018 Future Workforce Report, a study we commissioned from the independent research firm Inavero. According to the same report, hiring managers anticipated work performed by flexible talent will increase by 168% in the next 10 years.

Simultaneously, knowledge workers are increasingly demanding flexible and independent work arrangements. According to economists Lawrence Katz of Harvard University and Alan Krueger of Princeton University, 94% of net job growth in the past decade was in the alternative work category, which they define as temporary help agency workers, on-call workers, contract company workers, and independent contractors or freelancers and over 60% was due to the rise of independent contractors, freelancers, and contract company workers. The freelance workforce is one of the fastest-growing segments of the U.S. labor market. From millennials to retiring baby boomers, the number of people choosing to freelance is growing.

Technology is Enabling Remote Work

Rapid technological advancement and innovation in connectivity, communication, and collaboration solutions continue to enhance remote work capabilities and increases trust. Additionally, the global workforce is now able to access technologies and tools such as email, enterprise resource planning, and customer relationship management from anywhere with a laptop or mobile phone. With continued innovation in remote work capabilities, businesses are increasingly able to effectively connect and work with non-local talent, and the benefits of geographic proximity are diminishing. Illustrating the increasing amount of remote work, the number of telecommuting workers grew 115% in a decade, from approximately 1.8 million in 2005 to approximately 3.9 million in 2015, according to the 2017 State of Telecommuting in the U.S. Employee Workforce report.

In the Accenture Technology Vision 2017 report, Accenture forecasts that in the next five years, on-demand work platforms will emerge as a primary driver of economic growth in developed and emerging economies worldwide. We believe that prevailing conventional methods for sourcing talent, finding and completing work, hiring, and making and receiving payments will be increasingly inadequate.

Our Market Opportunity

We believe that inefficiencies in the labor market have created a significant opportunity for online global marketplaces for freelance work and that businesses globally will continue to adopt freelance work. We estimate that the total global GSV opportunity for our platform was approximately \$560 billion in 2017.

[Table of Contents](#)

We calculate the total global GSV opportunity for our platform by multiplying the number of global workers that could adopt our platform by the average GSV generated per freelancer on our platform in 2017. According to a McKinsey Global Institute report, an estimated 11% of the 1.46 billion service jobs worldwide, or 161 million jobs, could be performed remotely. Multiplying this figure by the average GSV generated per freelancer on our platform of approximately \$3,500 in 2017 represents our estimated total global GSV opportunity.

Given the nascent nature of the online freelance economy, we believe many freelancers are leveraging our platform on an experimental basis for only a portion of their business. As of 2016, only 15% of independent earners had used a digital platform to find work, according to a survey conducted by McKinsey Global Institute. We believe that project-based work will continue to migrate online. From July 1, 2016 to June 30, 2017, temporary and project-based work done online grew approximately 26% according to the Oxford Internet Institute's Online Labour Index. We expect our market opportunity and economic impact to expand with the further growth of the knowledge economy and the increasing demand for our online talent marketplace.

Our Marketplace

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers as measured by GSV. The freelancers on our platform include independent professionals and agencies of varying sizes. The clients on our platform range in size from small businesses to Fortune 500 companies.

We have built a proprietary platform that reduces the friction associated with searching for, contracting and collaborating with, and paying highly-skilled freelancers for short-term and longer-term projects. As early innovators in this space, we have built an expansive and unique repository of data on our platform, which, when combined with our machine learning capabilities, enables us to better connect clients with available talent for their projects. For example, we use machine learning to predict the availability, interest, and skill relevance of specific freelancers for specific projects.

Clients using our marketplace can find the right freelancers in less time and at a lower cost compared to traditional channels. In 2017 and in the six months ended June 30, 2018, we maintained high NPS of over 60 on average from both freelancers and clients.⁵

Scale and Liquidity

In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients, including more than 30% of the Fortune 500 companies as of June 30, 2018. The size and scale of our platform provides clients with fast, secure, and efficient access to high-quality talent.

Global Reach

We help freelancers in over 180 countries connect with clients and enable freelancers to withdraw payments for their work in numerous currencies. Supported by strong network effects on our marketplace, we have been able to scale our business and our global community of users without the need for local physical presence and density.

⁵ NPS is a measure of client and freelancer satisfaction on a scale ranging from negative 100 to 100 based on the standard question: "On a scale of 0 to 10, with 10 being extremely likely, how likely are you to recommend Upwork to a friend or colleague?" NPS is based on users that respond to the survey question after closing a project and users who respond to the survey question once every 60 days. NPS is calculated by using the standard methodology of subtracting the percentage of users that respond that they are not likely to recommend us from the percentage of users that respond that they are extremely likely to recommend us.

[Table of Contents](#)

Multi-Category

Our platform provides clients with access to highly-skilled freelancers with over 5,000 skills across over 70 categories. In 2017, approximately 40% of clients engaged freelancers across multiple categories on our platform. Our platform had more than 20 categories that each generated over \$20 million of GSV in 2017, such as:

Accounting	Personal and Virtual Assistance
Business Support	Sales
Content Marketing	Search Engine Optimization (SEO)
Copy Editing	Software Development
Customer Service	Translation
Data Science and Analytics	Video and Film
eCommerce Development	Visual Arts
Graphic Design	Web Development
IT Services	Web and Mobile Design
Mobile Development	Web Research

Unique Data Assets

Our proprietary database maintains detailed and dynamic information, including skills, feedback, and success indicators of freelancers and clients transacting on our platform. Moreover, our machine learning algorithms leverage our closed-loop transaction data on millions of completed projects. The large volume of transactions on our marketplace allows us to continually improve the effectiveness of our search algorithms and product features, providing a compelling and differentiated value proposition for both new and existing freelancers and clients.

Benefits for Highly-Skilled Freelancers

Access to Quality Clients and Work

Our marketplace provides freelancers access to quality clients and rewarding projects. Our platform features both quick, discrete projects and longer-term projects. By reducing non-billable time, including time spent searching for new clients and projects, invoicing, and collecting payments for completed projects, our platform enables freelancers to be more productive, increase their earnings, and find clients outside of their local geography.

Flexibility

Our platform enables freelancers to obtain the flexibility they seek to run their own businesses, choose their own clients, determine their own pricing, create their own schedules, and work from their preferred locations.

Secure and Timely Payments

Freelancers conveniently receive payments from their clients through our platform. Funds are securely held and transferred through our escrow service, enabling trust and timely payment.

Marketing and Reputation Building

We serve as a powerful marketing channel for freelancers to increase demand for their specialized skills. Using our marketplace, freelancers receiving positive client feedback typically benefit from increased demand for their services. We also enable freelancers to be visible in search results globally and to build a business reputation and brand through their skill profiles and project history on our platform.

Insights into High-Demand Skills

We give freelancers real-time visibility into which skills are highest in demand and associated rates paid for those services. With this insight, freelancers can actively invest their time and focus on developing sought-after skills to grow their businesses and increase their earnings.

Benefits for Clients

Access to High-Quality Freelancers

Every day, an average of approximately 10,000 independent professionals and agencies apply to join our platform. We leverage machine learning to automatically accept the registrations of high-quality, in-demand talent. As of February 2017, over 80% of freelancers using our platform held a college degree or advanced degree, with 34% holding a post-graduate degree, according to an internally-conducted survey. Based on information contained in comprehensive freelancer profiles, which include skill profiles and project history on our platform, we highlight the right freelancers to the right clients.

Speed to Hire

Clients often receive proposals within minutes of posting a job, and the median time to hire was 23 hours in 2017. Our marketplace streamlines the interviewing, screening, and contracting process through proprietary search algorithms incorporating freelancers' availability, online status, and skill profiles.

Cost Savings

Our platform offers a direct-to-talent approach, reducing the reliance on intermediaries such as staffing firms, recruiters, and traditional agencies. Clients using our platform only pay for the specific work they need. Based on client feedback, we believe that clients realize significant cost savings compared to hiring locally or using staffing firms or other intermediaries.

Streamlined Processes

Our end-to-end software platform streamlines workflows, such as talent sourcing, outreach, and engagement. Our platform includes a proposal tracking system, collaboration and communication features, time tracking and invoicing, and two-way feedback and review systems to better manage the lifecycle of project engagements.

Trust and Verification

Our technology was built to help instill trust in remote service relationships. Our platform provides insight into freelancer billing, allowing clients to verify work activity reflected on their invoices, while our collaboration and communication features foster responsiveness and transparency between freelancers and clients. Funds are securely held and released through escrow, enabling mutual trust and timely payments. Our platform also provides tools to enable users to provide both public and private feedback once the work is completed.

Unique Access to Specialized Skills

Freelancers on our platform offer over 5,000 skills across over 70 categories. Within each category, there are multiple skills. For example, skills for the mobile development category include Objective C, Swift, and Android app development. Skills on our platform dynamically evolve with the labor market, which enables clients to find freelancers in current and emerging skill areas, such as augmented reality, robotics, and blockchain. By having access to freelancers with an extensive variety of skills, clients can meet their needs for highly-skilled talent on one platform.

Our Strengths

Largest Online Global Marketplace for Highly-Skilled Freelancers

We operate the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers, as measured by GSV. Today, our platform provides clients with access to highly-skilled freelancers with over 5,000 skills across over 70 categories. In the twelve months ended June 30, 2018, our platform enabled \$1.56 billion of GSV across 2.0 million projects between approximately 375,000 freelancers and 475,000 clients in over 180 countries. We had over 1,400 clients that spent over \$100,000 on our platform in 2017, and no single client accounted for more than two percent of total client spend. We believe our size and scale demonstrate the effectiveness of our platform in connecting businesses with global talent.

Trusted Platform for Freelancers and Clients

We believe our ability to foster trust and credibility on our platform drives growth and differentiates us. We use a combination of the latest technology, data science, product features, and our skilled team to make our platform a trusted online marketplace to get work done. We build and use software to highlight relevant freelancers, facilitate security and identity verification for account ownership, and flag suspicious posts to maintain a trusted marketplace. We provide clients with tools to validate work performed by freelancers and to provide both public and private feedback once the work is completed. Our feedback system enables freelancers to build their business reputation by establishing long-term credibility with project review and client feedback. We provide escrow services so clients on our platform only pay for work that has been completed and freelancers are paid by their clients in full and on time.

Proprietary Data Drives Increasing Efficiencies

We have built an expansive and dynamic repository of data on our platform, which allows us to better enable clients to connect with the best talent for their projects. We use this data in our machine learning algorithms on our platform to provide a trusted, convenient, and effective user experience for both new and existing freelancers and clients. An example of how we use machine learning is to highlight the right freelancers to the right clients and the right projects to freelancers to optimize searching on our platform. For freelancers, our machine learning algorithms leverage historical data to predict whether they match the job skill requirements and are interested in and available to undertake a particular project. For clients, we use our historical job post data to infer what the job post means and highlight potential freelancers with relevant skills based on prior project and payment history. We can factor in historical preferences such as the expertise, location, and price charged by prior freelancers engaged by the client for similar projects. We believe that this capability is difficult to replicate because of the large amounts of data needed for machine learning algorithms to understand how users act and the outcomes of these projects. Further, our data enables us to be more effective at detecting and reducing fraud and other malicious activity on our platform both rapidly and at scale.

Robust Platform Functionality

Our platform includes a proposal tracking system, search engine and collaboration functionality, time tracking and invoicing systems, and payments services. The robust functionality of our platform enables freelancers to more easily run their businesses and clients to find and work with high-quality talent globally. As of June 30, 2018, we were actively working with approximately 400 engineers, including both our employees and freelancers, to innovate and improve our platform.

Powerful Global Network Effects

We have invested in building a robust platform with features and functionalities that are necessary to connect freelancers and clients at scale. We believe our platform provides a strong value proposition for both sides of our marketplace and our scale creates powerful network effects that strengthen our competitive differentiation. Clients are attracted to our unique platform due to the availability of the more than 5,000 skills that freelancers offer in over 70 categories. In turn, as more clients use and post projects on our platform, we are able to attract more freelancers. As a result, we have been able to scale our business and our global community of users without the need for local physical presence and density.

Business Model with Strong Retention Metrics

The growth in our marketplace is driven by long-term and recurring use of our platform by freelancers and clients, which leads to increased revenue visibility for us. For example, for the quarterly period ended June 30, 2018, in addition to acquiring new clients, our client spend retention was 106%. Furthermore, the quality of our relationship with freelancers and clients that use our platform is reflected in our NPS, which exceeded 60 on average from both freelancers and clients throughout 2017 and the six months ended June 30, 2018. In addition, we believe the scale of our platform incentivizes freelancers to build their business reputations and continue to use our platform.

[Table of Contents](#)

Proven Management Team

Our company was formed when two of the earliest innovators in the space, and the largest online talent marketplaces at the time, Elance and oDesk, combined in 2014. Our management team has a strong track record of scaling and running profitable businesses with a focus on online marketplaces, business-to-business services and software, and global payments technologies. Our President and Chief Executive Officer, Stephane Kasriel, is an active thought leader in talent engagement and the future of work, and, from 2016 to 2018, served as the co-chair of the World Economic Forum's Global Future Council on Education, Gender and Work.

Growth Strategies

We intend to continue actively pursuing opportunities to expand and solidify our market position, including the following:

Increase Spend from Existing Clients

We intend to expand our relationship with our existing clients and increase their spend on our platform by investing in building new products and premium features.

Attract New Clients Through Marketing Efforts

We intend to expand our marketing efforts to increase awareness of our platform and the benefits of using flexible and remote talent and, as a result, attract new clients.

Remain a Preferred Platform for Freelancers

We will continue to invest in new products and features to help freelancers grow their businesses by finding more work and increasing their earnings.

Further Invest in Technology

We plan to continue to improve our user experience by enhancing our software capabilities, data science, security, and technology infrastructure.

Invest in Domestic Marketplace Capabilities Internationally

We plan to invest in building domestic-to-domestic marketplaces internationally by connecting local clients to local freelancers, similar to our U.S.-to-U.S. domestic offering, including customizing our platform to support additional languages and currencies. We believe that by tailoring our platform experience to the nuances of regional markets, we can further improve the experience of our users.

Broaden and Deepen Categories

We have successfully scaled over 20 different categories to over \$20 million GSV in 2017. We intend to focus further on customizing experiences for categories through tailored features and functionalities, thus making it easier and more efficient for clients to connect with the right freelancers.

Focus on Premium Offerings

We plan to invest further in our direct sales team and expand our premium offerings. We believe there is a significant opportunity to expand existing client spend, add new enterprise clients, and cross-sell and upsell existing enterprise clients across various categories.

Our Products

We have marketplace offerings and a managed services offering. Our marketplace offerings include our Upwork Standard, Upwork Enterprise, Upwork Pro, and Upwork Payroll offerings.

[Table of Contents](#)

Upwork Standard

Our Upwork Standard offering provides clients with access to freelance talent with verified work history on our platform and client feedback, the ability to instantly match with the right freelancers, and built-in collaboration features.

Upwork Enterprise

Our Upwork Enterprise offering, which is designed for larger clients, includes access to additional product features, premium access to top talent, professional services, custom reporting, compliance services, and invoicing on a monthly basis.

Upwork Pro

Our Upwork Pro offering provides additional services to clients including job post and search assistance.

Upwork Payroll

Our Upwork Payroll service is offered to clients whose freelancers are classified as employees for engagements on our online marketplace. With Upwork Payroll, third-party staffing providers provide employment services on behalf of clients.

Managed Services Offering

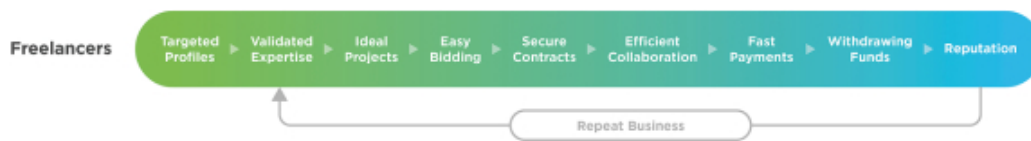
Through our managed services offering, we engage freelancers to complete projects, directly invoice the client, and assume responsibility for work performed by freelancers.

Our Platform

Our platform provides clients with fast, secure, and efficient access to high-quality talent with more than 5,000 skills across over 70 categories, such as content marketing, customer service, data science and analytics, graphic design, mobile development, sales, and web development. Freelancers on our platform benefit from access to high-quality clients, rewarding work, and secure and timely payments while enjoying the flexibility to run their own businesses, create their own schedules, and work from their preferred locations. Our end-to-end software platform streamlines workflows, such as talent sourcing, outreach, and engagement for clients.

Our platform is accessible through our website and mobile applications for iOS and Android. We also provide a desktop application that runs on Windows, Mac, and Linux.

Freelancer Features and Functionalities



Freelancers apply to join our platform and then market their professional skills, experience, and portfolio. As they complete projects for clients on our platform, they build their business reputation with feedback and project history data visible on their profiles.

We enable freelancers to grow their businesses by seamlessly offering:

Targeted Profiles

Freelancers create a profile that typically includes a description of their skills and experience, the type of services they offer, the hourly rate they charge, their current availability, and other pertinent details, such as

[Table of Contents](#)

third-party certifications, writing samples, or portfolios of their work. This profile is the way that freelancers market their businesses on our platform. Based on the profile, we use predictive analytics to only accept the registrations of in-demand freelancers most likely to find success on our platform.

Example Freelancer Profile

The image shows a screenshot of an Upwork freelancer profile for Katy W. The profile includes a header with navigation links (HOME, JOBS, FREELANCERS, REPORTS, MESSAGES), a search bar, and a user profile card. The profile card displays the name 'Katy W.', location 'Frisco, TX', and a '100% Job Success' badge. Below this is a bio, hourly rate of '\$100.00', total earned of '\$30k+', 69 jobs, and 180 hours worked. The profile is divided into several sections: 'Work History and Feedback' showing a job listing for a church brochure design; 'Portfolio' featuring 'Experiential Design' and 'Illustration' samples; 'Skills' listing 'Graphic Design', 'User Experience Design', 'Web Design', 'Logo Design', and 'Typography'; 'Tests' showing a 'U.S. English Basic Skills Test' with a score of 4/5 and 12 minutes to complete; 'Employment History' listing 'Graphic Designer | Stoller Design Group' from Dec 2013 to May 2013; and 'Education' listing 'Ferris State University' from 2006 to 2012. On the right side, there are buttons for 'Invite To Job', 'Hire Now', 'Save', and 'Flag as Inappropriate', along with 'Availability' and 'Profile Link' information. Callouts on the left side of the screenshot point to specific sections: 'Work history and feedback from past jobs' points to the job listing; 'Featured work that showcases skills and experiences' points to the portfolio; 'A list of skills and tests that were completed' points to the skills and tests sections; and 'Employment and education history' points to the employment and education sections.

Validated Expertise

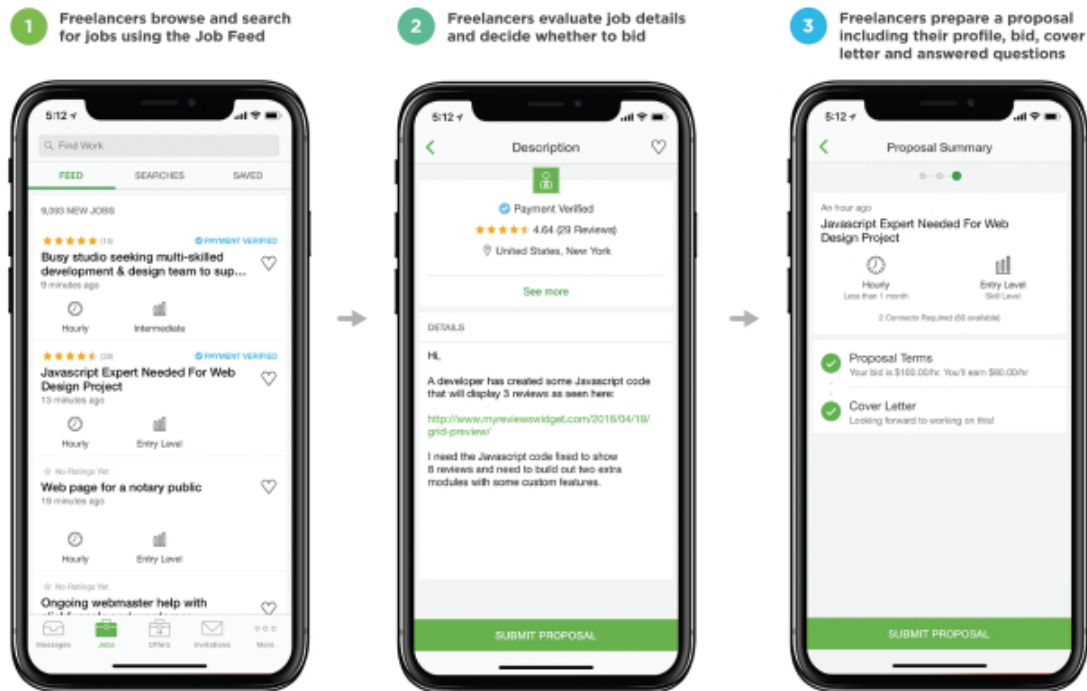
Freelancers have the opportunity to take over 300 skill tests to demonstrate their capabilities for their profiles. Additionally, they can link to third-party certifications, work portfolios, or other samples of their work. Freelancers' profiles also include data from their work history on our platform, including client feedback, number of hours billed, projects completed, and amount earned. This validated expertise is a critical factor to build trust, giving clients confidence in hiring freelancers for their next project.

Ideal Projects

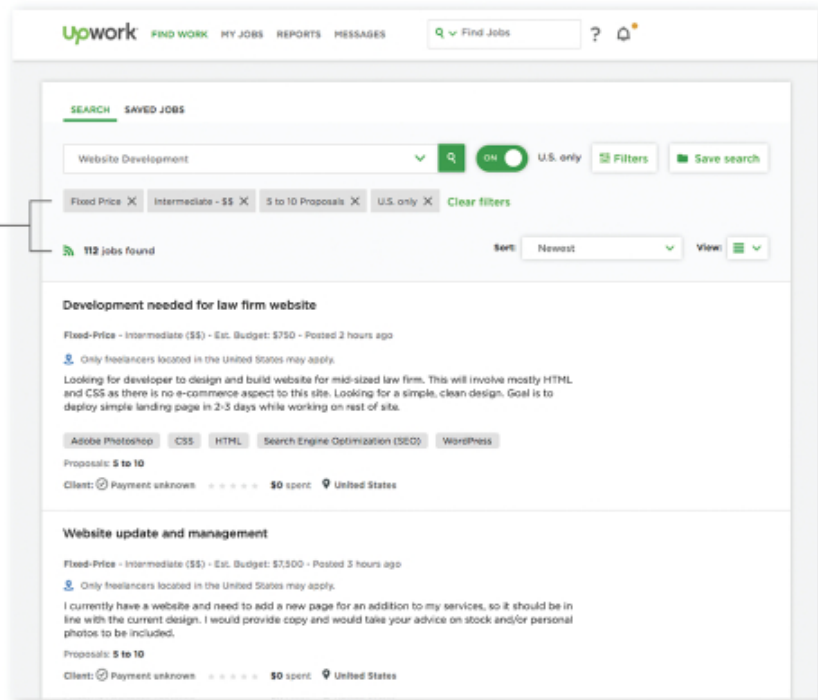
Job Feed. After a freelancer's registration is accepted, our platform immediately highlights relevant project postings through a job feed to enable the freelancer to find work efficiently. Freelancers can choose the projects that fit their skills and interests.

Search. Our robust search functionality enables freelancers to perform keyword searches and deploy advanced filters to find projects that meet their exact criteria, such as specifying project types and skills needed, client ratings, client geographies, and whether they prefer hourly or fixed price projects.

Example Job Feed, Job Details View, and Proposal Submission Workflow



Filters that allow you to narrow thousands of jobs to hundreds to better fit your search needs



Easy Bidding

Submit Proposals. Once freelancers find a project they are interested in, they submit a proposal to the client, including proposed pricing terms.

Respond to Invites and Interviews. Our platform allows freelancers and their prospective clients to safely communicate project details, timelines, and deliverables prior to entering into a contract.

Secure Contracts

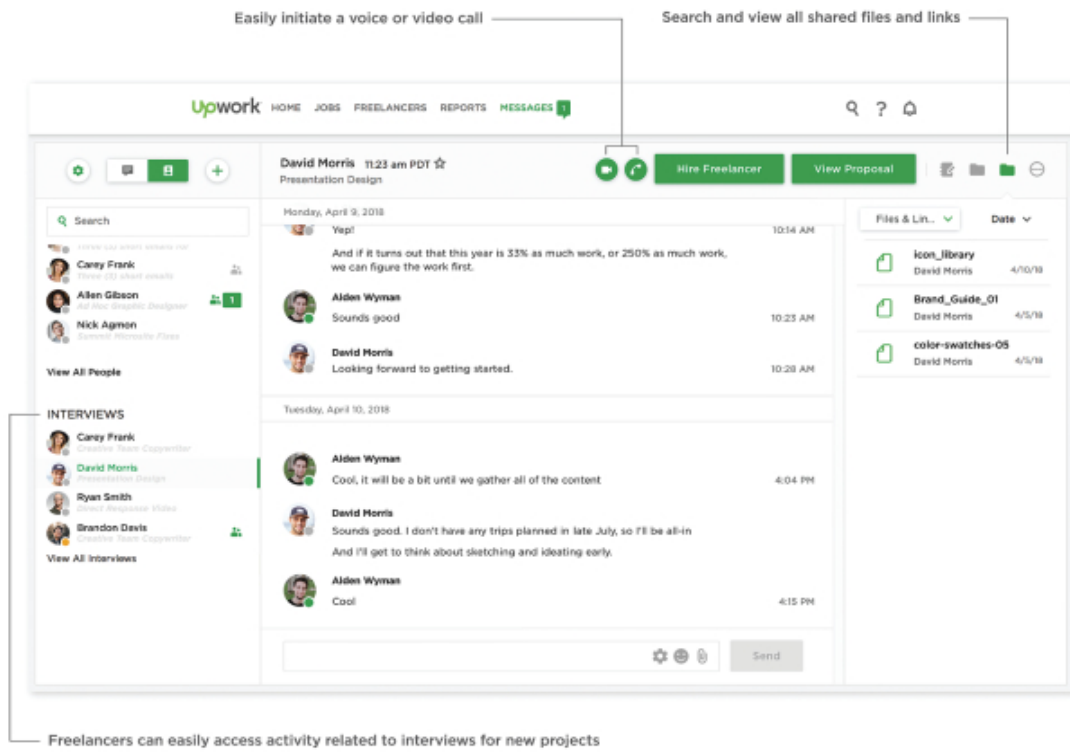
Upwork Standard clients contract with freelancers directly through our platform. There are two types of contracts: hourly and fixed price. Hourly contracts are billed automatically on a weekly basis. Fixed price contracts require the client to deposit funds that are held in escrow for each agreed upon deliverable or milestone. The client and freelancer are free to negotiate any other contract terms they choose, but we also provide optional service contract terms that they can incorporate, which include provisions assigning the intellectual property rights for work that has been paid for to the client.

Efficient Collaboration

Once a freelancer accepts a contract offer from a client, the contract is created and work can begin.

Freelancers are able to seamlessly communicate and collaborate on projects with clients using features of our platform including chat, voice call, video conference, and file sharing—all designed to enable more productivity, higher engagement, and increased success on our platform.

Our Collaboration Platform

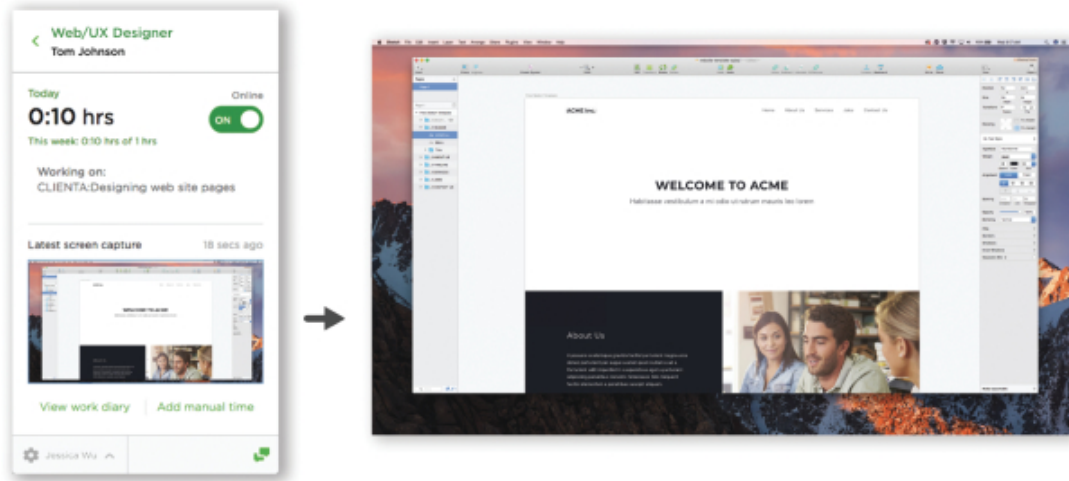


Fast Payments

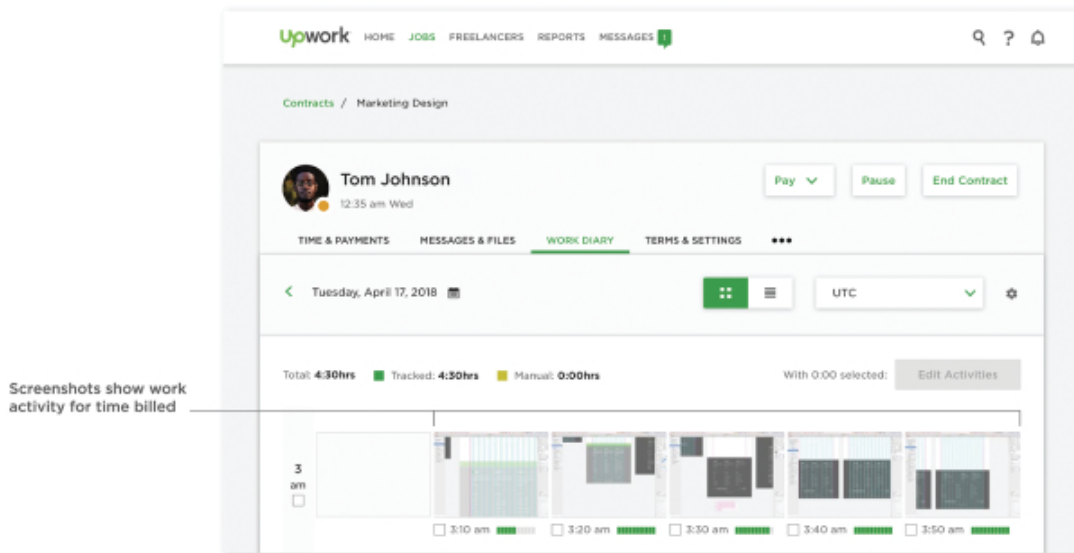
Freelancers on our platform get paid faster than through traditional arrangements where they often get paid 30 or more days after the date of the invoice. On our platform, freelancers are paid within 10 days from the date the client is invoiced for hourly contracts and five days after the client releases a milestone or final payment for fixed price jobs.

Time Tracking. For hourly contracts, freelancers can choose to use our Hourly Time Tracker to, with a push of a button, log time and automatically bill their clients. Clients can review the time invoiced by freelancers and associated screenshots of completed work using the Upwork Work Diary. Fixed price contracts are invoiced once the deliverable or milestone is completed.

Freelancers Track Time for Automated Invoicing Using the Hourly Time Tracker



Clients Can Review Screenshots of Hourly Work Completed Using the Upwork Work Diary

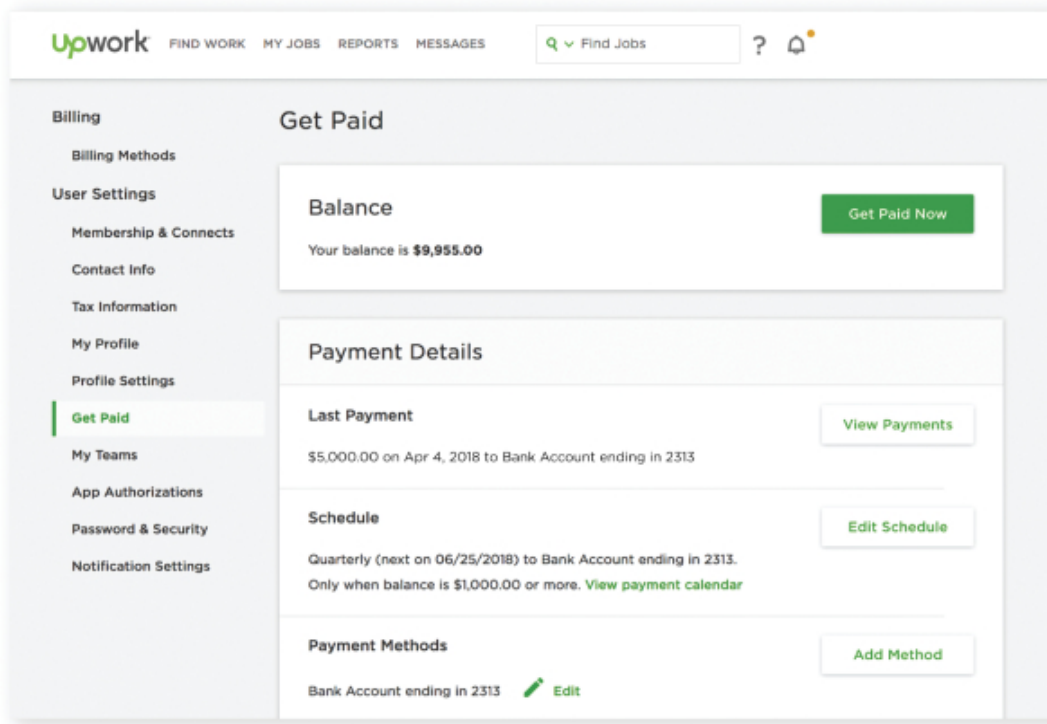


Fixed Price Billing. Once a milestone has been completed, the freelancer submits the work to the client through our platform, and initiates a request for review and payment. The client either accepts the work, which releases the funds from escrow, or requests changes. If either party feels the contract terms were not met, they may escalate the issue and request assistance from us, and if that is unsuccessful, they may choose to resolve the dispute with the help of a third-party arbitrator.

Withdrawing Funds

Freelancers can withdraw funds in numerous different currencies through our integration with third-party payment providers. With our weekly billing cycle, freelancers get paid more reliably and faster than through traditional channels.

Freelancers Can View Earnings, Schedule Upcoming Withdrawals, or Initiate Immediate Withdrawals



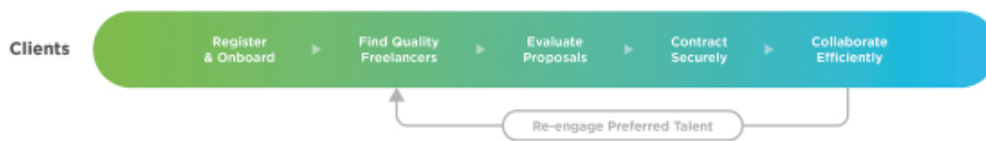
Reputation-Building

Upon contract completion, each party is asked to leave feedback about the other party. Client feedback contributes to the freelancer’s overall success score reflecting client satisfaction, which we call a Job Success Score, or JSS. Feedback is an important component of the freelancer profile as it builds trust and facilitates matching by communicating not just ratings from clients, but also information from clients about freelancers’ strengths and demonstrated abilities.

Repeat Business

After a freelancer completes a project for a client, the freelancer can propose additional projects or milestones to their client. Additionally, the client can contract again with any freelancer that they have a previous relationship with through an easy contracting flow for repeat business. Clients often build a bench of preferred freelancers that they contract again for project needs.

Client Features and Functionalities



Register and Onboard

Clients register on our platform and have the opportunity to invite service providers that are not already on our platform to join our platform. By bringing their service providers onto our platform, clients can benefit from consolidated invoicing and billing, reporting, and budget management across all freelancers and other vendor talent.

Find Quality Freelancers

Posting Jobs. Clients complete a job posting that includes their project description, budget, timeframe, specific skill requirements, and any additional details they add. For an additional fee, clients may also make their job “featured,” which gives their posting extra visibility in the search function. After the job post is complete, our platform highlights relevant freelancers so the client can invite them to submit a proposal.

Clients Specify Project Requirements Through Job Posts

The screenshot shows the 'Post a Job' interface on the Upwork platform. The form is organized into several sections:

- Describe the Job:** Includes a text area for 'Name your job posting' (with an example: 'EXAMPLE: Domain needed - Looking for Modern Look, With CSS Based'), a larger text area for 'Describe the work to be done' (with an example: 'EXAMPLE: We are developing a series of personalized banners and am looking to get a theme set created...'), and an 'Attachments' section for uploading project files.
- Where will this work be used?:** A grid of icons representing different work environments: Web, Mobile, Print, AI/Script, Paperwork, and Other.
- How many freelancers do you need to hire for this job?:** Radio button options for 'I need to hire one freelancer' and 'I need to hire more than one freelancer'.
- Enter skills needed:** A list of skill categories with checkboxes, including Design, Writing, Marketing, and Development, with a search bar to add new skills.
- Rate and Availability:** Includes a dropdown for 'How would you like to pay?' (set to 'Pay a fixed price'), a 'Budget' input field (set to '\$ 10,000'), and 'Desired Experience Level' buttons for 'Entry Level', 'Intermediate', and 'Expert'.

Write a detailed description about your project and add attachments to better communicate your goals

Select where your work will be used

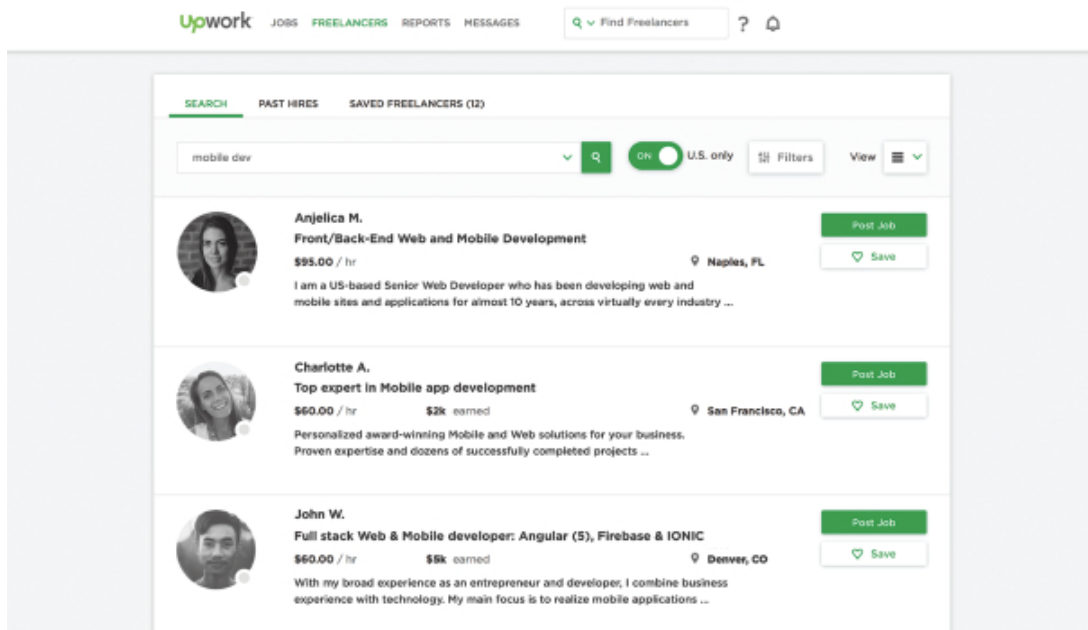
Choose to hire one or multiple freelancers and determine if you want global or U.S.-only applicants

Select and enter the skills needed for your job

Insert budget and desired experience level

Searching for Freelancers. To find new talent, we enable clients to search the marketplace for freelancers using customized filters, such as geography, experience level, and hourly rate. Our machine learning search algorithms leverage a broad array of proprietary data to enable clients to find the freelancers that best match their needs.

Freelancer Search



Evaluate Proposals

Proposal Tracking System

The screenshot shows the Upwork interface for an 'Ad Hoc Graphic Designer' job. At the top, there are navigation links for HOME, JOBS, FREELANCERS, REPORTS, and MESSAGES. Below this, the job title 'Ad Hoc Graphic Designer' is displayed. A progress bar indicates the current step: 'REVIEW PROPOSALS (11)', with other steps being 'VIEW JOB POST' and 'INVITE FREELANCERS (Unanswered invites (7))'. Below the progress bar, there are tabs for 'ALL PROPOSALS (11)', 'SHORTLISTED (0)', 'MESSAGED (9)', and 'ARCHIVED (27)'. A search bar for applicants and a 'Sort: Best Match' dropdown are visible. The main content area lists three proposals:

- Anna P.** (Graphic Designer): \$33.00 / hr, \$20k+ earned, 94% Job Success, United States. Received 17 days ago. Message: "Thanks Thomas! Are you comfortable with working Pacific time zone hours for adhoc projects? - Yes. Are you com... - Cover letter - I think I would be a great fit for this position! My current schedule is flexible and I am ..."
- Richard M.** (Digital Artist): \$45.00 / hr, \$10k+ earned, 100% Job Success, United States. Sent 18 days ago. Message: "Hi, thank you for your interest in this position... Are you comfortable with working Pacific time zone hours for adhoc projects? - Sure, I'm flex... - Cover letter - Hi, my name is Richard. I design, I illustrate, I edit and retouch photos. I can perform near ..."
- Molly K.** (Graphic Designer Specializing in Logos, Branding & Marketing Material): \$40.00 / hr, \$5k+ earned, 99% Job Success, United States. Received 21 days ago. Message: "Hi Thomas, thanks so much for letting me know and... Are you comfortable with working Pacific time zone hours for adhoc projects? - Yes. While I a... - Cover letter - Hi Thomas, Thanks so much for reaching out! My name is Molly and I have been designing f ..."

Annotations on the left side of the screenshot:

- "Easily add your favorites to your shortlist or archive ones you don't want to move forward with" points to the heart and archive icons for each proposal.
- "This indicates that these freelancers have been invited to submit a proposal for your job" points to the 'INVITED' status badge for each proposal.

Contract Securely

Clients contract with freelancers directly through our platform. Once freelancers are identified or have submitted a proposal to a job—most jobs get proposals within minutes—clients can interview them and extend an offer detailing the proposed contractual terms. The freelancer may propose changes to the offer before accepting the contract.

In addition to contracting with freelancers directly, clients can also enroll in our Upwork Payroll services to receive services from freelancers they find on our platform that are hired by our vetted third-party employment providers as employees.

Automate Payments. Upwork Standard clients participate in automated payments for hourly contracts, thereby lowering administrative burden for themselves and their freelancers. For hourly contracts, unless a dispute is filed, the invoiced funds are automatically charged to the client's pre-selected payment method. Clients may pay by credit card in five currencies (U.S. dollar, Euro, British Pound, Australian dollar, or Canadian dollar), electronically through the Automated Clearing House, by wire, or through third-party payment providers in USD. For fixed price contracts, clients fund escrow upon creation of a milestone and the escrow funds are released to the freelancer upon milestone approval.

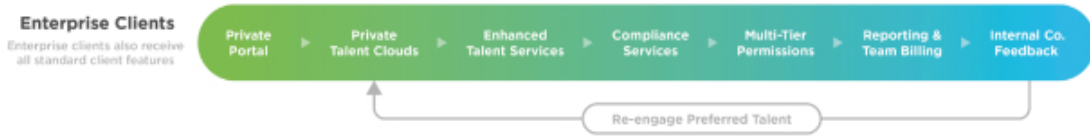
Provide Ratings. Upon contract completion, both parties are asked to leave feedback about the other party.

[Table of Contents](#)

Re-engage Preferred Talent

Clients can offer a contract—including scope of work and hourly bill rate or fixed price project amount—to any freelancer on our platform at any time. This “Direct hire” functionality—a streamlined offer and acceptance flow—is used extensively by clients seeking to re-engage a freelancer they worked with previously for a new project.

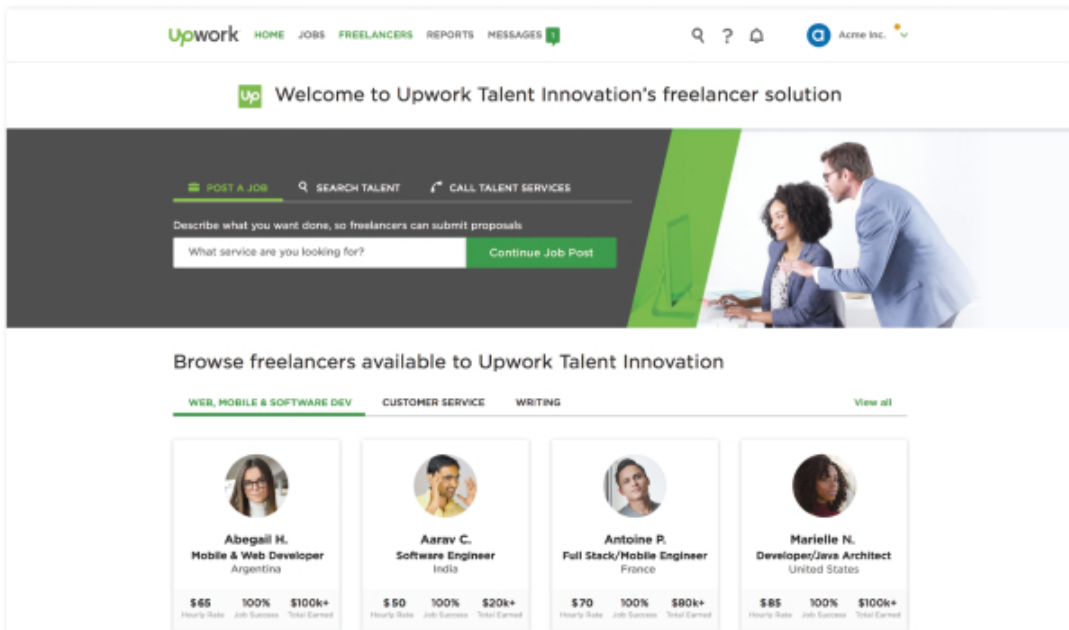
Upwork Enterprise Offering



Private Portal

Adoption of our Upwork Enterprise offering is facilitated by our single-sign-on feature and company-customized homepages that orient new users and educate them on the specifics of their company’s talent program with our platform. This portal provides resources to help users get started, including easy ways to contact our premium talent services team.

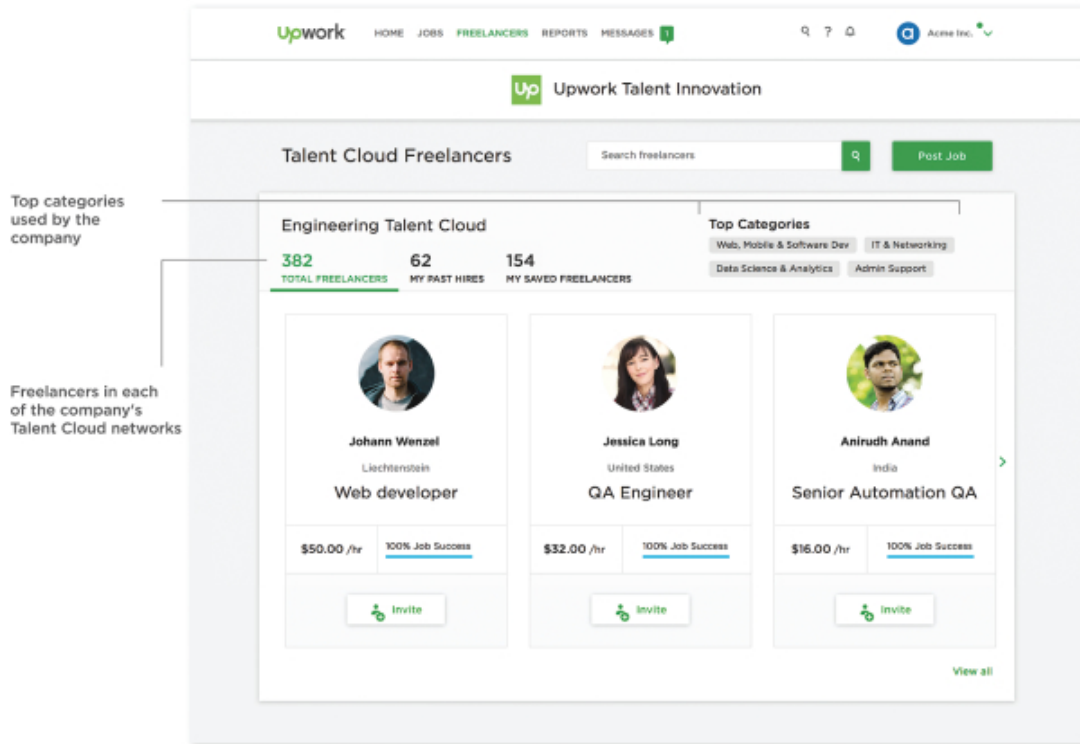
Example Private Portal for an Enterprise Client



Talent Clouds

Our Talent Cloud functionality enables enterprise users to access pre-qualified, pre-defined freelancer talent pools that meet the unique needs of the enterprise business. Upwork Enterprise users or our own talent services representatives can organize and access groups of freelancers with specific skills or experience using Talent Clouds.

Example Talent Cloud



Enhanced Talent Services

Talent services representatives assist in understanding client needs and help clients use our platform to find the right freelancers for their projects. Upwork Enterprise clients also receive enhanced customer support services to enable efficient engagement of anywhere from tens to thousands of freelancers. Moreover, users of our Upwork Enterprise offering have access to a custom dashboard and workflow to ensure freelancers meet obligations unique to the enterprise, such as completion of client required vetting steps, agreements, and background checks, before such freelancers start working on projects for clients.

Compliance Services

Robust compliance services are available to determine correct worker classification through a technology-enabled classification evaluation. Our classification process was created with the help of legal experts and leverages our data and state-of-the-art client and freelancer questionnaires, along with review of each engagement request by a compliance specialist.

Multi-Tier Permissions

We enable multi-tier permissions and access controls to meet the needs of more complex businesses that require a wider array of user types and access levels than typical marketplace clients. Enterprise clients can use our purchase order approval workflows to ensure they have sufficient budget and can track their spend against purchase orders.

Rich Reporting & Term Billing

We provide robust reporting tools so that all spend can be tracked, giving clients dynamic visibility into budget and spend. Differentiated reporting enables deeper insights into spend, while term billing enables business to pay the way they are accustomed to. Our Upwork Enterprise offering provides consolidated invoicing to clients on a monthly basis.

Internal Company Feedback

Upwork Enterprise clients can provide feedback on a freelancer that is accessible only to people within their organization. Additionally, clients can view and share freelancer feedback specific to the client's organization before selecting the freelancer.

Trust and Safety

We focus on making our platform the most trusted to get work done by striving to ensure that it is professional, users are unique and accurately represented, and the matching process results in good outcomes for both parties. We perform a broad spectrum of activities to support these goals, including:

Preventing and Detecting Suspect Activity

We use state-of-the-art systems designed to detect and prevent suspect content and conduct on our platform. Our systems include security models that flag suspicious activity, tools that scan site content, and entire teams dedicated to second-level review and investigation who can, if necessary, remove jobs and profiles. In addition, to investigate identity when necessary, we use a range of methods such as third-party identification verification service providers, internal manual identification verification processes, webcam conferencing, and document collection and review.

Feedback System

A key feature fostering trust between freelancers and clients is our two-way feedback process, allowing both parties to give feedback on each other. This process gives our users a point of reference through which they can evaluate counterparties prior to entering into a contract.

- ***Freelancers.*** Client feedback for freelancers is captured in three ways: 5-star feedback that is displayed publicly, feedback provided privately to us, and the JSS. The JSS incorporates both private and public feedback and other important factors indicating client satisfaction, such as job spend and repeat business. The JSS helps top freelancers differentiate themselves on our platform.
- ***Clients.*** Freelancers can give clients both public and private feedback after the completion of a project, allowing the freelancers to provide candid feedback on their experience with the client. Clients are scored and reviewed through public comments, providing a benchmark for freelancers and helping to ensure that the best clients are easily identifiable.

Escrow Services

We are licensed as an internet escrow agent by the DBO. Pursuant to the DBO's regulations, all funds are held in our escrow account and are released only according to escrow instructions that have been agreed upon by freelancers and clients. For fixed price contracts, the client deposits funds that are held in escrow, in whole or by milestone, before the freelancer starts to work. The escrow funds are then released to the freelancer upon completion of a project or a milestone. For hourly contracts, the client receives an invoice on a weekly basis and has several days to review the invoice. Funds are released to the freelancer after the review period unless the client files a dispute. In the case of any dispute between freelancers and clients over funds held in escrow, we have a dedicated team focused on facilitating a resolution between them.

Compliance Operations

We have voluntarily implemented an anti-money laundering, or AML, program designed to prevent our platform from being used to facilitate money laundering, terrorist financing, and other illicit activity. Our AML program includes know your customer procedures, which involve customer identity verification and enhanced due diligence. Moreover, we have screening systems and processes in place designed to ensure that we do not do business in countries, or with persons or entities, included on lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Controls.

Clients on Our Platform

Our platform enables businesses of all sizes, from small businesses to Fortune 500 companies, to find the talent they need when they need it. In the twelve months ended June 30, 2018, approximately 475,000 clients worked with freelancers on our platform.

Client Case Studies

Microsoft

The mission of global technology leader, Microsoft, is to empower every person and every organization on the planet to achieve more. In support of that mission, Microsoft, based in Redmond, Washington, began exploring ways to effectively engage the freelance or "on-demand" workforce.

To realize the speed and efficiency of a freelance model, Microsoft formed a cross-disciplinary team including stakeholders from key internal business groups. Microsoft then partnered with us, utilizing our Upwork Enterprise offering, to launch an enterprise-grade freelance pilot program, giving Microsoft's employees access to on-demand freelance talent. Supported by a training and compliance framework, the pilot has delivered substantial, measurable results while ensuring responsible engagement.

In less than a year, Microsoft has completed nearly 1,800 projects on our platform and conducted an extensive analysis proving compelling results in the form of increased speed to engage, quality of work, and cost savings.

GE GENIUSLINK

General Electric is a global industrial company based in Boston, Massachusetts, with products and services ranging from aircraft engines, power generation and oil and gas production equipment, to medical imaging, financing and industrial products. In order to serve its customers in over 180 countries across its business segments, General Electric requires quick and reliable access to a wide variety of skills.

Today, teams across General Electric use our platform to help accelerate projects, increasing productivity and savings, while scaling across a wide variety of skills including video production, print and online advertisements, customer service support, data management, and project management. General Electric has reported that they have been able to complete projects at least 50 percent faster as compared to traditional hiring methods by using our platform.

General Electric's on-demand initiative, which brands itself as GE GENIUSLINK, is led by a corporate team that matches talent to projects. We are a key component of GE GENIUSLINK's talent strategy to be more agile and drive performance by getting business done faster with direct access to a global network of freelance experts. By partnering with us, GE GENIUSLINK has tripled its external talent pool.

Client and Freelancer Stories



Our partnership with Upwork helps our teams get business done faster by providing direct access to a global network of freelance experts.

Dyan Finkhousen
President of GE GENIUSLINK





“

Engaging freelancers outside of the Bay Area helps us be competitive because we can not always find top-quality people here. And the cost savings helps us continue to grow the company.

Tyson Quick

Founder and CEO of Instapage



It's nice to know freelancers are available to support us doing what we want to do. Nearly every department in the company has at least one or two freelancers found on Upwork.

Aimee Valle

Head of Buyer Support at Tophatter





Upwork is one of the only places to find good remote work in cutting-edge technology, which makes it possible to not have to move to one of the big expensive technology-centric cities in the United States just for a job.

Brad Martin

Freelance Virtual and Augmented Reality Developer



There is a new generation of women and men in the workforce who want more both from their professional and personal lives. Upwork provides a backbone on which to build a career that leads to both financial and personal freedom.

Sheri Baker
Freelance Writer





“

Because of sites like Upwork, I was able to grow my own business while I was in high school and college. Today, my business is thriving, and I get to work on things that deeply interest me.

Usama Riaz
Freelance App Developer



[Table of Contents](#)

General Electric reports that this partnership is helping their teams get business done faster by delivering the right talent resources, at the right time, with the right outcomes including:

- completing over 100 projects across 7 different categories;
- average project duration of 6 months;
- ability to hire talent in less than one day; and
- 4.95 out of 5.0 job success ratings.

“Markets today demand a level of speed and sophistication that are increasingly difficult to achieve using traditional approaches. Our partnership with Upwork helps our teams get business done faster by providing direct access to a global network of freelance experts—with rapid collaboration to drive speed and productivity for General Electric teams and customers.” — Dyan Finkhousen, President of GENIUSLINK and Director of Open Innovation and Advanced Manufacturing at General Electric

Corel Corporation

Corel Corporation is a global software company based in Ottawa, Canada, specializing in creative graphics and most well-known for its flagship software, CorelDRAW® Graphics Suite. As a leader in technology for graphics artists around the world, Corel has a long history of working with highly-skilled freelancers in development, QA and graphic design, but the process for which they tracked and paid their workers was arduous and time-intensive. As a result, Corel knew they needed a more effective way to engage, track, and measure their freelance workforce.

In 2010, Corel selected Upwork to help them engage more than 250 freelancers across the organization on a central platform that enabled them to coordinate work, process payments, and measure the productivity of their freelance workforce. Utilizing our platform, Corel created a customized hiring process that helped them coordinate contract renewals, purchase orders, invoice processing, and payments. As a result, Corel reported savings of nearly an hour per freelancer, per month.

Having established a more efficient way to work with freelancers, Corel explored new opportunities to expand their usage of our platform. In doing so, they increased their spend on our platform by 60 times per month since starting on the platform. Teams across marketing, product, research and development, and operations have doubled the number of freelancers they source on the platform, spanning across multiple categories including web development, quality assurance, and graphic design.

In expanding their program with us, Corel has been able to focus their time on more strategic initiatives, reporting productivity benefits, including:

- completing nearly 150 projects per month across 10 different categories;
- average fill rate of 88% of jobs posted (industry average is around 50%);
- 4.87 out of 5 success ratings; and
- time savings of over 100 hours per month.

“As we continue to drive innovation across our product lines, we need to ensure we have the right talent at the right time to meet changing business requirements. We don’t have time to invest in going through contract renewals, purchase order processing, and financial accounting. This is time that is better spent on more strategic initiatives. With Upwork, we have a centralized solution that gives us full visibility into our freelance workforce while providing us access to quality freelancers with in-demand skills that can help us innovate our product offering.” — Prasanna Ganesan, Chief Operating Officer at Corel

Tophatter

Tophatter is a mobile shopping marketplace that supports more than 20 million shoppers around the world competing in 90 second auctions for jewelry, electronics, beauty, and fashion. Founded in 2012 in San Francisco, California, Tophatter has a team of 80 employees and sells approximately three million products each month. In 2016, Tophatter was preparing to expand and needed dozens of additional multilingual customer support specialists. However, Tophatter faced two challenges: finding enough qualified talent and finding talent within budget in the highly competitive San Francisco Bay Area. Tophatter decided to test using freelancers and used our platform to source and hire nearly 80 freelance customer support specialists across 28 countries in 13 time zones. Tophatter saw immediate benefits, reporting they were able to hire in as little as between 24 and 48 hours, compared to the 60 days it took to find qualified employees. As Tophatter doubled in size in 2017, the customer support department exceeded its goals. Most notably, Tophatter increased its support capacity by 312 percent and raised customer satisfaction scores by 30 percent. Upwork is now a go-to resource for other departments including trust and safety, quality assurance, marketing, finance, and account management to find freelancers to support Tophatter's continued growth.

"It's nice to know freelancers are available to support us doing what we want to do. Nearly every department in the company has at least one or two freelancers found on Upwork." — Aimee Valle, Head of Buyer Support at Tophatter

Penn Foster

Penn Foster is an education institution and upskilling platform helping over 150,000 adult learners and opportunity youth each year launch and accelerate careers in middle skills occupations across industries including allied health, skilled trades, hospitality, and retail. The company, which is based in Scranton, Pennsylvania and Boston, Massachusetts, has been helping educate workers for over 125 years and has over 500 employees. Prior to using our platform, the company's content development team worked with more than 100 freelance content experts on average each year to design and develop their course content. The manual process of combing through local contacts, searching the internet, and sending cold calls and emails to find talent was time-consuming and costly. With access to freelancers on our platform, Penn Foster reported that it was able to dramatically reduce their recruiting time by 95 percent per freelance subject-matter expert, which has enabled the company to develop up to ten more courses per quarter. Our platform's broad pool of freelancers enables Penn Foster to find qualified subject-matter experts, many of whom are teachers and leaders in their respective fields, with proven track records who more efficiently and cost-effectively develop higher quality content. In turn, Penn Foster is better able to prepare its students for their work and future careers.

"Upwork enables us to find and start working with experts in under two days. As a result, we are able to turn the time savings into increased productivity, delivering even more quality courses for our students." — Frank Britt, CEO of Penn Foster

Chess.com

Chess.com is the world's largest online chess platform with over 23 million members and more than 2 million games of chess played every day. Chess.com was started in 2005 and started to grow quickly. It was challenging to find talent locally in the San Francisco Bay Area, so the company turned to our platform as the quickest way to access the skills needed to support growing project demands. Chess.com now runs as a fully distributed team, and as they have expanded in customer size and usage, they have engaged over 150 freelancers on our platform including mobile and web developers, content creators, and customer support people, with many projects turning into long-term relationships.

"When we founded the business back in 2005, we did not set out to build a virtual workforce. Today, our team is entirely virtual, with team members, including freelancers, located across 12 countries. I am a firm believer in the remote workforce model. At the end of the day, we want to give people the freedom to choose how they work and the ability to live their best lives." — Erik Allebest, CEO of Chess.com

Instapage

Instapage is a marketing platform that helps teams create, personalize, and optimize landing pages at scale. Founded in San Francisco, California in 2012, the company grew quickly and needed to expand its team to include additional customer support professionals, web developers, and creatives. However, Instapage struggled with competition for local talent and costs in the Bay Area. To solve these issues, in 2012, Instapage began using our platform. Now with over 150 employees, Instapage uses our platform to hire freelancers throughout its business, including in marketing, customer service, and web development. For its customer support team, Instapage reports that it estimated that by working with skilled freelancers outside of the San Francisco Bay Area, it has saved at least \$2.3 million annually, which it can then re-invest in the growth of its business.

“Engaging freelancers outside of the Bay Area helps us be competitive because we can not always find top-quality people here. And the cost savings helps us continue to grow the company.” — Tyson Quick, Founder & CEO of Instapage

Medpricer

Medpricer provides spend management software solutions for healthcare organizations. Based in Guilford, Connecticut, Medpricer is growing quickly and their marketing department often needs help with fast turnaround marketing projects, oftentimes within two days. Medpricer has found working with freelancers on our platform to be the most effective way to meet these tight marketing project deadlines, get fresh ideas for projects, and ensure an efficient marketing spend. Medpricer’s team focuses on hiring freelancers within the United States to minimize time zone difference and has hired freelancers in 15 different categories, including video production, design, and public relations.

“With Upwork, we can find someone with the skills we need, invite them to a project, and start the work before we may have even received a call back using traditional routes.” — Mickey Meehan, Vice President of Products and Marketing at Medpricer

Freelancers on Our Platform

Freelancers on our platform include independent professionals and agencies of varying sizes. In the twelve months ended June 30, 2018, approximately 375,000 freelancers completed projects through our platform, and every day on average approximately 10,000 independent professionals and agencies apply to join our platform.

Freelancer Testimonials

Sheri Baker, Content Writer and Principal of Beyond Content Studio in Atlanta, GA

“There is a new generation of women and men in the workforce who want more both from their professional and personal lives. Upwork provides a backbone on which to build a career that leads to both financial and personal freedom. That is the future of work,” said Sheri Baker, Upwork freelancer. “Simply put, as an Upwork freelancer, I have the unique privilege of being a critical part of my clients’ - and family’s - most important moments and biggest milestones. And that is a huge honor.”

Brad Martin, Virtual & Augmented Reality Developer and owner of Another Reality Studio in St. Louis, MO

“Upwork is one of the only places to find good remote work in cutting-edge technology, which makes it possible to not have to move to one of the big expensive technology-centric cities in the United States just for a job,” said Brad Martin, Upwork freelancer and founder and owner of Another Reality Studio, an extended reality development studio. “Because of Upwork, I realized I could start my own business and have a direct connection with potential clients all over the world, while also having the control to live and work where I want.”

[Table of Contents](#)

Tanya Kobzar, CEO of Diversido Mobile, a web and mobile development agency in Kyiv, Ukraine

“We wanted more freedom, so we decided to start our own mobile and web development agency and Upwork helped us connect with clients around the world,” said Tanya Kobzar, CEO of Diversido Mobile, a web and mobile application development agency. “We started with three people and now have a team of 20 developers and have made over \$1 million in revenue. Upwork allows us to connect with clients and work on exciting projects.”

Usama Riaz, Web and Mobile App Developer and owner of Minibit Technologies in Sacramento, CA

“Freelancing is the future of work because it gives people the freedom to work on their own terms. Because of sites like Upwork, I was able to grow my own business while I was in high school and college. Today, my business is thriving, and I get to work on things that deeply interest me,” said Usama Riaz, a web and mobile developer who realized he could run his own business doing exciting work rather than working for a company that dictated how and when he worked and what he could work on.

Research and Development

We invest substantial resources in research and development to enhance our platform, develop new products and features, and improve our infrastructure. We believe that our differentiated technology and intellectual property will help us maintain our position as the largest online global marketplace that enables businesses to find and work with highly-skilled freelancers. Our research and development expenses were \$37.9 million and \$45.6 million for 2016 and 2017, respectively. For the six months ended June 30, 2018, research and development expenses were \$26.3 million.

Sales and Marketing

Our sales and marketing organizations work closely together to increase awareness, generate client demand, build a strong sales pipeline, and grow account relationships across businesses of all sizes, from small businesses to Fortune 500 companies, to accelerate GSV growth.

Marketing

A majority of our client and freelancer registrations come through direct and non-paid channels. In 2017, more than 80% of our attributed client registrations and a vast majority of our new freelancer registrations came from direct navigation to our website and mobile applications, unpaid search results, and free referrals.

Our marketing strategy starts with driving cost-effective awareness of our brand and the benefits of hiring remote talent. We draw insights and trends from our platform to drive broad public relations coverage. We also help shape influential conversations around the future of work through major media outlets to drive awareness of remote work.

The majority of our marketing activities are focused on our Upwork Standard offering, which enjoys high NPS scores that generate significant word of mouth. We increase our new client pipeline with a variety of digital, direct mail, and event marketing programs. We deploy email and lifecycle marketing initiatives to retain, cross-sell, and upsell existing clients. We have recently begun testing with offline advertising in a small number of metropolitan markets to increase brand awareness.

We complement our Upwork Standard strategy with focused outbound programs targeting enterprise organizations with existing adoption of our platform. Once prospects are identified, we work closely with our enterprise sales team to broaden adoption of our platform into wider-scale deployments.

Enterprise Sales

Our enterprise sales team is currently focused on acquiring and growing clients with workforces of more than 100 employees. Our enterprise sales team helps new and existing clients build and execute awareness

[Table of Contents](#)

campaigns through workshops, webinars, and marketing events that drive additional spend through our platform. This land-and-expand strategy helps clients ramp their usage of our platform driving more value, awareness, and adoption over time.

Our Technology

We utilize a flexible systems architecture to allow us to scale easily as our platform usage increases and to provide a consistent and robust user experience. We host our platform on AWS servers.

The core elements of our technology are:

Reliability

Our infrastructure is designed to provide high reliability and robust platform performance. There are three components to our reliability strategy:

Services-Oriented Architecture. We have focused on building a services-oriented architecture that is designed to independently scale, or failover, as needed, leveraging the AWS platform. As a result, since integrating with AWS, we believe we are more resilient to unexpected surges in traffic, or to new code changes that we may introduce.

Isolation as a Design Philosophy. Leveraging the philosophy of domain-driven design, we have divided our platform into multiple sections to reduce the likelihood that a failure in any one section of our platform would negatively impact other sections of our platform.

Self-Monitoring and Self-Healing. Our platform is designed to continuously monitor its own health and act appropriately, particularly during our deployment of new code.

Security

Our platform is designed to help ensure security and protect our users' information and identity.

We have implemented comprehensive trust and safety processes to help prevent and detect suspicious behavior on our platform. Over the years of developing our platform, we have developed and refined specific pattern-matching algorithms to detect unusual behavior on our platform. To operate at scale, we have automated several risk mitigation strategies.

Another component of our security strategy is to leverage third parties who provide value-added user verification services. Augmenting our knowledge of user identity through these third-party services improves our ability to better detect and verify suspicious activity on our platform.

All access to the site is encrypted using industry-standard transport layer security technology. When users enter sensitive information, such as tax identification numbers, we encrypt the transmission of that information using secure socket layer technology. We also use HTTP strict transport security to add an additional layer of protection for our users. For servers that store personally identifiable information, the data is encrypted. In order to make secure payments through our platform, we are also Payment Card Industry Data Security Standard certified, which means we have demonstrated compliance with the Payment Card Industry security standards required for businesses that complete credit card or debit card transactions.

Our users may elect to further secure their account credentials through two-factor authentication that requires them to authenticate on a second device.

Machine Learning Predictive Capabilities

We leverage historical data to create a continuously improving experience for freelancers and clients. Our platform contains a large repository of closed-loop data for the entire lifecycle of work starting from when clients post projects, to when freelancers and clients match, how they communicate, how and when payment is transferred, and finally feedback.

[Table of Contents](#)

Utilizing machine learning capabilities to predict future behavior based on many years of historical use cases, we are able to leverage this data analysis to create stronger user experiences.

During the search process, we leverage our proprietary data to help freelancers and clients efficiently connect. We leverage machine learning to balance supply and demand within the marketplace as well. Freelancers receive data on market rates based on similar jobs when submitting proposals. When clients post jobs, similar rate resources also appear within the system. Upon registration, our machine learning algorithms assess a freelancer's potential to be successful on our platform based on the current supply and demand in addition to the skills in the freelancer's profile.

Scalability

Our cloud-based platform has been designed to scale with increased usage and to support sudden traffic spikes by easily and cost-effectively bringing additional capacity online as required.

Culture and Team

Our mission—to create economic opportunities so people have better lives—is integral to our culture, and how we hire, build products, and lead our industry. We practice a “work without limits” model that includes a distributed team of on-site and remote employees, and we also engage freelancers all over the world for our own specialized projects. We believe this results in a team that is continually engaged and passionate about the positive impact of our platform.

Our values are:

- Inspire a boundless future of work;
- Put our community first;
- Have a bias toward action; and
- Build amazing teams.

As of June 30, 2018, we had 395 employees, and, in 2017, we engaged over 1,000 freelancers to provide services to us on a variety of internal projects. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We believe the positive relationship between us and our employees and our unique, strong culture differentiates us and is a key driver of business success.

The Upwork Foundation Initiative

In April 2018, we established The Upwork Foundation initiative. The objective of The Upwork Foundation initiative is to further our mission of creating economic opportunities to make people's lives better by supporting:

- those who may not otherwise fully benefit from the changing nature of work, including through organizations focused on skill development in underserved communities;
- non-profit organizations to increase their social impact by using our platform; and
- our employees in volunteering in their local communities.

The initiative will include a donor-advised fund created through the Tides Foundation. We believe that building a sustainable program for charitable donations fosters employee morale, enhances our community presence, and strengthens our brand. In May 2018, we issued a warrant to purchase 500,000 shares of our common stock to the Tides Foundation at an exercise price of \$0.01 per share. This warrant is exercisable as to 1/10th of the shares on each anniversary of the effective date of this offering. Upon the exercise and sale of these shares, we will instruct the Tides Foundation to donate the proceeds from such sale in accordance with our direction.

In addition to the creation of The Upwork Foundation initiative, we have signed on to the Pledge 1% campaign, which publicly acknowledges our intent to give back and increase social impact. To fulfill our intent

[Table of Contents](#)

under this campaign, in addition to granting the warrant to the Tides Foundation, we will also implement programs allowing our employees to donate their time to volunteer programs and will be undertaking certain product initiatives designed to benefit nonprofit organizations. We believe this further displays to our employees and other stakeholders our commitment to further our mission across many communities. At this time, we do not plan to grant additional equity or donate profits in order to fulfill our intent under this campaign.

Competition

The market for freelancers and the clients that engage them is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new products and services. We compete with a number of online and offline platforms and services domestically and internationally to attract and retain users. Our main competitors fall into the following categories:

- traditional contingent workforce and staffing service providers and other outsourcing providers, such as The Adecco Group, Randstad, Recruit, ManpowerGroup, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr and Freelancer.com, or specific skill categories;
- other online providers of products and services for individuals or businesses seeking work or to advertise their services, including personal and professional social networks, such as LinkedIn (owned by Microsoft) and GitHub (which has agreed to be acquired by Microsoft), employment marketplaces, recruiting websites, and project-based deliverable providers;
- software and business services companies focused on talent acquisition, management, invoicing, or staffing management products and services;
- payment businesses, such as PayPal and Payoneer, that can facilitate payments to and from users;
- businesses that provide specialized, professional services, including consulting, accounting, marketing, and information technology services; and
- online and offline job boards, classified ads, and other traditional means of finding work and service providers, such as Craigslist, CareerBuilder, Indeed, Monster, and ZipRecruiter.

In addition, well-established internet companies, such as Google, LinkedIn, and Amazon, and social media platforms, such as Facebook, have entered or may decide to enter into our market, and some of these companies have launched products and services that directly compete with our platform. For example, in 2016, LinkedIn launched ProFinder, its service to connect LinkedIn members with one another for service relationships. In the future, we may also compete with companies that utilize emerging technologies, such as blockchain or artificial intelligence.

We believe the principal competitive factors in our market include:

- platform features and functionality;
- size and engagement of user base;
- breadth of skill categories offered by freelancers;
- uniqueness, size, and scope of data assets;
- ease of use;
- vision for the market;
- brand awareness and reputation;
- level of user satisfaction;
- relationships with third-party partners;

[Table of Contents](#)

- strength of sales and marketing efforts;
- ability to innovate and develop new or improved products and services; and
- pricing.

We believe that we compete favorably with respect to these factors.

Intellectual Property

The protection of our technology and intellectual property is an important aspect of our business. We rely upon a combination of patents, trademarks, trade secrets, copyrights, confidentiality procedures, contractual commitments, and other legal rights to establish and protect our intellectual property. We generally enter into confidentiality agreements and invention or work product assignment agreements with our employees and consultants to control access to, and clarify ownership of, our software, documentation, and other proprietary information.

As of June 30, 2018, we held 14 issued U.S. patents and had 12 U.S. patent applications pending. We also held one issued patent in a foreign jurisdiction. As of June 30, 2018, we held 11 registered trademarks in the United States, including Upwork, Elance, and oDesk and also held 113 registered trademarks in foreign jurisdictions. We continually review our development efforts to assess the existence and patentability of new intellectual property.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or obtain and use our technology to develop products and services with the same functionality as ours. Policing unauthorized use of our technology is difficult. Our competitors could also independently develop technologies like ours, and our intellectual property rights may not be broad enough for us to prevent competitors from selling products and services incorporating those technologies. In addition, we may, in the future, be subject to claims that we are infringing, misappropriating, or otherwise violating the intellectual property rights of others.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that are applicable to internet companies and businesses that operate online marketplaces connecting businesses with freelancers. These laws and regulations may involve worker classification, employment, data protection, online payment services, content regulation, intellectual property, taxation, consumer protection, background checks, payment services, money transmitter regulations, anti-corruption, anti-money laundering and sanctions laws, or other subjects. Moreover, we provide escrow services to our users and are therefore licensed as an internet escrow agent by the DBO. Many of the laws and regulations that are or may be applicable to our business are still evolving and being tested in courts and could be interpreted in ways that could adversely impact our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the industry in which we operate.

Facilities

Our corporate headquarters are located in Mountain View, California, where we occupy facilities totaling approximately 32,000 square feet under a lease that expires in April 2019. We use these facilities for administration, sales and marketing, technology and development, engineering, and customer support.

We also lease offices in San Francisco and Chicago and rent working space in Colorado, Georgia, and Norway.

We intend to procure additional space as we add employees and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate any such expansion of our operations.

Legal Proceedings

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers, key employees, and directors as of August 31, 2018:

Name	Age	Position(s)
Executive Officers:		
Stephane Kasriel	43	President, Chief Executive Officer, and Director
Brian Kinion	51	Chief Financial Officer
Hayden Brown	36	Senior Vice President, Product and Design
Han-Shen Yuan	43	Senior Vice President, Engineering
Key Employees:		
Eric Gilpin	39	Senior Vice President, Sales
Zoë Harte	43	Senior Vice President, Human Resources and Talent Innovation
Efstratios Karamanlakis	53	Senior Vice President, Chief Technology Officer
Brian Levey	50	Chief Business Affairs and Legal Officer and Secretary
Rich Pearson	51	Senior Vice President, Marketing
Elizabeth Tse	50	Senior Vice President, Operations
Non-Employee Directors:		
Thomas Layton ⁽¹⁾	55	Executive Chairman
Gregory C. Gretsche ⁽²⁾⁽³⁾	51	Director
Kevin Harvey ⁽¹⁾	53	Director
Daniel Marriott ⁽¹⁾⁽²⁾	50	Director
Elizabeth Nelson ⁽²⁾⁽³⁾	57	Director
Gary Steele ⁽³⁾	56	Director

(1) Member of the nominating and governance committee.

(2) Member of the audit, risk, and compliance committee.

(3) Member of the compensation committee.

Executive Officers

Stephane Kasriel has served as our President and Chief Executive Officer and a member of our board of directors since April 2015. Prior to that, Mr. Kasriel served as our Senior Vice President, Product and Engineering since our inception in March 2014, as Vice President of Engineering and Product of oDesk from October 2013 to March 2014, and as Vice President of Product of oDesk from June 2012 to October 2013. Mr. Kasriel has also served as Co-Chair of the Global Future Council on Education, Gender, and Work for the World Economic Forum from September 2016 to August 2018. Previously, Mr. Kasriel served in various leadership roles for eBay Inc., an ecommerce corporation, including as the Global Head of Consumer Products from 2008 to 2010, Country Manager of PayPal France from 2006 to 2008, and Global Head of Mobile Business Development from 2011 to 2012. In addition, Mr. Kasriel was the Chief Operating Officer of Work4 Labs, Inc., a talent acquisition platform, in 2012 and Vice President of Global Sales and Business Development of Zong, Inc., a mobile payment service, which was acquired by eBay, from 2010 to 2011. Mr. Kasriel was also the founder of Fireclick, Inc., a web analytics company, and a co-founder of iFeelGoods, a digital rewards platform company. Mr. Kasriel holds a Diplôme d'Ingénieur from Ecole Polytechnique, an M.S. in Computer Science from Stanford University, and an M.B.A. from INSEAD.

Our board of directors believes that Mr. Kasriel possesses specific attributes that qualify him to serve as a director, including the historical knowledge, operational expertise, and continuity that he brings to our board of directors as our President and Chief Executive Officer.

Brian Kinion has served as our Chief Financial Officer since October 2017. Before joining us, Mr. Kinion served as the Chief Financial Officer of Marketo, Inc., a marketing automation platform software company, from

[Table of Contents](#)

March 2016 to April 2017, and, prior to that, he served as Group Vice President of Finance from November 2014 to March 2016 and as Vice President of Finance from July 2013 to November 2014. From 2007 to June 2013, Mr. Kinion served in several roles at SAP SuccessFactors, Inc., a cloud-based human capital management software company, including as Vice President and Global Controller of Cloud Revenue Operations, Vice President of Finance in Global Systems and Acquisition Integration, and Vice President and Global Controller. Mr. Kinion also currently serves on the board of directors of Marin Software Incorporated. Mr. Kinion holds a B.S. in Accounting and an M.B.A. with a finance concentration from St. Mary's College of California.

Hayden Brown has served as our Senior Vice President, Product and Design since January 2016. Ms. Brown previously served as our Vice President, Head of Product, from January 2015 to January 2016 and as our Vice President and Senior Director Marketplace, since our inception in March 2014. Prior to that, Ms. Brown served in numerous product leadership roles, starting when she joined oDesk as a Director of Marketplace in December 2011. Prior to joining us, Ms. Brown was Vice President of Corporate Development at LivePerson, Inc., an online messaging, marketing, and analytics company, from September 2010 to November 2011. Ms. Brown also worked for Microsoft Corporation, a technology company, as Director of Corporate Strategy and M&A from January 2010 to September 2010 and as Senior Strategy Manager from June 2007 to January 2010. Ms. Brown began her career as a Business Analyst at McKinsey & Company, a business management consulting firm, in their New York office. Ms. Brown holds an A.B. in Politics from Princeton University.

Han-Shen Yuan has served as our Senior Vice President, Engineering since June 2015. Mr. Yuan also operates Post-PC Labs, LLC, a computer software development business that he founded in May 2012. Before joining our company, Mr. Yuan served in several roles at eBay, including Senior Director of Engineering and Group Chief Technology Officer of Core Product and Technology at eBay Enterprise from February 2015 to April 2015, Senior Director of Engineering, Innovation and New Ventures from December 2012 to February 2015, and Director of Engineering for Mobile and Platform Business Solutions from March 2009 to March 2011. From March 2011 to May 2012, Mr. Yuan served as Director of Engineering for iOS and Android at Netflix Inc., a streaming media and video-on-demand entertainment company. Mr. Yuan holds a B.S. in Industrial Engineering and Operations Research with a minor in Computer Science and an M.S. in Industrial Engineering and Operations Research from the University of California at Berkeley.

Key Employees

Eric Gilpin has served as our Senior Vice President, Sales since April 2016. Prior to joining us, Mr. Gilpin served in a variety of roles for CareerBuilder, LLC, a human capital software provider and online employment website, including as President of Vertical Sales from September 2014 to March 2016, President of Staffing and Recruiting from November 2009 to September 2014, and Director of National Accounts from April 2004 to November 2009. Mr. Gilpin holds an M.B.A. from the Southern Methodist University's Cox School of Business.

Zoë Harte has served as our Senior Vice President, Human Resources and Talent Innovation since September 2017. She previously served in roles as our Vice President and Head of Human Resources from March 2014 to August 2017 and as Head of Human Resources at oDesk from April 2013 to March 2014. Ms. Harte also worked at Rovi Corporation, a digital entertainment company, in senior HR roles from 2008 to 2012. Prior to Rovi, Ms. Harte spent nine years at Yahoo! in a progression of HR and Customer Care leadership roles. Ms. Harte holds a B.A. in Religion and Women's Studies from Earlham College and an M.A. in Theology from the University of Exeter.

Efstathios Karamanlakis is one of the co-founders of oDesk and has served as Senior Vice President and our Chief Technology Officer since April 2015. Prior to that, Mr. Karamanlakis served as our Vice President of Development since our inception in March 2014 and as Vice President of Development for oDesk from January 2003 to March 2014. Before co-founding oDesk, Mr. Karamanlakis served as Technical Director at Postscriptum Communication Informatics Ltd., a digital strategy consulting firm, and as Director of R&D at L-Cube Information Systems. Mr. Karamanlakis holds a B.S. in Electrical Engineering and Computer Science from the National Technical University of Athens, Greece.

Brian Levey has served as our Chief Business Affairs and Legal Officer and Secretary since October 2017. Prior to that, Mr. Levey served as our Chief Financial Officer from June 2015 to October 2017, as well as our

[Table of Contents](#)

General Counsel and Secretary, since our inception in March 2014. Mr. Levey served as Vice President, General Counsel and Secretary of oDesk from June 2013 to March 2014. Prior to joining us, Mr. Levey served in a variety of roles at eBay Inc., including as Vice President, Deputy General Counsel and Assistant Secretary from 2006 to 2013, and, from 2000 to 2006, he served in increasingly senior legal roles at eBay. He also previously served as Vice President, Legal at Metro-Goldwyn-Mayer Studios. Mr. Levey began his legal career with Latham & Watkins LLP. Mr. Levey holds an A.B. in Economics from Stanford University and a J.D. from Stanford Law School.

Rich Pearson has served as our Senior Vice President, Marketing since May 2015. Prior to that, Mr. Pearson served as our Senior Vice President, Categories and International from March 2014 to April 2015, and as Chief Marketing Officer of Elance from May 2012 to March 2014. Prior to joining us, Mr. Pearson served as the Vice President of Marketing at Posterous, Inc., a micro-blogging platform, from June 2010 through its acquisition by Twitter, Inc. in March 2012. Prior to that, Mr. Pearson held senior marketing positions at a variety of organizations. Mr. Pearson holds a B.S. in Business Administration from the University of California at Berkeley and an M.B.A. from the Walter A. Haas School of Business at the University of California at Berkeley.

Elizabeth Tse has served as our Senior Vice President, Operations since our inception in March 2014 and as Vice President, Operations of Elance from January 2013 to March 2014. Before joining us, Ms. Tse was Chief Operating Officer at Samasource, a non-profit organization, from November 2011 to October 2012. Ms. Tse also worked at Zuora, Inc., an enterprise software company, as Vice President of Customer Operations from August 2009 to November 2011. Before joining Zuora, Ms. Tse was the Vice President for Global Billing, Payments, and Collections at eBay. Ms. Tse holds a B.A. in Psychology from Yale University and an M.B.A. from Cornell University.

Non-Employee Directors

Thomas Layton has served as a member of our board of directors and Executive Chairman since our inception in March 2014. Prior to that, Mr. Layton served as a member of the board of directors of oDesk from May 2006 to March 2014 and as Executive Chairman from December 2011 to March 2014. Mr. Layton is currently a Lecturer at Stanford Graduate School of Business and a Board Partner at Social Capital LP, a venture capital firm. Mr. Layton currently serves on the board of directors of several private companies. Previously, Mr. Layton served in various leadership roles, including as the Chief Executive Officer of OpenTable, Inc., an online restaurant reservation company, from 2001 to 2007 and as the Chief Executive Officer of Metaweb Technologies, Inc., a data infrastructure company, from 2007 to 2010. Mr. Layton holds a B.S. from the University of North Carolina at Chapel Hill and an M.B.A. from the Stanford Graduate School of Business. We believe that Mr. Layton should serve as a member of our board of directors based on his extensive leadership experience. He also brings historical knowledge, operational expertise, and continuity to our board of directors.

Gregory C. Gretsch has served as a member of our board of directors since our inception in March 2014 and as a member of the board of directors of oDesk from 2004 to March 2014. Mr. Gretsch is a founding partner and has served as Managing Director of Jackson Square Ventures, a venture capital firm, since 2011. Mr. Gretsch also serves on the board of directors of several private companies, and he served as a director of Responsys, Inc. from 2001 to 2014. Mr. Gretsch has also served as a managing director at Sigma Partners, a venture capital firm, since 2001. Mr. Gretsch holds a B.B.A. in Management Information Systems from the University of Georgia. We believe that Mr. Gretsch should serve as a member of our board of directors based on his significant experience in the venture capital industry analyzing, investing in, and serving on the boards of directors of other technology companies and his management and leadership experience as a former founder and executive of several startup technology companies.

Kevin Harvey has served as a member of our board of directors since our inception in March 2014. Prior to that, Mr. Harvey served as a member of the board of directors of oDesk from August 2006 to March 2014. Mr. Harvey is a founder and general partner of Benchmark Capital, a venture capital firm, which he joined in 1995. Mr. Harvey currently serves on the board of directors of Proofpoint, Inc. Before founding Benchmark, Mr. Harvey was founder, President, and Chief Executive Officer of Approach Software Corp., a server database

[Table of Contents](#)

company. Before founding Approach Software, Mr. Harvey founded Styleware, Inc., a software company. Mr. Harvey holds a B.S. in Engineering from Rice University. We believe that Mr. Harvey should serve as a member of our board of directors based on his significant experience investing in and serving on the boards of directors of other technology companies as well as his management and leadership experience as a former founder and executive of multiple startup technology companies.

Daniel Marriott has served as a member of our board of directors since our inception in March 2014 and a member of the board of directors of Elance from January 2012 to March 2014. Mr. Marriott has been the Managing Partner of Stripes Group, a private equity and venture capital firm, since 2008, and he currently serves on the board of directors of several private companies. Between 1997 and 2008, Mr. Marriott served in a variety of executive roles under the umbrella of IAC/InterActiveCorp, a media and internet holding company, including Senior Vice President of Corporate and Interactive Development; founding CEO of Pronto, Inc., an online shopping and price comparison company; President of Citysearch; and Executive Vice President of Corporate Development of Ticketmaster, Inc., an event ticketing agency. Mr. Marriott holds a B.S. in Agricultural Economics and an M.B.A. from the University of Illinois. We believe that Mr. Marriott should serve as a member of our board of directors based on his significant experience investing in and serving on the boards of directors of other technology companies.

Elizabeth Nelson has served as a member of our board of directors since February 2015. Ms. Nelson currently serves on the boards of Nokia Corporation, Zendesk Inc., and several private companies. Ms. Nelson's public company board of directors service includes serving as a director of Pandora Media, Inc. from July 2013 to June 2017, Ancestry.com Inc. from 2009 to 2012, SuccessFactors, Inc. from 2007 to 2012, Autodesk, Inc. from 2007 to 2010, CNET Networks, Inc. from 2003 to 2008, and Brightcove Inc. from 2010 to 2014. From 1996 to 2005, Ms. Nelson served as the Executive Vice President and Chief Financial Officer of Macromedia, Inc., where she also served as a director from January 2005 to December 2005. Ms. Nelson holds a B.S. in Foreign Service from Georgetown University and an M.B.A. in Finance from the Wharton School at the University of Pennsylvania. We believe that Ms. Nelson should serve as a member of our board of directors due to her financial, accounting, and operational expertise from prior experience as an executive and director for numerous public and private technology companies.

Gary Steele has served as a member of our board of directors since August 2018. Mr. Steele has served as the Chief Executive Officer and as a member of the board of directors of Proofpoint, Inc., an enterprise security company, since 2002. Mr. Steele also currently serves on the board of directors of Vonage Holdings Corp., as well as on the board of directors of two privately held companies. Prior to joining Proofpoint, Mr. Steele served from June 1997 to July 2002 as the Chief Executive Officer of Portera Systems Inc., a software company. Before Portera, Mr. Steele served as the vice president and general manager of the Middleware and Data Warehousing Product Group at Sybase, Inc., an enterprise and mobile software company. Mr. Steele's prior experience includes business development, marketing, and engineering roles at Sun Microsystems, Inc. and Hewlett-Packard Company, computer, computer software, and information technology companies. Mr. Steele holds a B.S. degree in Computer Science from Washington State University. We believe that Mr. Steele should serve as a member of our board of directors based on his extensive management and leadership experience.

Corporate Governance

Appointment of Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships between any of our directors or executive officers.

Board Composition

Our board of directors currently consists of seven members, with no vacancies. Pursuant to our amended and restated certificate of incorporation as in effect prior to the completion of this offering and our amended and restated voting agreement, Stephane Kasriel, Thomas Layton, Elizabeth Nelson, Gregory C. Gretsich, Kevin Harvey, Daniel Marriott, and Gary Steele have been designated to serve as members of our board of

directors. Pursuant to our amended and restated certificate of incorporation and amended and restated voting agreement, the seats occupied by Messrs. Gretsch and Harvey are each elected by the holders of a majority of our capital stock, voting together as a single class on an as-converted basis (excluding our Series B-2 convertible preferred stock), as the designees of the holders of a majority of our capital stock held by the former shareholders of oDesk; the seats occupied by Mr. Marriott and Ms. Nelson are each elected by the holders of a majority of our capital stock, voting together as a single class on an as-converted basis (excluding our Series B-2 convertible preferred stock), as the designees of the holders of a majority of our capital stock held by the former stockholders of Elance; the seats occupied by Messrs. Kasriel and Layton as our current Chief Executive Officer and Executive Chairman, respectively, are each elected by the holders of a majority of our capital stock, voting together as a single class on an as-converted basis (excluding our Series B-2 convertible preferred stock); and the seat occupied by Mr. Steele is elected by the holders of a majority of our capital stock, voting together as a single class on an as-converted basis (excluding our Series B-2 convertible preferred stock), as the designee of the directors designated by the former stockholders of Elance and the former shareholders of oDesk.

The amended and restated voting agreement and the provisions of our amended and restated certificate of incorporation by which all of our current directors were elected will terminate, and no contractual obligations regarding the election of our directors will remain, following the completion of this offering. Each of our current directors will continue to serve until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal.

Classified Board of Directors

Upon the completion of this offering, our board of directors will consist of seven members and be divided into three classes of directors that will serve staggered three-year terms. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

- the Class I directors will be Mr. Harvey, Mr. Layton, and Ms. Nelson, and their terms will expire at the first annual meeting of stockholders to be held after the completion of this offering;
- the Class II directors will be Mr. Kasriel and Mr. Steele, and their terms will expire at the second annual meeting of stockholders to be held after the completion of this offering; and
- the Class III directors will be Mr. Gretsch and Mr. Marriott, and their terms will expire at the third annual meeting of stockholders to be held after the completion of this offering.

Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal. Our restated certificate of incorporation and restated bylaws to be in effect upon the completion of this offering will authorize only our board of directors to fill vacancies on our board of directors. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. See the section titled "Description of Capital Stock—Anti-Takeover Provisions."

Director Independence

In connection with this offering, we have applied to list our common stock on The Nasdaq Global Market, or Nasdaq. Under the rules of Nasdaq, independent directors must comprise a majority of a listed company's board of directors within a specified period after the completion of this offering. In addition, the rules of Nasdaq require that, subject to specified exceptions, each member of a listed company's audit, compensation, and nominating and governance committees be independent. Under the rules of Nasdaq, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

[Table of Contents](#)

Additionally, compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or be an affiliated person of the listed company or any of its subsidiaries. We intend to satisfy the audit committee independence requirements of Rule 10A-3 as of the completion of this offering.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that Messrs. Layton, Gretsche, Harvey, Marriott, and Steele and Ms. Nelson are "independent directors" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of Nasdaq. In making these determinations, our board of directors reviewed and discussed information provided by the directors and by us with regard to each director's business and personal activities and relationships as they may relate to us and our management, including the beneficial ownership of our common stock by each non-employee director and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

Committees of the Board of Directors

Our board of directors has an audit, risk, and compliance committee, a compensation committee, and a nominating and governance committee, each of which, pursuant to its respective charter, will have the composition and responsibilities described below upon the completion of this offering. Following the completion of this offering, copies of the charters for each committee will be available on the investor relations portion of our website. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit, Risk, and Compliance Committee

Our audit, risk, and compliance committee, or audit committee, is composed of Ms. Nelson and Messrs. Gretsche and Marriott. Ms. Nelson is the chair of our audit committee. The members of our audit committee meet the independence requirements under Nasdaq and SEC rules. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Ms. Nelson is an "audit committee financial expert" as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act. This designation does not, however, impose on her any supplemental duties, obligations, or liabilities beyond those that are generally applicable to the other members of our audit committee and board of directors. Our audit committee's principal functions are to assist our board of directors in its oversight of:

- selecting a firm to serve as our independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to anonymously submit concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls and internal audit function;
- reviewing related-party transactions that are material or otherwise implicate disclosure requirements; and

[Table of Contents](#)

- approving, or as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

Compensation Committee

Our compensation committee is composed of Ms. Nelson and Messrs. Gretsche and Steele. Mr. Gretsche is the chair of our compensation committee. The members of our compensation committee meet the independence requirements under Nasdaq and SEC rules. Each member of this committee is also a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act. Our compensation committee is responsible for, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers and other select service providers, including base salary, cash-based incentive compensation, equity-based compensation, severance and change in control arrangements, and other compensation arrangements;
- reviewing succession plans for our chief executive officer;
- reviewing and recommending to our board of directors the compensation of our directors;
- administering our stock and equity incentive plans; and
- establishing our overall compensation philosophy.

Nominating and Governance Committee

Our nominating and governance committee is composed of Messrs. Layton, Marriott, and Harvey. The members of our nominating and governance committee meet the independence requirements under Nasdaq and SEC rules. Mr. Layton is the chair of our nominating and governance committee. Our nominating and governance committee’s principal functions include:

- identifying and recommending candidates for membership on our board of directors;
- recommending directors to serve on board committees;
- reviewing and recommending to our board of directors any changes to our corporate governance principles;
- reviewing proposed waivers of the code of conduct for directors and executive officers;
- overseeing the process of evaluating the performance of our board of directors; and
- advising our board of directors on corporate governance matters.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee is currently, or has been at any time, one of our officers or employees. None of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board or compensation committee during 2017.

Non-Employee Director Compensation

In 2017, no compensation was paid to our non-employee members of our board of directors. All compensation paid to Mr. Kasriel, our only employee director, is set forth below in the section titled “Executive Compensation—2017 Summary Compensation Table.” No compensation was paid to Mr. Kasriel in his capacity as a director in 2017.

As of December 31, 2017, Elizabeth Nelson held an outstanding option to purchase 340,000 shares of common stock. The shares subject to the stock option vest at a rate of one forty-eighth of the total shares subject

[Table of Contents](#)

to the stock option per month. As of December 31, 2017, 233,750 shares subject to the stock option were vested and 106,250 were unvested. The stock option is exercisable as to all of the unvested shares, subject to our right to repurchase unvested shares should Ms. Nelson cease service prior to fully vesting. The stock option is subject to acceleration in full immediately prior to a change in control.

In connection with his appointment to our board of directors, we granted an option to purchase 150,527 shares of common stock to Mr. Steele. The shares subject to the stock option vest at a rate of one-third of the total shares subject to the stock option per year. The stock option is exercisable as to all of the unvested shares, subject to our right to repurchase unvested shares should Mr. Steele cease service prior to fully vesting. The stock option is subject to acceleration in full immediately prior to a change in control.

Non-Employee Director Compensation Policy

Prior to this offering, we did not have a formal policy to provide any cash or equity compensation to our non-employee directors for their service on our board of directors or committees of our board of directors.

In August 2018, our board of directors adopted a compensation program with respect to the compensation of our non-employee directors. Pursuant to this program, each board member receives annual compensation of \$35,000, subject to such non-employee director's continued service. This compensation shall be pro-rated for partial quarters served. This compensation is payable (a) quarterly in arrears in cash or (b) at the non-employee director's prior written election, as an award of RSUs under our 2018 Equity Incentive Plan that vests in quarterly installments in the same calendar year as the compensation would have been payable had the compensation been paid in cash, subject to such non-employee director's continued service. This compensation, regardless of the form of payment, is subject to acceleration immediately prior to a "corporate transaction" (as defined in our 2018 Equity Incentive Plan).

Additionally, annual cash compensation for committee membership is as follows, which is pro-rated for partial quarters served and paid quarterly in arrears, subject to such non-employee director's continued service:

- audit committee chair: \$20,000;
- audit committee member: \$10,000;
- compensation committee chair: \$10,000;
- compensation committee member: \$5,000;
- nominating and governance committee chair: \$5,000; and
- nominating and governance committee member: \$2,500.

The annual cash compensation for service as a chair of a committee is in lieu of the annual cash compensation for committee membership.

With respect to any annual compensation described above, the final quarterly installment will fully vest and/or be paid on the earliest of (a) the date of the next annual meeting of our stockholders, (b) the date immediately prior to the next annual meeting of our stockholders if the applicable non-employee director's service as a director ends at such meeting due to the director's failure to be re-elected or the director not standing for re-election, and (c) the date that is the last day of the last full quarter of the vesting of such grant, in each case so long as the non-employee director continues to provide services in the applicable non-employee director capacity to us through such date.

In addition, on or about the date of this initial public offering, and thereafter on the date of each annual meeting of our stockholders (commencing with the first annual meeting of our stockholders following the date of this initial public offering), each non-employee director is eligible to receive an annual award with an aggregate value of approximately \$150,000 (pro-rated for partial year service for the initial grant with respect to the period from this initial public offering through the first annual meeting of our stockholders following this initial public offering), which will be payable in the form of RSUs or, subject to our receipt of the non-employee director's

[Table of Contents](#)

prior written election, in cash prior to the date of grant. Each annual award vests or is paid, as applicable, on the earlier of (a) the date of the next annual meeting of our stockholders (or the date immediately prior to the next annual meeting of our stockholders if the applicable non-employee director's service as a director ends at such meeting due to the director's failure to be re-elected or the director not standing for re-election) and (b) the date that is one year following the date of grant, in each case, so long as the non-employee director continues to provide services as a non-employee director to us through such date. If an annual award is granted as an award of RSUs, the vesting and settlement of the annual award will occur in the same calendar year as the annual award would have vested and been paid if it had been payable in cash. The annual award, regardless of the form of payment, is subject to acceleration immediately prior to a corporate transaction.

In addition, each new non-employee director is eligible to receive an initial award of RSUs with a grant date fair value of approximately \$300,000 on the date of grant. Each initial award vests with respect to 1/3rd of the total number of RSUs subject to the award each year beginning with the date that is one year from the date of grant (except that the final annual installment of the award will fully vest on the earlier of (a) the date of the next annual meeting of our stockholders (or the date immediately prior to the next annual meeting of our stockholders if the applicable non-employee director's service as a director ends at such meeting due to the director's failure to be re-elected or the director not standing for re-election) and (b) the date that is the last day of the last full year of the vesting of such grant), in each case subject to such non-employee director's continued service. The initial award is subject to acceleration immediately prior to a corporate transaction.

EXECUTIVE COMPENSATION

The following tables and accompanying narrative set forth information about the 2017 compensation provided to our principal executive officer and the two most highly-compensated executive officers (other than our principal executive officer) who were serving as executive officers as of December 31, 2017. These executive officers were Stephane Kasriel, our President and Chief Executive Officer, Brian Kinion, our Chief Financial Officer, and Hayden Brown, our Senior Vice President, Product and Design, and we refer to them in this section as our “named executive officers.”

2017 Summary Compensation Table

The following table presents summary information regarding the total compensation for services rendered in all capacities that was awarded to, earned by, or paid to our named executive officers for 2017.

Name and Principal Position	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)	Total (\$)
Stephane Kasriel, <i>President and Chief Executive Officer</i>	\$473,583	\$ —	\$ —	\$ 164,651	\$ 7,362(3)	\$ 645,596
Brian Kinion, <i>Chief Financial Officer</i> (4)	58,160	—	1,929,311	16,850	1,119(5)	2,005,440
Hayden Brown, <i>Senior Vice President, Product and Design</i> (6)	239,797	10,196(7)	1,097,906	69,475	56,386(8)	1,473,760

- (1) Amounts represent the aggregate grant date fair value of the stock options awarded to the named executive officer during 2017 in accordance with FASB Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the stock options reported in the Option Awards column are set forth in Note 2 of the notes to our consolidated financial statements included in this prospectus. Such grant-date fair market value does not take into account any estimated forfeitures related to service-vesting conditions.
- (2) The amounts reported in the column represent incentive cash bonuses earned pursuant to our 2017 performance bonus plan. For additional information, see the section titled “—Non-Equity Incentive Plan Compensation.”
- (3) The amount reported represents (i) our matching contribution of \$5,000 on Mr. Kasriel’s behalf under our 401(k) plan and (ii) \$2,362 paid to our disability insurance plan.
- (4) Mr. Kinion was hired as our Chief Financial Officer in October 2017. His annualized base salary as of December 31, 2017 was \$335,000.
- (5) The amount reported represents our matching contribution of \$1,119 on Mr. Kinion’s behalf under our 401(k) plan.
- (6) Ms. Brown took a leave of absence for a portion of 2017. Her annualized base salary as of December 31, 2017 was \$302,000.
- (7) The amount reported represents a spot bonus paid by us to Ms. Brown.
- (8) The amount reported represents (i) our matching contribution of \$5,000 on Ms. Brown’s behalf under our 401(k) plan, (ii) \$1,898 paid to our disability insurance plan, and (iii) \$49,488 paid by us to Ms. Brown during a leave of absence.

In July 2018, we granted to Mr. Kasriel an option to purchase 1,860,000 shares of our common stock at an exercise price of \$6.61 per share. Subject to the completion of this offering before January 2019, the stock option vests upon the achievement of certain GSV and adjusted EBITDA milestones and the satisfaction of time-based requirements (specifically, that Mr. Kasriel remain employed as our chief executive officer through this offering and the achievement of each applicable performance milestone).

Equity Compensation

From time to time, we grant equity awards in the form of stock options to our named executive officers, which are generally subject to vesting based on each named executive officer’s continued service with us. Each of our named executive officers currently holds outstanding options to purchase shares of our common stock that were granted under the oDesk 2004 Stock Plan, or the 2004 Plan, or our 2014 Plan, as set forth in the table below titled “2017 Outstanding Equity Awards at Fiscal Year-End.”

Non-Equity Incentive Plan Compensation

During 2017, each of our named executive officers earned cash bonuses based on his or her participation in our 2017 performance bonus plan. Under our 2017 performance bonus plan, our named executive officers were eligible to earn bonuses based on our achieving certain GSV and EBITDA metrics. In addition, for performance above the GSV target, our board of directors, in its sole discretion, established an additional bonus pool, which was paid to certain non-executive service providers. For 2017, the target bonus amount for Mr. Kasriel was 30% of his salary for the year, and the target bonus amounts for Mr. Kinion and Ms. Brown were 25% of each of their respective salary for the year.

Offer Letters

We have entered into offer letters with each of our named executive officers. In addition, each of our named executive officers has executed our form of standard employee invention assignment and confidentiality agreement. Any potential payments and benefits due upon a termination of employment or a change of control of us are further described in the section titled “Potential Payments upon Termination or Change of Control.”

Stephane Kasriel

In May 2018, we entered into an amended and restated offer letter with Mr. Kasriel, our President and Chief Executive Officer. The amended and restated offer letter provides for an annualized base salary of \$480,000 and a target bonus eligibility of 56.25% of the regular salary payments earned during 2018, exclusive of any other earnings, such as bonus, premium, or pay during leave. Mr. Kasriel is an at-will employee and does not have a fixed employment term. He is eligible to participate in our annual performance bonus plan, a disability plan, and employee benefit plans, including health insurance, that we offer to our employees.

Brian Kinion

In May 2018, we entered into an amended and restated offer letter with Mr. Kinion, our Chief Financial Officer. The amended and restated offer letter provides for an annualized base salary of \$350,000 and a target bonus eligibility of 40% of the regular salary payments earned during 2018, exclusive of any other earnings, such as bonus, premium, or pay during leave. Mr. Kinion is an at-will employee and does not have a fixed employment term. He is eligible to participate in our annual performance bonus plan, a disability plan, and employee benefit plans, including health insurance, that we offer to our employees.

Hayden Brown

In May 2018, we entered into an amended and restated offer letter with Ms. Brown, our Senior Vice President, Product and Design. The amended and restated offer letter provides for an annualized base salary of \$345,000 and a target bonus eligibility of 30% of the regular salary payments earned during 2018, exclusive of any other earnings, such as bonus, premium, or pay during leave. Ms. Brown is an at-will employee and does not have a fixed employment term. She is eligible to participate in our annual performance bonus plan, a disability plan, and employee benefit plans, including health insurance, that we offer to our employees.

Potential Payments upon Termination or Change of Control

In May 2018, we entered into change in control and severance agreements with each of our executive officers, including our named executive officers, which provide for the following benefits if the executive is terminated by us without cause or, with respect to our President and Chief Executive Officer only, by the executive officer for good reason (as such terms are defined in the change in control and severance agreement) outside of a change in control (as such term is defined in the change in control and severance agreement) in exchange for a customary release of claims: (i) a lump sum severance payment of six months base salary (twelve months for our President and Chief Executive Officer), (ii) payment of premiums for continued medical benefits for up to six months (twelve months for our President and Chief Executive Officer), and (iii) in the case of our President and Chief Executive Officer only, 50% acceleration of any then-unvested equity awards (excluding equity awards that vest, in whole or in part, upon satisfaction of performance criteria).

[Table of Contents](#)

If the executive officer's employment is terminated by us without cause or by the executive for good reason within the three months preceding a change in control (but after a legally binding and definitive agreement for a potential change of control has been executed) or within the twelve months following a change in control, the change in control and severance agreements provide the following benefits in exchange for a customary release of claims: (i) a lump sum severance payment of twelve months base salary (eighteen months for our President and Chief Executive Officer), (ii) a lump sum payment equal to the executive officer's then-current target bonus opportunity on a pro-rated basis, (iii) 100% acceleration of any then-unvested equity awards (excluding equity awards that vest, in whole or in part, upon satisfaction of performance criteria), and (iv) payment of premiums for continued medical benefits for up to twelve months (eighteen months for our President and Chief Executive Officer). Each change in control and severance agreement is in effect for three years, with automatic renewals for new three-year periods unless notice is given by us to the executive officer three months prior to expiration.

The benefits under the change in control and severance agreements supersede all other cash severance and vesting acceleration arrangements (excluding equity awards that vest, in whole or in part, upon satisfaction of performance criteria, which will be governed by the terms of the applicable performance based equity awards).

2017 Outstanding Equity Awards at Fiscal Year-End

The following table presents, for each of our named executive officers, information regarding outstanding stock options as of December 31, 2017.

Name	Option Awards		Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Number of Securities Underlying Unexercised Options Unexercisable (#)(1)		
Stephane Kasriel	18,450(2)	—	2.76	4/6/2024
	517,733(3)	275,008	2.76	4/6/2024
	831(2)	—	2.76	6/23/2024
	595,432(2)(4)	—	3.04	6/24/2022
	18,450(2)(4)	—	3.04	10/30/2023
	1,637,508(5)	1,432,816	3.58	4/22/2025
	333,333(6)	666,667	3.23	4/19/2026
Brian Kinion	—	1,200,000(7)	3.68	10/29/2027
Hayden Brown	46,125(2)(4)	—	1.52	12/14/2021
	82,604(8)	41,249	2.76	4/6/2024
	20,965(2)(4)	—	3.04	7/24/2023
	15,000(9)	5,000	3.67	12/18/2024
	230,000(10)	—	3.58	4/22/2025
	38,333(11)	61,667	3.03	12/22/2025
	34,276(12)	651,247	3.68	9/25/2027

(1) All of the outstanding equity awards were granted under the 2014 Plan, unless otherwise indicated.

(2) This stock option was fully vested as of December 31, 2017.

(3) The stock option vests with respect to 5,929 shares of our common stock underlying the stock option on the last day of each month beginning in April 2014 and ending in March 2016, 9,879 shares of our common stock underlying the stock option on the last day of April 2016, 17,787 shares of our common stock underlying the stock option on the last day of each of May 2016 and June 2016, and 18,333 shares of our common stock underlying the stock option on the last day of each month beginning in July 2016 and ending in March 2019. The stock option is subject to acceleration upon certain events as described in the section titled "—Potential Payments upon Termination or Change of Control."

(4) Granted under the 2004 Plan.

(5) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the April 20, 2015 vesting commencement date. The stock option is subject to acceleration upon certain events as described in the section titled "—Potential Payments upon Termination or Change of Control."

Table of Contents

- (6) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the April 20, 2016 vesting commencement date. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (7) The stock option vests at a rate of 1/5th of the shares of our common stock underlying the stock option on October 30, 2018 and 1/60th of the shares of our common stock underlying the stock option monthly thereafter. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (8) The stock option vests with respect to varying amounts between 1,788 and 1,790 shares of our common stock underlying the stock option on the last day of each month beginning in April 2014 and ending in December 2015, varying amounts between 1,584 and 1,586 shares of our common stock underlying the stock option on the last day of each month beginning January 2016 and ending in June 2017, and 2,750 shares of our common stock underlying the stock option on the last day of each month beginning in July 2017 and ending in March 2019. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (9) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the December 19, 2014 vesting commencement date. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (10) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the April 15, 2015 vesting commencement date. The stock option contains an early-exercise provision and is exercisable as to the unvested shares, subject to our right of repurchase. As of December 31, 2017, 107,334 shares of our common stock subject to the stock option remained unvested. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (11) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the January 1, 2016 vesting commencement date. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”
- (12) The stock option vests at a rate of 1/60th of the shares of our common stock underlying the stock option each month following the September 26, 2017 vesting commencement date. The stock option is subject to acceleration upon certain events as described in the section titled “—Potential Payments upon Termination or Change of Control.”

Employee Benefit and Stock Plans

1999 Stock Option Plan, 2009 Stock Option Plan, and 2004 Stock Plan

In connection with the combination of oDesk and Elance, we assumed stock options granted under our 2004 Plan, the Elance 1999 Stock Option Plan, or the 1999 Plan, and the Elance 2009 Stock Option Plan, or the 2009 Plan. No additional awards were granted under these plans after consummation of the combination of oDesk and Elance. However, any awards granted under these plans that were outstanding as of the consummation of the combination remained outstanding, and subject to the terms of the applicable plan and award agreement, until exercised, settled, terminated or expired by their terms.

Upon the effectiveness of our 2014 Plan (as described in the section titled “—2014 Equity Incentive Plan” below), the shares reserved but not issued or subject to outstanding awards under the 1999 Plan, the 2004 Plan, and the 2009 Plan became available for grant and issuance under our 2014 Plan as common stock. Upon the effectiveness of our 2018 Plan (as described under the section titled “—2018 Equity Incentive Plan” below), the shares reserved but not issued or subject to outstanding awards under our 2014 Plan will become available for grant and issuance under our 2018 Plan as common stock.

1999 Plan and 2009 Plan

The 1999 Plan was adopted by the Elance board of directors and stockholders in 1999. The 2009 Plan was adopted by the Elance board of directors and stockholders in 2009. The 1999 Plan and the 2009 Plan each provide for the grant of both incentive stock options, which qualify for favorable tax treatment to their recipients under Section 422 of the Internal Revenue Code, and nonstatutory stock options.

The 1999 Plan and the 2009 Plan are currently administered by our board of directors and will be administered by our compensation committee following our initial public offering, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board acting in place of our compensation committee. The administrator has the authority to construe and interpret these plans, grant stock options, and make all other determinations necessary or advisable for the administration of the plans.

Stock options granted under the 1999 Plan and the 2009 Plan generally may not be transferred in any manner other than by will or by the laws of descent and distribution. Stock options may be exercised during the

[Table of Contents](#)

lifetime of the optionee only by the optionee or the optionee's legal representative. Options granted under our 1999 Plan and our 2009 Plan generally will expire upon the optionee's termination of service for cause or may be exercised for a period of three months after the termination of the optionee's service to us other than for cause, death, or disability, for a period of twelve months after the termination of the optionee's service to us in the case of a termination due to death or disability (or the optionee's death within three months after termination of service to us other than for cause), or for such shorter period (but not less than thirty days or, in the case of death or disability, six months) or longer period (but not longer than five years) as the administrator may provide. The maximum term of options granted under our 1999 Plan and 2009 Plan is ten years.

The 1999 Plan and the 2009 Plan will terminate ten years from the date our board approved the applicable plan, unless terminated earlier by our board. Our board may amend or terminate our 1999 Plan and our 2009 Plan at any time. If our board amends either plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

In the event of a dissolution, liquidation, merger, or consolidation in which we are not the surviving corporation, a merger in which we are the surviving corporation but after which our shareholders immediately prior to such merger cease to own their equity interests in us, or the sale of all or substantially all of our assets, the 1999 Plan and the 2009 Plan each provide that stock options may be assumed, converted, replaced, or substituted. If stock options are not assumed, converted, replaced, or substituted, their vesting will accelerate in full and they will become exercisable prior to the consummation of the transaction. If the stock options are not exercised prior to consummation of the transaction, they will terminate. If stock options are assumed, converted, replaced, or substituted, and the participant is terminated within twelve months after the consummation of the transaction, then vesting will accelerate as to the number of shares that would be vested on the first anniversary of the consummation of the transaction had the participant remained in service throughout that period. Subject to any greater rights in the foregoing provisions, any outstanding stock options will be treated as provided in the applicable transaction agreement.

As of June 30, 2018, stock options to purchase 15,674 shares of our common stock that were assumed under the 1999 Plan remained outstanding and none remained available for future grant. The stock options outstanding as of June 30, 2018 had a weighted-average exercise price of \$0.39 per share.

As of June 30, 2018, stock options to purchase 632,830 shares of our common stock that were assumed under the 2009 Plan remained outstanding and none remained available for future grant. The stock options outstanding as of June 30, 2018 had a weighted-average exercise price of \$0.81 per share.

2004 Plan

The 2004 Plan was adopted by the oDesk board of directors and stockholders in 2004. The 2004 Plan provided for the grant of both incentive stock options, which qualify for favorable tax treatment to their recipients under Section 422 of the Internal Revenue Code, and nonstatutory stock options, as well as the issuance of restricted stock. In the event of a merger or consolidation, our board of directors may provide under the 2004 Plan that stock options may be continued, assumed, substituted, accelerated in full and then cancelled, or cancelled in exchange for a payment (in cash or securities of the surviving corporation or its parent) equal to the difference between the exercise price and the fair market value of the common stock.

Our 2004 Plan is currently administered by our board of directors and will be administered by our compensation committee following our initial public offering, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board acting in place of our compensation committee. The administrator has the authority and discretion to take any actions it deems necessary or advisable for the administration of our 2004 Plan.

Stock options granted under our 2004 Plan may not be transferred in any manner other than by beneficiary designation, will or by the laws of descent and distribution or, with respect to nonstatutory stock options, as determined by the administrator to the extent permitted by the plan. Incentive stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative.

[Table of Contents](#)

Options granted under our 2004 Plan generally may be exercised for a period of three months after the termination of the optionee's service to us, for a period of twelve months in the case of death, or for a period of six months in the case of disability, or such longer period as the administrator may provide. The maximum term of options granted under our 2004 Plan is ten years.

Our 2004 Plan will terminate ten years from the later of the date our board approved the plan or the most recent increase in the number of shares reserved under the plan, unless it is terminated earlier by our board. Our board may amend or terminate our 2004 Plan at any time, but such amendment or termination will not affect any shares previously issued or any stock option previously granted under the plan. If our board amends our 2004 Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

As of June 30, 2018, stock options to purchase 1,827,198 shares of our common stock that were assumed under the 2004 Plan remained outstanding and none remained available for future grant. The stock options outstanding as of June 30, 2018 had a weighted-average exercise price of \$2.88 per share.

2014 Equity Incentive Plan

Our 2014 Plan was adopted by our board of directors in March 2014 and by our stockholders in June 2014, and was last amended in February 2018. The 2014 Plan provides for the grant of both incentive stock options, which qualify for favorable tax treatment to their recipients under Section 422 of the Internal Revenue Code, and nonstatutory stock options, as well as for the issuance of shares of restricted stock and the grant of RSUs and stock appreciation rights.

Our 2014 Plan is currently administered by our board of directors and will be administered by our compensation committee following our initial public offering, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board acting in place of our compensation committee. The administrator has the authority to construe and interpret our 2014 Plan, grant awards, and make all other determinations necessary or advisable for the administration of the plan.

Awards granted under our 2014 Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or, with respect to nonstatutory stock options, as determined by the administrator to the extent permitted by the 2014 Plan. Awards may be exercised during the lifetime of the optionee only by the optionee or the optionee's legal representative. Stock options granted under our 2014 Plan generally will expire upon the optionee's termination of service for cause or may be exercised for a period of three months after the termination of the optionee's service to us other than for cause, death, or disability, for a period of twelve months after the termination of the optionee's service to us in the case of a termination due to death (or the optionee's death within three months after termination of service to us other than for cause), or for a period of six months in the case of disability, or such longer period as the administrator may provide. The maximum term of options granted under our 2014 Plan is ten years.

Our 2014 Plan will terminate ten years from the later of the date our board approves the plan or the most recent increase in the number of shares reserved under the plan, unless it is terminated earlier by our board. Our board may amend or terminate our 2014 Plan at any time, but such amendment or termination will not affect any shares previously issued or any award previously granted under the plan. If our board amends our 2014 Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

In the event of an "acquisition" or "other combination" (as such terms are defined in the 204 Plan), the 2014 Plan provides that stock options may be continued, assumed, substituted, settled by payment (in cash or securities of the surviving corporation or its parent) of the full value of the stock options, accelerated (in full or in part), or canceled without consideration, and awards would terminate upon the consummation of the acquisition or other combination unless they are continued, assumed, or substituted. Our board, in its sole discretion, may provide in any award agreement for the accelerated vesting of awards. We will cease issuing awards under our 2014 Plan upon the effectiveness of the 2018 Plan, which is described below. Instead, we will grant equity awards under our 2018 Plan. However, any outstanding awards granted under the 2014 Plan will remain outstanding, subject to the terms of our 2014 Plan and applicable award agreements, until they are exercised or settled or until they terminate or expire by their terms.

[Table of Contents](#)

As of June 30, 2018, we had reserved 25,131,417 shares of our common stock for issuance under our 2014 Plan. After June 30, 2018, we increased the number of shares of common stock reserved for issuance under our 2014 Plan by 100,000 shares. As of June 30, 2018, options to purchase 20,456,520 of these shares of our common stock remained outstanding and 2,543,154 of these shares of our common stock remained available for future grant. The stock options outstanding as of June 30, 2018 had a weighted-average exercise price of \$3.41 per share. Subsequent to June 30, 2018, we granted options to purchase 2,693,123 shares of our common stock, with a weighted-average exercise price of \$6.84. Upon the effectiveness of our 2018 Plan, the shares reserved but not issued or subject to outstanding awards under our 2014 Plan will become available for grant and issuance under our 2018 Plan as common stock.

2018 Equity Incentive Plan

In August 2018, our board of directors adopted and our stockholders approved our 2018 Plan that will become effective on the day immediately prior to the pricing of our initial public offering. We initially reserved 10,500,000 shares of our common stock to be issued under our 2018 Plan. The number of shares of common stock reserved for issuance under our 2018 Plan will increase automatically on January 1 of each year beginning in 2019 and continuing through 2028 by the number of shares equal to 5.0% of the total outstanding shares of our common stock and preferred stock outstanding (on an as-converted basis) as of the immediately preceding December 31 (rounded down to the nearest whole share). However, our board of directors or the administrator of the 2018 Plan (discussed below) may reduce the amount of the increase in any particular year. In addition, the following shares of our common stock will be available for grant and issuance under our 2018 Plan:

- shares subject to options or stock appreciation rights granted under our 2018 Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;
- shares subject to awards granted under our 2018 Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under our 2018 Plan that otherwise terminate without shares being issued;
- shares surrendered under an exchange program (discussed below);
- shares subject to awards under the 2018 Plan that are used to pay the exercise price of an award or withheld to satisfy the tax withholding obligations related to any award;
- shares reserved but not issued or subject to outstanding awards under our 2014 Plan on the effective date of the 2018 Plan;
- shares that are subject to stock options or other awards granted under the 2014 Plan, 1999 Plan, 2004 Plan, or 2009 Plan that cease to be subject to such stock options or other awards, by forfeiture or otherwise, after the effective date of the 2018 Plan;
- shares issued upon the exercise of options under our 2014 Plan, 1999 Plan, 2004 Plan, or 2009 Plan before or after the effective date of the 2018 Plan that are forfeited after the effective date of the 2018 Plan;
- shares issued under our 2014 Plan, 1999 Plan, 2004 Plan, or 2009 Plan that are forfeited or repurchased by us at the original issue price after the effective date of the 2018 Plan; and
- shares subject to awards under our 2014 Plan, 1999 Plan, 2004 Plan, or 2009 Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

Our 2018 Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, or SARs, RSUs, performance awards, and stock bonuses. No more than 105,000,000 shares will be issued pursuant to the exercise of incentive stock options. The aggregate grant date value of awards granted to any one non-employee director pursuant to the 2018 Plan, when combined with cash compensation received for service as a non-employee director, in any calendar year shall not exceed \$1,000,000. For these purposes, grant date fair

[Table of Contents](#)

value will be determined as follows: (a) for options and stock appreciation rights, grant date fair value will be calculated using the Black-Scholes valuation methodology on the date of grant and (b) for all other awards, grant date fair value will be determined by either (i) calculating the product of the fair market value per share on the date of grant and the aggregate number of shares subject to the award or (ii) calculating the product using an average of the fair market value over a number of trading days and the aggregate number of shares subject to the award. Awards granted to an individual while he or she was serving in the capacity as an employee or while he or she was a consultant but not a non-employee director will not count for purposes of this limitation.

Our 2018 Plan will be administered by our board, our compensation committee (all of the members of which are outside directors as defined under applicable federal tax laws), or those persons to whom administration of the 2018 Plan, or part of the 2018 Plan, has been delegated as permitted by law. Our compensation committee is expected to administer our 2018 Plan. Subject to the general purposes, terms, and conditions of the 2018 Plan, and to the direction of our board of directors, the administrator will have full power to implement and carry out the 2018 Plan, except our board of directors will establish the terms for the grant of an award to non-employee directors. The administrator will have the authority to construe and interpret our 2018 Plan and any agreement or document executed according to the 2018 Plan; prescribe, amend, and rescind rules and regulations relating to the 2018 Plan or any award; grant awards and determine their terms; determine fair market value; grant waivers of the 2018 Plan or award conditions; determine the terms and conditions of any, and institute any, exchange program through which (a) outstanding awards are surrendered, cancelled, or exchanged for cash, the same type of award, or a different award (or combination thereof) or (b) the exercise price of an outstanding award is increased or reduced; reduce or waive any criteria with respect to performance factors; adjust performance factors to take into account changes in law and accounting or tax rules as the administrator deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events, or circumstances to avoid windfalls or hardships; adopt rules and/or procedures (including the adoption of any subplan under the 2018 Plan) relating to the operation and administration of the 2018 Plan to accommodate requirements of local law and procedures outside of the United States or qualify awards for special tax treatment under laws of jurisdictions other than the United States; exercise negative discretion on performance awards, reducing or eliminating the amount to be paid to Participants; make all other determinations necessary or advisable for the administration of the plan; and delegate any of these powers to one or more executive officers pursuant to a specific delegation as permitted by applicable law.

Our 2018 Plan will provide for the grant of awards to members of our board of directors and to employees, consultants, independent contractors, and advisors, provided the consultants, independent contractors, directors, and advisors of ours, or any parent, subsidiary, or affiliate of ours, are natural persons who render services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of stock options must be at least equal to 100% (or for any incentive stock option granted to a participant who owns more than 10% of the voting power of all classes of outstanding stock of ours or any parent or subsidiary of ours, 110%) of the fair market value of our common stock on the date of grant.

We anticipate that, in general, options will vest over a four- or five-year period. Options may vest based on time or achievement of performance conditions. The administrator may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under our 2018 Plan is ten years (or for any incentive stock option granted to a participant who owns more than 10% of the voting power of all classes of outstanding stock of ours or any parent or subsidiary of ours, 5 years).

A restricted stock award is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price (if any) of a restricted stock award will be determined by the administrator. Unless otherwise determined by the administrator, vesting will cease on the date the participant no longer provides services to us and unvested shares will be subject to forfeiture or our right to repurchase shares.

SARs provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise

[Table of Contents](#)

price up to a maximum amount of cash or number of shares. SARs may vest based on time or the achievement of performance conditions.

RSUs represent the right to receive cash or shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment, cessation of the service relationship, or failure to achieve certain performance conditions. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the RSU whole shares of our common stock (which may be subject to additional restrictions), cash, or a combination of our common stock and cash.

Performance shares are performance awards that cover a number of shares of our common stock that may be settled upon achievement of pre-established performance conditions in cash or by issuance of the underlying shares or other property (or any combination thereof). These awards are subject to forfeiture before settlement because of termination of employment, cessation of the service relationship, or failure to achieve the performance conditions.

Performance units represent a unit valued by reference to a designated amount of property other than shares. This value may be paid by delivery of property determined by the administrator, including cash, shares, other property, or any combination thereof, upon the attainment of performance goals established by the administrator.

Stock bonuses may be granted as additional compensation for service or performance and not issued in exchange for cash. Unless otherwise determined by the administrator, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Subject to the terms of our 2018 Plan, without prior stockholder approval, the administrator may (a) reprice options or SARs (and where the repricing is a reduction in the exercise price, the consent of the affected participants is not required), and (b) with the consent of the respective participants, pay cash or issue new awards in exchange for the surrender and cancellation of any, or all, outstanding awards.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number or class of shares reserved under our 2018 Plan, the maximum number or class of shares that can be granted pursuant to the exercise of incentive stock options, and the number or class of shares and exercise price, if applicable, of all outstanding awards under our 2018 Plan.

Awards granted under our 2018 Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by the administrator. Unless otherwise permitted by the administrator, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Unless otherwise provided by the administrator, options and stock appreciation rights granted under our 2018 Plan will be exercisable in connection with a termination of participant's service with us as follows: (i) in the event of the participant's service with us for cause, options are only exercisable through the date of termination, (ii) options will remain exercisable (to the extent they are exercisable on the date the participant's service terminates) for a period of three months after the termination of the optionee's service for any reason other than for cause, death, or disability, and (iii) options will remain exercisable for a period of twelve months after the termination of the optionee's service (to the extent they are exercisable on the date the participant's service terminates) if the participant's service terminates due to death or disability or the participant dies within three months after a termination for any reason other than cause or disability. However, in no event will an option or stock appreciation right be exercisable after its expiration date.

If we are party to a "corporate transaction" (as defined in the 2018 Plan), outstanding awards, including any vesting provisions, may be assumed, substituted, settled by payment (in cash or securities of the surviving corporation or its parent) of the full value of the awards, accelerated (in full or in part), and/or canceled without consideration, and awards will terminate upon the consummation of the change in control transaction unless they are continued, assumed, or substituted. In the event of a corporate transaction, vesting of all awards granted to non-employee directors will accelerate in full prior to consummation of such event at such times and on such conditions as the administrator determines.

All awards will, subject to applicable law, be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the board or the administrator or required by law during the term of the participant's service with us that is applicable to executive officers, employees, directors, or other service providers of ours, and in addition to any other remedies available under such policy and applicable law, may require the cancellation of outstanding awards and the recoupment of any gains realized with respect to awards.

Our 2018 Plan will terminate ten years from the date our board approves the plan, unless it is terminated earlier by our board. Our board may amend or terminate our 2018 Plan at any time. Any such amendment or termination will not adversely affect any then-outstanding award without the consent of the participant, unless the amendment or termination is necessary to comply with applicable law, regulation, or rule. If our board amends our 2018 Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

Employee Stock Purchase Plan

In August 2018, our board of directors adopted and our stockholders approved our 2018 ESPP in order to enable eligible employees to purchase shares of our common stock at a discount following the date of this offering. Purchases will be accomplished through participation in discrete offering periods. Our 2018 ESPP includes a component that is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code and also authorizes the grant of options under a component that is not intended to meet the requirements of Section 423 of the Internal Revenue Code. We initially reserved 1,700,000 shares of our common stock for issuance under our 2018 ESPP. The number of shares reserved for issuance under our 2018 ESPP will increase automatically on January 1 of each year beginning in 2019 and continuing through 2028 by the number of shares equal to 0.8% of the total shares of our common stock and preferred stock outstanding (on an as-converted basis) as of the immediately preceding December 31 (rounded down to the nearest whole share). However, our board or compensation committee may reduce the amount of the increase in any particular year. The aggregate number of shares issued over the term of our 2018 ESPP will not exceed 20,400,000 shares of our common stock.

Our compensation committee will administer our 2018 ESPP. Subject to the provisions of the 2018 ESPP and the limitations of Section 423 of the Internal Revenue Code, all questions of interpretation or application of the 2018 ESPP will be determined by our compensation committee and its decisions will be final and binding upon all eligible employees and participants.

Our employees generally are eligible to participate in our 2018 ESPP. Our compensation committee may in its discretion elect to exclude one or more of the following categories of employees (other than where such exclusion is prohibited by applicable law): (i) employees who do not meet eligibility requirements imposed by our compensation committee (within the limits permitted by the Internal Revenue Code) and (ii) individuals who provide services to us or any participating corporations who are reclassified as common law employees for any reason except for federal income and employment tax purposes. Employees who are 5% stockholders are ineligible to participate in our 2018 ESPP. In addition, an individual will not be eligible if his or her participation in the 2018 ESPP is prohibited by the law of any country that has jurisdiction over him or her, if complying with the laws of the applicable country would cause the 2018 ESPP to violate Section 423 of the Internal Revenue Code, or if he or she is subject to a collective bargaining agreement that does not provide for participation in the 2018 ESPP.

Under our 2018 ESPP, eligible employees will be able to purchase shares of our common stock through contributions in the form of payroll deductions (unless our compensation committee determines that contributions may be made in another form). Our eligible employees will be able to select a rate of contribution deduction between 1% and 15% of their eligible cash compensation. We will also have the right to amend or terminate our 2018 ESPP at any time. Our 2018 ESPP will terminate on the tenth anniversary of the effective date of this offering, unless it is terminated earlier by our board.

The 2018 ESPP will be implemented through a series of offering periods with durations of not more than 27 months. Employees who meet the eligibility requirements for participation in the 2018 ESPP before the initial

[Table of Contents](#)

offering period will be automatically enrolled in the initial offering period for the minimum number of shares purchasable. With respect to subsequent offering periods, a participant may elect to participate in the 2018 ESPP by submitting an enrollment agreement before the commencement of the offering period or any earlier deadline set by our compensation committee. Once an employee is enrolled, the employee will automatically participate in subsequent offering periods unless he or she withdraws or otherwise terminates participation in the offering period. Except for the initial offering period, each offering period will run for 24 months, with purchases occurring every six months. The initial offering period will begin upon the date on which the registration statement covering our initial public offering is declared effective by the Securities and Exchange Commission and will end on November 14, 2020. The initial offering period will consist of four purchase periods. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of our common stock. An employee's participation automatically ends upon termination of employment for any reason.

No participant will have the right to purchase shares of our common stock in an amount that, when aggregated with purchase rights under all our employee stock purchase plans that are also in effect in the same calendar year, has a fair market value of more than \$25,000, determined as of the first day of the applicable offering period, for each calendar year in which that right is outstanding. In addition, no participant will be permitted to purchase more than 3,500 shares during any one purchase period or a lesser amount determined by the administrator. The purchase price for shares of our common stock purchased under our 2018 ESPP will be 85% of the lesser of the fair market value of our common stock on (i) the first day of the applicable offering period and (ii) the last business day of each purchase period in the applicable offering period.

A participant may not transfer rights granted under our 2018 ESPP other than by will, the laws of descent and distribution, or a designation of a beneficiary made according to the terms of our 2018 ESPP.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number and class of shares reserved under our 2018 ESPP, and the number of shares and purchase price of each option under the 2018 ESPP that has not yet been exercised, and the numerical share limits in the 2018 ESPP.

If we experience a corporate transaction, any offering period that commenced prior to the closing of the proposed corporate transaction will be shortened and terminated on a new purchase date. The new purchase date will occur on or prior to the closing of the corporate transaction and our 2018 ESPP will then terminate on the closing of the corporate transaction.

401(k) Plan

We sponsor a retirement plan intended to qualify for favorable tax treatment under Section 401(a) of the Internal Revenue Code, containing a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Internal Revenue Code. U.S. employees who have attained at least 18 years of age are generally eligible to participate in the plan on the first day of the calendar month following the employees' completion of certain eligibility requirements. Leased employees (as defined in the Basic Plan Document), temporary employees, and seasonal employees are excluded from participation. Participants may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Internal Revenue Code. Pre-tax contributions by participants and the income earned on those contributions are generally not taxable to participants until withdrawn. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee's interest in his or her pre-tax deferrals is 100% vested when contributed. The plan provides for a discretionary employer matching and profit sharing contribution. The plan permits all eligible plan participants to contribute between 1% and 90% of eligible compensation, on a pre-tax basis, into their accounts.

Limitations on Liability and Indemnification Matters

Our restated certificate of incorporation that will become effective in connection with this offering contains provisions that will limit the liability of our directors for monetary damages to the fullest extent permitted by the

[Table of Contents](#)

DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and our restated bylaws that will become effective in connection with this offering will require us to indemnify our directors and officers to the maximum extent not prohibited by the DGCL and allow us to indemnify other employees and agents as set forth in the DGCL. Subject to certain limitations, our restated bylaws will also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted, subject to very limited exceptions.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, officers, and certain of our other employees. These agreements, among other things, require us to indemnify our directors, officers, and key employees for certain expenses, including attorneys' fees, judgments, fines, and settlement amounts actually and reasonably incurred by such director, officer, or key employee in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. Subject to certain limitations, our indemnification agreements also require us to advance expenses incurred by our directors, officers, and key employees for the defense of any action for which indemnification is required or permitted.

We believe that these provisions in our restated certificate of incorporation and indemnification agreements are necessary to attract and retain qualified persons such as directors, officers, and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, we are not aware of any pending litigation or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request, involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers, or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We describe below transactions and series of similar transactions since January 1, 2015, to which we were a party or will be a party, in which the amounts involved exceeded or will exceed \$120,000 and any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock had or will have a direct or indirect material interest. Other than as described below, there have not been, nor are there any currently proposed, transactions or series of similar transactions to which we have been or will be a party other than compensation arrangements, which are described where required in the section titled “Executive Compensation.”

Repurchase

In November 2017, we repurchased 874,069 shares of our Series A-1 convertible preferred stock, 3,151,858 shares of our Series A-2 convertible preferred stock and 242,562 shares of our Series B-1 convertible preferred stock from New Enterprise Associates 10, L.P., one of our 5% stockholders at the time of such repurchase for an aggregate purchase price of \$19.2 million.

Investors’ Rights Agreement

We have entered into an amended and restated investors’ rights agreement with certain holders of our convertible preferred stock, including entities with which certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares following this offering. For a description of these registration rights, see the section titled “Description of Capital Stock—Registration Rights.”

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our restated bylaws will require us to indemnify our directors to the fullest extent not prohibited by DGCL. Subject to very limited exceptions, our restated bylaws will also require us to advance expenses incurred by our directors and officers. For more information regarding these agreements, see the section titled “Executive Compensation—Limitations on Liability and Indemnification Matters.”

Policies and Procedures for Related-Person Transactions

Our written related party transactions policy and the charters of our audit committee and nominating and governance committee to be adopted by our board of directors and in effect immediately prior to the completion of this offering require that any transaction with a related person that must be reported under applicable rules of the SEC must be reviewed and approved or ratified by our audit committee. However, if the related party is, or is associated with, a member of the audit committee, the transaction must be reviewed and approved by our nominating and governance committee.

Prior to this offering we had no formal, written policy for the review and approval of related party transactions. However, our practice has been to have all related party transactions reviewed and approved by a majority of the disinterested members of our board of directors, including the transactions described above.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of August 31, 2018, and as adjusted to reflect the sale of common stock in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group;
- each person, or group of affiliated persons, who beneficially owned more than 5% of our common stock; and
- each selling stockholder.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

Applicable percentage ownership is based on 97,350,686 shares of our common stock outstanding as of August 31, 2018 and assumes the conversion of 61,279,079 outstanding shares of convertible preferred stock into the same number of shares of our common stock. Percentage ownership of our common stock after this offering (assuming no exercise of the underwriters' option to purchase additional shares in full) also assumes the sale by us and the selling stockholders of 12,271,478 shares of common stock in this offering (including the shares that are issued upon the exercise of options to purchase shares of our common stock and sold in this offering). Percentage ownership of our common stock after this offering (assuming full exercise of the underwriters' option to purchase additional shares) also assumes the sale by the selling stockholders of an additional 817,994 shares of common stock. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of August 31, 2018. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner in the table below is c/o Upwork Inc., 441 Logue Avenue, Mountain View, California 94043.

Name of Beneficial Owner	Shares Beneficially Owned Before this Offering		Number of Shares Being Offered (Assuming No Exercise of the Underwriters' Option to Purchase Additional Shares)	Shares Beneficially Owned After this Offering (Assuming No Exercise of the Underwriters' Option to Purchase Additional Shares)		Number of Additional Shares Offered if the Underwriters' Option to Purchase Additional Shares is Exercised in Full	Shares Beneficially Owned After the Underwriters' Option to Purchase Additional Shares is Exercised in Full	
	Shares	%		Shares	%		Shares	%
Named Executive Officers and Directors:								
Stephane Kasriel(1)	3,965,122	3.9	—	3,965,122	3.7	—	3,965,122	3.6
Brian Kinion(2)	240,000	*	—	240,000	*	—	240,000	*
Hayden Brown(3)	627,140	*	54,246	572,894	*	—	572,894	*
Thomas Layton(4)	4,141,848	4.3	—	4,141,848	4.0	—	4,141,848	3.9
Gregory C. Gretsich(5)	14,985,194	15.4	—	14,985,194	14.4	—	14,985,194	14.2
Kevin Harvey(6)	14,603,885	15.0	—	14,603,885	14.0	—	14,603,885	13.9
Daniel Marriott(7)	5,309,646	5.5	—	5,309,646	5.1	—	5,309,646	5.0
Elizabeth Nelson(8)	720,027	*	—	720,027	*	—	720,027	*
Gary Steele(9)	150,527	*	—	150,527	*	—	150,527	*
All executive officers and directors as a group (10 persons)(10)	45,158,475	44.0	54,246	45,104,229	41.2	—	45,104,229	40.8

Table of Contents

Name of Beneficial Owner	Shares Beneficially Owned Before this Offering		Number of Shares Being Offered (Assuming No Exercise of the Underwriters' Option to Purchase Additional Shares)	Shares Beneficially Owned After this Offering (Assuming No Exercise of the Underwriters' Option to Purchase Additional Shares)		Number of Additional Shares Offered the Underwriters' Option to Purchase Additional Shares is Exercised in Full	Shares Beneficially Owned After the Underwriters' Option to Purchase Additional Shares is Exercised in Full	
	Shares	%		Shares	%		Shares	%
Other 5% Stockholders:								
Benchmark Capital Partners V, L.P. (6)	14,603,885	15.0	—	14,603,885	14.0	—	14,603,885	13.9
Entities affiliated with Sigma Partners(11)	13,853,602	14.2	—	13,853,602	13.3	—	13,853,602	13.2
Entities affiliated with Globespan Capital Partners(12)	12,571,727	12.9	—	12,571,727	12.1	—	12,571,727	11.9
Certain funds and accounts advised by T. Rowe Price Associates, Inc.(13)	10,345,123	10.6	—	10,345,123	9.9	—	10,345,123	9.8
Entities affiliated with FirstMark Capital(14)	5,524,295	5.7	4,304,214	1,220,081	1.2	—	1,220,081	1.2
SG Growth Partners I, L.P.(7)	5,309,646	5.5	—	5,309,646	5.1	—	5,309,646	5.0
Other Selling Stockholders:								
Entities affiliated with Focus Ventures(15)	1,045,434	1.1	576,813	468,621	*	468,621	—	—
Entities affiliated with Fabio Rosati(16)	1,812,953	1.9	132,419	1,680,534	1.6	107,581	1,572,953	1.5
Entities affiliated with Amberbrook(17)	758,892	*	112,668	646,224	*	91,534	554,690	*
Entities affiliated with Gary Swart(18)	1,114,745	1.1	45,108	1,069,637	1.0	36,647	1,032,990	1.0
Richard Pearson(19)	1,102,303	1.1	63,000	1,039,303	1.0	—	1,039,303	1.0
All other selling stockholders(20)	558,537	*	164,829	393,708	*	113,611	280,097	*

* Represents beneficial ownership of less than one percent.

- (1) Consists of (i) 201,848 shares of common stock held of record by Mr. Kasriel, (ii) 18,152 shares of common stock held of record by Mr. Kasriel as custodian for his children, and (iii) 3,745,122 shares of common stock subject to options held by Mr. Kasriel that are exercisable within 60 days of August 31, 2018.
- (2) Consists of 240,000 shares of common stock subject to options held by Mr. Kinion that are exercisable within 60 days of August 31, 2018.
- (3) Consists of (i) 331,656 shares of common stock and (ii) 295,484 shares of common stock subject to options held by Ms. Brown that are exercisable within 60 days of August 31, 2018, of which 69,000 shares are unvested, but early exercisable within 60 days of August 31, 2018.
- (4) Consists of 4,141,848 shares of common stock held of record by Thomas H. Layton or Gabrielle M. Layton, or their successors, as trustees of the Layton Community Property Trust dated November 29, 1999, as amended.
- (5) Consists of (i) the shares of common stock held of record by the entities described in footnote (11) below, (ii) 266,667 shares of common stock held of record by Martis Creek Investments, L.P. — Fund 3, (iii) 95,000 shares of common stock held of record by Martis Creek Investments, L.P. — Fund 4, and (iv) 769,925 shares of common stock held of record by Martis Creek Investments, L.P. — Fund 5, collectively, the Martis Creek entities. The Gretsch Revocable Trust, the general partner of the Martis Creek entities, has sole voting and dispositive power over such shares, and voting decisions with respect to such shares are made by Gregory C. Gretsch, a member of our board of directors. The address of the Martis Creek entities is 2105 South Bascom Avenue, Suite 370, Campbell, California 95008.
- (6) Consists of 14,603,885 shares of common stock held of record by Benchmark Capital Partners V, L.P., or Benchmark V. Benchmark Capital Management Co. V, L.L.C. is the general partner of Benchmark V. Alexandre Balkanski, Bruce W. Dunlevie, Peter H. Fenton, J. William Gurley, Kevin R. Harvey, a member of our board of directors, Robert C. Kagle, Mitchell H. Lasky, and Steven M. Spurlock are the managing members of Benchmark Capital Management Co. V, L.L.C., and each of them may be deemed to hold shared voting and dispositive power with respect to the shares held by Benchmark V. The address for the Benchmark entities is 2965 Woodside Road, Woodside, California 94062.
- (7) Consists of 5,309,646 shares of common stock held of record by SG Growth Partners I, L.P. SGGP I, LLC, the general partner of SG Growth Partners I L.P., has sole voting and dispositive power over such shares and voting decisions with respect to such shares are made by Kenneth A. Fox and Daniel C. Marriott, a member of our board of directors as the investment committee of SGGP I, LLC. The address of SG Growth Partners, I L.P. is 402 West 13th Street, 5th Floor, New York, New York 10014.
- (8) Consists of (i) 380,027 shares of common stock held by the Nelson Family Trust and (ii) 340,000 shares of common stock subject to stock options held by Ms. Nelson that are exercisable within 60 days of August 31, 2018, of which 35,417 shares are unvested, but early exercisable within 60 days of August 31, 2018.

Table of Contents

- (9) Consists of 150,527 shares of common stock subject to options held by Mr. Steele that are exercisable within 60 days of August 31, 2018, of which all shares are unvested, but early exercisable within 60 days of August 31, 2018.
- (10) Consists of (i) 39,972,256 shares of common stock and (ii) 5,186,219 shares of common stock subject to stock options that are exercisable within 60 days of August 31, 2018 held by all our executive officers and directors, as a group, of which 254,944 shares subject to stock options are unvested, but early exercisable as of such date.
- (11) Consists of (i) 1,028,777 shares of common stock held of record by Sigma Associates 6, L.P., (ii) 183,090 shares of common stock held or record by Sigma Investors 6, L.P., and (iii) 12,641,735 shares of common stock held of record by Sigma Partners 6, L.P., collectively, the Sigma Entities. Sigma Management 6, L.L.C. is the general partner of each of the Sigma Entities. Robert E. Davoli, Clifford Haas, Lawrence G. Finch, Gregory C. Gretsich, a member of our board of directors, John Mandile, Peter Solvik, Robert Spinner, and Wade Woodson are the managing members of Sigma Management 6, L.L.C. and share voting and investment power with respect to the shares held by the Sigma Entities. The address for the Sigma Entities is 2105 South Bascom Avenue, Suite 370, Campbell, California 95008.
- (12) Consists of (i) 733,083 shares of common stock held of record by Globespan Capital Partners (Cayman) IV, L.P., (ii) 291,076 shares of common stock held of record by Globespan Capital Partners IV GmbH & Co. KG, (iii) 10,685,706 shares of common stock held of record by Globespan Capital Partners IV, L.P., (iv) 660,286 shares of common stock held of record by JAFCO Globespan USIT IV, L.P., and (v) 201,576 shares of common stock held of record by GCP IV Affiliates Fund, L.P. (collectively, the "Globespan Fund IV Entities"). Globespan Management Associates IV, L.P. serves as the sole General Partner of each of Globespan Capital Partners IV, L.P., GCP IV Affiliates Fund, L.P. and JAFCO Globespan USIT IV, L.P. and as the Managing Limited Partner of Globespan Capital Partners IV GmbH & Co. KG. Globespan Management Associates (Cayman) IV, L.P. serves as the sole General Partner of Globespan Capital Partners (Cayman) IV, L.P. Globespan Management Associates IV, LLC serves as the sole General Partner of each of Globespan Management Associates IV, L.P. and Globespan Management Associates (Cayman) IV, L.P. Andrew P. Goldfarb, the Executive Managing Director of Globespan Management Associates IV, LLC, has sole voting power and sole investment power over the shares held by the Globespan Fund IV Entities. The address of the Globespan Fund IV Entities is One Boston Place, Suite 2810, Boston, MA 02108.
- (13) Consists of 10,345,123 shares of common stock held of record by the funds and accounts advised by T. Rowe Price Associates, Inc., or TRPA, specifically (a) T. Rowe Price New Horizons Fund, Inc. (7,374,304 shares), (b) T. Rowe Price New Horizons Trust (697,024 shares), (c) T. Rowe Price U.S. Equities Trust (78,865 shares), (d) T. Rowe Price Small Cap Value Fund, Inc. (1,929,047 shares), and (e) T. Rowe Price U.S. Small-Cap Value Equity Trust (265,883 shares). TRPA serves as investment adviser with power to direct investments and/or sole power to vote the securities owned by these funds and accounts. The T. Rowe Price Proxy Committee develops the firm's positions on all major proxy voting issues, creates guidelines, and oversees the voting process. Once the Proxy Committee establishes its recommendations, they are distributed to the firm's portfolio managers as voting guidelines. Ultimately, the portfolio managers for each account decide how to vote on the proxy proposals of companies in their portfolios. More information on the T. Rowe Price proxy voting guidelines is available on its website at troweprice.com. The T. Rowe Price portfolio managers of the funds and accounts that hold the securities are collectively listed as follows: Henry M. Ellenbogen (funds (a), (b), and (c)) and J. David Wagner (funds (c), (d), and (e)). For purposes of reporting requirements of the Securities Exchange Act of 1934, TRPA may be deemed to be the beneficial owner of all the shares listed above. T. Rowe Price Associates, Inc. is the wholly owned subsidiary of T. Rowe Price Group, Inc., which is a publicly traded financial services holding company. The address for T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202. T. Rowe Price Investment Services, Inc., or TRPIS, a registered broker-dealer, is a subsidiary of T. Rowe Price Associates, Inc. TRPIS was formed primarily for the limited purpose of acting as the principal underwriter and distributor of shares of the funds in the T. Rowe Price fund family and complements the other services provided to shareholders of the T. Rowe Price funds. TRPIS does not engage in underwriting or market-making activities involving individual securities.
- (14) Consists of (i) 1,220,081 shares of common stock held of record by FirstMark Capital OF I, L.P. and (ii) 4,304,214 shares of common stock held of record by The FirstMark II Liquidating Trust, collectively, the FirstMark entities. FirstMark Capital OF I GP, LLC is the general partner of FirstMark Capital OF I, L.P. FirstMark Capital, LLC is the investment manager of FirstMark Capital OF I, L.P. Midtown II GP, LLC is the trustee of The FirstMark II Liquidating Trust. Midtown Legacy Management, LLC is the manager of Midtown II GP, LLC. FirstMark Capital, LLC is the advisor of The FirstMark II Liquidating Trust. Richard Heitzmann and Amish Jani are the managers of FirstMark Capital OF I GP, LLC, the members of Midtown Legacy Management, LLC, and the members of the sole member of FirstMark Capital, LLC, have voting and dispositive power over the shares of the issuer owned directly by the FirstMark Entities, and therefore may be deemed to be beneficial owners of the shares held by the FirstMark Entities. The address of the FirstMark Entities is 100 5th Avenue, 3rd Floor, New York, New York 10011.
- (15) Consists of (i) 993,166 shares of common stock held of record by Focus Ventures II, L.P. (fka Charter Growth Capital II, L.P.), (ii) 13,066 shares of common stock held of record by FV Investors II A, L.P. (fka CGC Investors II A, L.P.), and (iii) 39,202 shares of common stock held of record by FV Investors II QP, L.P. (fka CGC Investors II QP, L.P.), collectively, the Focus Ventures entities. Focus Ventures Partners II, L.P. is the general partner of Focus Ventures II, L.P. Kevin J. McQuillan, James H. Boettcher, and Steven P. Bird are the general partners of Focus Ventures Partners II, L.P. and share voting and investment power with respect to Focus Ventures Partners II, L.P. Focus Management, Inc. is the general partner of FV Investors II A, L.P. and FV Investors II QP, L.P. Kevin J. McQuillan, James H. Boettcher, and Steven P. Bird are the officers of Focus Management, Inc. and share voting and investment power with respect to FV Investors II A, L.P. and FV Investors II QP, L.P. The address for the Focus Ventures entities is 1 First Street, Suite 7, Los Altos, California 94022.
- (16) Consists of (i) 630,642 shares of common stock held of record by Mr. Rosati and (ii) 1,182,311 shares of common stock held of record by The Fabio Rosati and Catherine Dryer Rosati Revocable Trust.

Table of Contents

- (17) Consists of (i) 102,101 shares of common stock held of record by Amberbrook V LLC and (ii) 656,791 shares of common stock held of record by Amberbrook VI LLC, collectively, the Amberbrook entities. Willowridge V LLC is the managing member of Amberbrook V, LLC and Willowridge VI LLC is the managing member of Amberbrook VI, LLC. Luisa Hunnewell, Jerrold Newman, and James O'Mara are the Managers of Willowridge V LLC and Willowridge VI LLC and share voting and investment power with respect to the Amberbrook entities. The address for the Amberbrook entities is 122 East 42nd Street, 37th Floor, New York, New York 10017.
- (18) Consists of (i) 817,553 shares of common stock held of record by Gary E. Swart and Kathryn R. Swart, Trustees of the Swart Family Revocable Trust of December 30, 2003 and (ii) 297,192 shares of common stock held of record by Kathryn Swart as trustee for trusts for the benefit of the children of Mr. Swart and Mrs. Swart.
- (19) Consists of (i) 408,395 shares of common stock held of record by Mr. Pearson and (ii) 693,908 shares of common stock subject to options held by Mr. Pearson that are exercisable within 60 days of August 31, 2018.
- (20) Consists of (i) 319,149 shares of common stock held of record by all other selling stockholders not listed above who owned less than 1% of our shares of common stock prior to this offering, one of which is a current employee, and (ii) 239,388 shares of common stock subject to options held by all other selling stockholders not listed above who owned less than 1% of our shares of common stock prior to this offering that are exercisable within 60 days of August 31, 2018, one of which is a current employee.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the most important terms of our capital stock, as they will be in effect following this offering. Because it is only a summary, it does not contain all the information that may be important to you. We expect to adopt a restated certificate of incorporation and restated bylaws that will become effective immediately prior to the completion of this offering, and this description summarizes provisions that are expected to be included in these documents. For a complete description, you should refer to our restated certificate of incorporation and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law.

Upon the completion of this offering, our authorized capital stock will consist of 490,000,000 shares of common stock, \$0.0001 par value per share, and 10,000,000 shares of undesignated preferred stock, \$0.0001 par value per share.

Assuming the conversion of 61,279,079 outstanding shares of our convertible preferred stock into the same number of shares of our common stock, which will occur in connection with the completion of this offering, as of June 30, 2018, there were outstanding:

- 97,159,082 shares of our common stock outstanding, held by 573 stockholders of record;
- 22,932,222 shares of our common stock issuable upon the exercise of outstanding stock options;
- 500,000 shares of our common stock issuable upon the exercise of a common stock warrant outstanding as of June 30, 2018 with an exercise price of \$0.01 per share that we issued in May 2018 to the Tides Foundation in connection with establishing The Upwork Foundation initiative; and
- 398,331 shares of convertible preferred stock issuable upon the exercise of a convertible preferred stock warrant outstanding as of June 30, 2018, with an exercise price of \$3.13 per share.

Common Stock

Dividend Rights

Subject to preferences that may apply to any shares of convertible preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See the section titled “Dividend Policy.”

Voting Rights

Holders of our common stock are entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our restated certificate of incorporation. Accordingly, holders of a majority of the shares of our common stock will be able to elect all of our directors. Our restated certificate of incorporation establishes a classified board of directors, to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Following this offering, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in our control and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Options

As of June 30, 2018, we had outstanding options to purchase an aggregate of 22,932,222 shares of our common stock, with a weighted-average exercise price of \$3.29 per share. Subsequent to June 30, 2018, we granted options to purchase 2,693,123 shares of our common stock under the 2014 Plan, with a weighted-average exercise price of \$6.84 per share.

RSUs

We intend to grant RSUs settleable for approximately 458,177 shares of our common stock on the date of this prospectus, based upon an assumed initial public offering price of \$11.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

Warrants

As of June 30, 2018, we had an outstanding warrant to purchase 500,000 shares of our common stock, with an exercise price of \$0.01 per share, and we had an outstanding warrant to purchase 398,331 shares of our convertible preferred stock, with an exercise price of \$3.13 per share.

Registration Rights

Following the completion of this offering, the holders of an aggregate of 55,463,594 shares of our common stock, as of August 31, 2018, or their permitted transferees will be entitled to rights with respect to the registration of these shares under the Securities Act. These rights are provided under the terms of an amended and restated investors' rights agreement between us and the holders of these shares, which was entered into in connection with our convertible preferred stock financings, and include demand registration rights, Form S-3 registration rights, and piggyback registration rights. In any registration made pursuant to such amended and restated investors' rights agreement, all fees, costs, and expenses of underwritten registrations will be borne by us and all selling expenses, including estimated underwriting discounts, selling commissions and stock transfer taxes, will be borne by the holders of the shares being registered.

The registration rights terminate five years following the completion of this offering or, with respect to any particular stockholder, at the time that stockholder can sell all of its shares during any 90-day period pursuant to Rule 144 of the Securities Act.

Demand Registration Rights

The holders of an aggregate of 55,463,594 shares of our common stock, or their permitted transferees, are entitled to demand registration rights. Under the terms of the amended and restated investors' rights agreement,

[Table of Contents](#)

we will be required, upon the written request of holders of at least a majority of the shares that are entitled to registration rights under the amended and restated investors' rights agreement, to register, as soon as practicable, all or a portion of these shares for public resale, if the aggregate price to the public of the shares offered is at least \$10.0 million. We are required to effect only two registrations pursuant to this provision of the amended and restated investors' rights agreement. We may postpone the filing of a registration statement up to two times for up to 90 days in a 12-month period if our board of directors determines that the filing would be materially detrimental to us. We are not required to effect a demand registration under certain additional circumstances specified in the amended and restated investors' rights agreement, including at any time earlier than 180 days after the effective date of this offering.

Form S-3 Registration Rights

The holders of an aggregate of 55,463,594 shares of our common stock or their permitted transferees are also entitled to Form S-3 registration rights. The holders representing a majority of the then-outstanding shares having registration rights can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least \$5.0 million. The holders may only require us to effect at most two registration statements on Form S-3 in any 12-month period. We may postpone the filing of a registration statement on Form S-3 no more than once during any 12-month period, each for a period of not more than 90 days if our board determines that the filing would be materially detrimental to us.

Piggyback Registration Rights

If we register any of our securities for public sale, holders of an aggregate of 55,463,594 shares of our common stock or their permitted transferees having registration rights will have the right to include their shares in the registration statement. However, this right does not apply to a registration relating to employee benefit plans, a registration relating to an SEC Rule 145 transaction, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the common stock, or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered. The underwriters of any underwritten offering will have the right to limit the number of shares registered by these holders if they determine that marketing factors require limitation, in which case the number of shares to be registered will be apportioned pro rata among these holders, according to the total amount of securities entitled to be included by each holder. However, the number of shares to be registered by these holders cannot be reduced below 25% of the total shares covered by the registration statement, other than in the initial public offering.

Anti-Takeover Provisions

The provisions of the DGCL, our restated certificate of incorporation, and our restated bylaws following this offering could have the effect of delaying, deferring, or discouraging another person from acquiring control of our company. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Section 203 of the DGCL

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Under Section 203, a business

[Table of Contents](#)

combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction, which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction, which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans in some instances, but not the outstanding voting stock owned by the interested stockholder; or
- at or after the time the stockholder became interested, the business combination was approved by our board and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock, which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance of transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Restated Certificate of Incorporation and Restated Bylaw Provisions

Our restated certificate of incorporation and our restated bylaws will include a number of provisions that may have the effect of deterring hostile takeovers, or delaying or preventing changes in control of our management team or changes in our board of directors or our governance or policy, including the following:

- **Board Vacancies.** Our restated bylaws and certificate of incorporation will authorize generally only our board of directors to fill vacant directorships resulting from any cause or created by the expansion of our board of directors. In addition, the number of directors constituting our board of directors may be set only by resolution adopted by a majority vote of our entire board of directors. These provisions prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.
- **Classified Board.** Our restated certificate of incorporation and restated bylaws will provide that our board of directors is classified into three classes of directors. The existence of a classified board of directors could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror. See the section titled “Management—Corporate Governance—Classified Board of Directors” for additional information.
- **Directors Removed Only for Cause.** Our restated certificate of incorporation will provide that stockholders may remove directors only for cause.

- **Supermajority Requirements for Amendments of Our Restated Certificate of Incorporation and Restated Bylaws.** Our restated certificate of incorporation will further provide that the affirmative vote of holders of at least two-thirds of the voting power of our outstanding common stock will be required to amend certain provisions of our restated certificate of incorporation, including provisions relating to the classified board, the size of the board of directors, removal of directors, special meetings, actions by written consent, and designation of our preferred stock. The affirmative vote of holders of at least two-thirds of the voting power of our outstanding common stock will be required to amend or repeal our restated bylaws, although our restated bylaws may be amended by a simple majority vote of our board of directors.
- **Stockholder Action; Special Meetings of Stockholders.** Our restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, holders of our capital stock would not be able to amend our restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our restated bylaws. Our restated certificate of incorporation and our restated bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our chief executive officer, our president, or the lead independent director, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.
- **Advance Notice Requirements for Stockholder Proposals and Director Nominations.** Our restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. To be timely, a stockholder's notice generally must be delivered to us not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of stockholders. Our restated bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. With respect to nominations of persons for election to our board of directors, the notice shall provide information about the nominee, including, among other things, name, age, address, principal occupation, ownership of our capital stock, and whether they meet applicable independence requirements. With respect to the proposal of other business to be considered by our stockholders at an annual meeting, the notice shall provide a brief description of the business desired to be brought before the meeting, the text of the proposal or business, the reasons for conducting such business at the meeting, and any material interest in such business by such stockholder and any beneficial owners and associated persons on whose behalf the notice is made, or the proposing persons. In addition, a stockholder's notice must set forth certain information related to the proposing persons, including, among other things:
 - the name and address of the proposing persons;
 - information as to the ownership by the proposing persons of our capital stock and any derivative interest or short interest in any of our securities held by the proposing persons;
 - information as to any material relationships and interest between the proposing persons and us, any of our affiliates, and any of our principal competitors;
 - a representation that the stockholder is a holder of record of our stock entitled to vote at that meeting and that the stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business; and
 - a representation whether the proposing persons intend or are part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee or carry the proposal.

These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders. We expect

[Table of Contents](#)

that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

- **No Cumulative Voting.** The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our restated certificate of incorporation and restated bylaws will not provide for cumulative voting.
- **Issuance of Undesignated Preferred Stock.** We anticipate that after the filing of our restated certificate of incorporation, our board will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise.

Choice of Forum

In addition, our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the DGCL, our restated certificate of incorporation, or our restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Our restated bylaws will also provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation and bylaws has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, Massachusetts 02021, and its telephone number is (800) 962-4284.

Exchange Listing

We have applied to list our common stock on The Nasdaq Global Market under the symbol "UPWK."

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time.

Nevertheless, sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding stock options, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, based on the 97,159,082 shares of our common stock outstanding as of June 30, 2018, we will have a total of 104,079,498 shares of our common stock outstanding. Of these outstanding shares, all of the 12,271,478 shares of common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, only would be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be deemed “restricted securities” as defined in Rule 144. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 promulgated under the Securities Act, which rules are summarized below. In addition, each of our directors, executive officers, and the holders of substantially all of our outstanding equity securities have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus, as described below. Subject to the provisions of Rule 144 or Rule 701, shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus, 91,808,020 additional shares will become eligible for sale in the public market, of which 52,489,737 shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Lock-Up/Market Standoff Agreements

All of our directors, executive officers, selling stockholders, and holders of substantially all of our outstanding equity securities are subject to lock-up agreements or market standoff provisions that prohibit them from offering for sale, selling, contracting to sell, granting any option for the sale of, transferring, or otherwise disposing of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) any shares of our common stock or securities convertible into or exercisable or exchangeable for any shares of our common stock, or establishing or increasing a put equivalent position or liquidating or decreasing a call equivalent position with respect to such securities, or publicly disclosing the intention to effect any such transaction, for a period of 180 days following the date of this prospectus without the prior written consent of Citigroup Global Markets Inc. and Jefferies LLC. These agreements are subject to certain customary exceptions. See the section titled “Underwriting.”

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

[Table of Contents](#)

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up and market standoff agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 1,040,795 shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Stock Options

As soon as practicable after the completion of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act covering all of the shares of our common stock subject to outstanding options and RSUs and the shares of common stock reserved for issuance under our equity incentive plans. In addition, we intend to file a registration statement on Form S-8 or such other form as may be required under the Securities Act for the resale of shares of our common stock issued upon the exercise of options that were not granted under Rule 701. We expect to file this registration statement as soon as permitted under the Securities Act. However, the shares registered on Form S-8 may be subject to the volume limitations and the manner of sale, notice, and public information requirements of Rule 144 and will not be eligible for resale until expiration of the lock-up and market standoff agreements to which they are subject.

Registration Rights

We have granted demand, piggyback, and Form S-3 registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. For a further description of these rights, see the section titled “Description of Capital Stock—Registration Rights.”

MATERIAL U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following summary describes the material U.S. federal income tax consequences of the ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion does not address all aspects of U.S. federal income taxes, does not discuss the potential application of the alternative minimum tax or Medicare contribution tax on net investment income and does not deal with state or local taxes, U.S. federal gift and estate tax laws, except to the limited extent provided below, or any non-U.S. tax consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances.

Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Internal Revenue Code, such as:

- insurance companies, banks, and other financial institutions;
- tax-exempt organizations (including private foundations) and tax-qualified retirement plans;
- foreign governments and international organizations;
- broker-dealers and traders in securities;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons that own, or are deemed to own, more than 5% of our capital stock;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- persons that hold our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or integrated investment or other risk reduction strategy;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, for investment purposes); and
- partnerships and other pass-through entities, and investors in such pass-through entities (regardless of their places of organization or formation).

Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, is a holder of shares of our common stock, the tax treatment of a partner or member in the partnership or entity will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. A holder of shares of our common stock that is a partnership, and partners in such partnership, are urged to consult their own tax advisors regarding the tax consequences of the acquisition, ownership and disposition of shares of our common stock.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked, or modified, possibly retroactively, and are subject to differing interpretations, which could result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the Internal Revenue Service, or IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions or will not take a contrary position regarding the tax consequences described herein, or that any such contrary position would not be sustained by a court.

PERSONS CONSIDERING THE PURCHASE OF OUR COMMON STOCK PURSUANT TO THIS OFFERING SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES

ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION, INCLUDING ANY STATE, LOCAL, OR NON-U.S. TAX CONSEQUENCES OR ANY U.S. FEDERAL NON-INCOME TAX CONSEQUENCES, AND THE POSSIBLE APPLICATION OF TAX TREATIES.

For the purposes of this discussion, a “Non-U.S. Holder” is a beneficial owner of common stock that is not a U.S. Holder or a partnership for U.S. federal income tax purposes. A “U.S. Holder” means a beneficial owner of our common stock that is for U.S. federal income tax purposes (a) an individual citizen or resident of the United States, (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes), created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons (within the meaning of Section 7701(a)(30) of the Internal Revenue Code) have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are an individual non-U.S. citizen, you may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the current calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. Generally, for this purpose, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year, are counted.

Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Individuals who are uncertain of their status as resident or nonresident aliens for U.S. federal income tax purposes are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

Distributions

As described in the section titled “Dividend Policy,” we do not expect to make any distributions on our common stock in the foreseeable future. If we do make distributions on our common stock, however, such distributions made to a Non-U.S. Holder of our common stock will constitute dividends for U.S. tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a Non-U.S. Holder’s adjusted tax basis in our common stock. Any remaining excess will be treated as gain realized on the sale or exchange of our common stock as described in the section titled “—Gain on Disposition of Our Common Stock.”

Any distribution on our common stock that is treated as a dividend paid to a Non-U.S. Holder that is not effectively connected with the holder’s conduct of a trade or business in the United States will generally be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and the Non-U.S. Holder’s country of residence. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide the applicable withholding agent with a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate form, certifying the Non-U.S. Holder’s entitlement to benefits under that treaty. Such form must be provided prior to the payment of dividends and must be updated periodically. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder’s behalf, the holder will be required to provide appropriate documentation to such agent. The holder’s agent may then be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. withholding tax under an income tax treaty, you should consult with your own tax advisor to determine if you are able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to the applicable withholding agent). In general,

[Table of Contents](#)

such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates applicable to U.S. persons. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional “branch profits tax,” which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder’s effectively connected earnings and profits, subject to certain adjustments.

See also the sections below titled “—Foreign Accounts” and “—Backup Withholding and Information Reporting” for additional withholding rules that may apply to dividends paid to certain foreign financial institutions or non-financial foreign entities and to any recipient that has not properly established its exemption from U.S. backup withholding, respectively.

Gain on Disposition of Our Common Stock

Subject to the discussions below under the sections titled “—Backup Withholding and Information Reporting” and “—Foreign Accounts,” a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of the holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the holder maintains in the United States), (b) the Non-U.S. Holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a “United States real property holding corporation” within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or the holder’s holding period in the common stock.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on the net gain derived from the sale at the regular graduated U.S. federal income tax rates applicable to U.S. persons. Corporate Non-U.S. Holders described in (a) above may also be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual Non-U.S. Holder described in (b) above, you will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses (even though you are not considered a resident of the United States), provided you have timely filed U.S. federal income tax returns with respect to such losses. With respect to (c) above, in general, we would be a United States real property holding corporation if the fair market value of our U.S. real property interests as defined in the Internal Revenue Code and the Treasury Regulations comprised at least half the fair market value of our real property and other business assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. However, there can be no assurance that we will not become a United States real property holding corporation in the future. Even if we are treated as a U.S. real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly or constructively, no more than five percent of our common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder’s holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will qualify as regularly traded on an established securities market.

See the sections titled “—Foreign Accounts” and “—Backup Withholding and Information Reporting” for additional information regarding withholding rules that may apply to proceeds of a disposition of our common stock paid to foreign financial institutions or non-financial foreign entities and to any recipient that has not properly established its exemption from U.S. backup withholding, respectively.

U.S. Federal Estate Tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and, therefore, will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent’s country of residence provides otherwise. The terms “resident” and

[Table of Contents](#)

“nonresident” are defined differently for U.S. federal estate tax purposes than for U.S. federal income tax purposes. Investors are urged to consult their own tax advisors regarding the U.S. federal estate tax consequences of the ownership or disposition of our common stock.

Backup Withholding and Information Reporting

Generally, we or certain financial middlemen must report information to the IRS with respect to any dividends we pay on our common stock including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient’s country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know the holder is a U.S. person.

Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds of a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or non-U.S., unless the Non-U.S. Holder provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise meets documentary evidence requirements for establishing non-U.S. person status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. Information reporting and backup withholding requirements may, however, apply to a payment of disposition proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. person. For information reporting purposes, certain brokers with substantial U.S. ownership or operations will generally be treated in a manner similar to U.S. brokers.

Backup withholding is not an additional tax. If backup withholding is applied to you, you should consult with your own tax advisor to determine whether you have overpaid your U.S. federal income tax, and whether you are able to obtain a tax refund or credit of the overpaid amount.

Foreign Accounts

In addition, U.S. federal withholding taxes may apply under Sections 1471 through 1474 of the Internal Revenue Code (commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments, including dividends and, on or after January 1, 2019, the gross proceeds of a disposition of our common stock, made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or, on or after January 1, 2019, gross proceeds from the sale or other disposition of, our common stock paid to a “foreign financial institution” or a “non-financial foreign entity” (each as defined in the Internal Revenue Code), unless (1) the foreign financial institution agrees to undertake certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any “substantial United States owners” (as defined in the Internal Revenue Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. The 30% federal withholding tax described in this paragraph cannot be reduced under an income tax treaty with the United States. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States-owned foreign entities” (each as defined in the Internal Revenue Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

[Table of Contents](#)

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW, AS WELL AS TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL, NON-U.S., OR U.S. FEDERAL NON-INCOME TAX LAWS SUCH AS ESTATE AND GIFT TAX.

UNDERWRITING

Citigroup Global Markets Inc., Jefferies LLC, and RBC Capital Markets, LLC are acting as joint-bookrunning managers and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally and not jointly agreed to purchase, and we and the selling stockholders have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

<u>Underwriter</u>	<u>Number of Shares</u>
Citigroup Global Markets Inc.	
Jefferies LLC	
RBC Capital Markets, LLC	
Stifel, Nicolaus & Company, Incorporated	
JMP Securities LLC	
Total	<u>12,271,478</u>

The underwriting agreement will provide that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters will be obligated to purchase all the shares (other than those covered by the option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend sales to discretionary accounts.

If the underwriters sell more shares than the total number set forth in the table above, we and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 1,840,721 additional shares at the public offering price less the underwriting discounts and commissions set forth on the cover of this prospectus. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

In connection with this offering, we, our executive officers, directors, selling stockholders, and holders of substantially all of our outstanding shares of capital stock and other securities have agreed that, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup Global Markets Inc. and Jefferies LLC, dispose of or hedge any shares or any securities convertible into or exchangeable for our common stock. Citigroup Global Markets Inc. and Jefferies LLC in their sole discretion may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

The foregoing restrictions are subject to specified exceptions, including, without limitation, transfers (a) as bona fide gifts or for bona fide estate planning purposes, (b) to any member of the immediate family of the party subject to the restrictions or to any trust for the direct or indirect benefit of such party's immediate family, or if such restricted party is a trust, to a trustor, trustee, or beneficiary of the trust or to the estate of a trustor, trustee, or beneficiary of such trust, (c) upon death or by will, testamentary document, or intestate succession, (d) in transactions consisting of shares of common stock acquired by the party subject to the restrictions either in this offering or in open market transactions after the completion of this offering, (e) if the party subject to the restrictions is a corporation, business trust, association, limited liability company, partnership, limited liability partnership, or other entity, to such an entity which is directly or indirectly controlled by, a wholly-owned subsidiary of, or is under common control, with such restricted party, or as part of a disposition, transfer, or distribution by such restricted party to its limited or general partners, members, stockholders, or other

[Table of Contents](#)

equityholders or to the estate of any such partners, members, stockholders, or other equityholders, (f) to us in connection with the vesting or settlement of RSUs or the “net” or “cashless” exercise of options, warrants, or other rights to purchase shares of common stock for purposes of exercising such options, warrants, or rights, in each case, pursuant to equity awards made under plans, or warrants, or other rights, that are described in this prospectus, (g) to us pursuant to equity awards made under plans, or warrants or other rights, that are described in this prospectus or a right of first refusal that we have with respect to transfers of such shares or securities, (h) pursuant to a bona fide third-party tender offer, merger, consolidation, or other similar transaction made to all holders of our capital stock that takes place after the completion of the offering, (i) in connection with the conversion or reclassification of our outstanding preferred stock into shares of common stock in connection with the offering and in accordance with our certificate of incorporation, (j) pursuant to a qualified domestic order or in connection with a divorce settlement or any other court order, or (k) to the representatives in connection with the offering; each subject to certain further restrictions and qualifications.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares was determined by negotiations between us, the selling stockholders, and the representatives. Among the factors considered in determining the initial public offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.

We have applied to list our shares on The Nasdaq Global Market under the symbol “UPWK.”

The following table shows the underwriting discounts and commissions that we and the selling stockholders are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares from us.

	Paid by Us		Paid by Selling Stockholders	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Per share	\$	\$	\$	\$
Total	\$	\$	\$	\$

We estimate that our portion of the total expenses of this offering, excluding underwriting discounts and commissions, will be \$6.0 million. We have agreed to reimburse the underwriters for fees and expenses up to \$25,000 related to the clearance of this offering with the Financial Industry Regulatory Authority, Inc. and compliance with state securities or “blue sky” laws.

One or more funds affiliated with Dragoneer Investment Group, LLC have indicated an interest in purchasing shares of common stock with an aggregate purchase price of up to \$27.0 million in this offering at the initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, one or more funds affiliated with Dragoneer Investment Group, LLC could determine to purchase more, less, or no shares in this offering, or the underwriters could determine to sell more, less, or no shares to one or more funds affiliated with Dragoneer Investment Group, LLC. The underwriters will receive the same discount on any of our shares of common stock purchased by one or more funds affiliated with Dragoneer Investment Group, LLC as they will from any other shares of common stock sold to the public in this offering.

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the option to purchase additional shares and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales of shares in an amount up to the

[Table of Contents](#)

number of shares represented by the underwriters' option to purchase additional shares. "Naked" short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters' option to purchase additional shares.

- Covering transactions involve purchases of shares either pursuant to the underwriters' option to purchase additional shares or in the open market in order to cover short positions. To close a naked short position, the underwriters must purchase shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. To close a covered short position, the underwriters must purchase shares in the open market or must exercise the option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on The Nasdaq Global Market, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Conflicts of Interest

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Selling Restrictions

General

Other than in the United States, no action has been taken by us, the selling stockholders, or the underwriters that would permit a public offering of the shares of common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The shares offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with

the offer and sale of any such shares be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any shares offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, or Member State, no offer of the shares of common stock which are the subject of the offering has been, or will be, made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the shares of common stock referred to in (a) to (c) above shall result in a requirement for us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of shares of our common stock is made or who receives any communication in respect of an offer of shares of our common stock, or who initially acquires any of our shares of common stock will be deemed to have represented, warranted, acknowledged, and agreed to and with each representative and us that (1) it is a “qualified investor” within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any shares of common stock acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or where shares of our common stock have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares of common stock to it is not treated under the Prospectus Directive as having been made to such persons.

We, the selling stockholders, the representatives, and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments, and agreements.

This prospectus has been prepared on the basis that any offer of shares of our common stock in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Member State of shares of our common stock which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us, the selling stockholders, or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we, the selling stockholders, nor the representatives have authorized, nor do they authorize, the making of any offer of shares of our common stock in circumstances in which an obligation arises for us, the selling stockholders, or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an “offer of shares of our common stock to the public” in relation to any shares of our common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the

[Table of Contents](#)

expression “Prospectus Directive” means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”).

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Switzerland

The shares of our common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to, the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, or the shares of our common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares of our common stock will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of shares of our common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or the DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or the ASIC, in relation to the offering. This

[Table of Contents](#)

prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of our common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of twelve months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation, or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares of our common stock offered in this prospectus may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The shares of our common stock offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of our common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to

[Table of Contents](#)

Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor. Shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:
 - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - where no consideration is or will be given for the transfer;
 - where the transfer is by operation of law;
 - as specified in Section 276(7) of the SFA; or
 - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Canada

The shares of our common stock offered in this prospectus may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Israel

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, or the Securities Law, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only to, and is directed only at, and any offer of shares of common stock offered by this prospectus is directed only at, (i) a limited number of persons in accordance with the Securities Law and

[Table of Contents](#)

(ii) investors listed in the first addendum, or the Addendum, to the Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of NIS 50 million and “qualified individuals,” each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors (in each case, purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors are required to submit written confirmation that they fall within the scope of the Addendum, are aware of the meaning of same and agree to it.

Notice to Prospective Investors in Chile

The shares of common stock which are the subject of this offering are not registered in the Securities Registry (Registro de Valores) or subject to the control of the Chilean Securities and Exchange Commission (Superintendencia de Valores y Seguros de Chile). This prospectus and other offering materials relating to the offer of the shares of common stock do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (Ley de Mercado de Valores) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

LEGAL MATTERS

The validity of the shares of our common stock offered by this prospectus will be passed upon for us by Fenwick & West LLP, Mountain View, California. Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, is acting as counsel to the underwriters. Investment funds affiliated with Fenwick & West LLP own shares of our common stock and convertible preferred stock that will convert upon completion of this offering into shares of common stock representing less than 0.1% of our outstanding common stock as of June 30, 2018 assuming completion of this offering.

EXPERTS

The consolidated financial statements as of December 31, 2016 and 2017 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. We currently do not file periodic reports with the SEC. Upon completion of this offering, we will be required to file periodic reports, proxy statements, and other information with the SEC pursuant to the Exchange Act. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, District of Columbia 20549, and copies of all or any part of the registration statement may be obtained from that office. Please call the SEC at (800) SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

[Table of Contents](#)

UPWORK INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Upwork Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Upwork Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of redeemable convertible preferred stock and stockholders' deficit, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ PricewaterhouseCoopers LLP

San Jose, California
June 4, 2018

We have served as the Company's auditor since 2016.

UPWORK INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	<u>December 31,</u>		<u>June 30,</u> <u>2018</u> <u>(unaudited)</u>	<u>Pro</u> <u>Forma</u> <u>June 30,</u> <u>2018</u>
	<u>2016</u>	<u>2017</u>		
ASSETS				
Current assets:				
Cash	\$ 27,326	\$ 21,595	\$ 31,331	
Funds held in escrow, including funds in transit	59,833	87,195	81,502	
Trade and client receivables – net of allowance of \$2,473 and \$1,577 as of December 31, 2016 and 2017, respectively, and \$2,239 as of June 30, 2018 (unaudited)	25,320	30,762	36,824	
Prepaid expenses and other current assets	4,139	4,574	5,246	
Total current assets	<u>116,618</u>	<u>144,126</u>	<u>154,903</u>	
Property and equipment, net	2,605	3,514	6,044	
Goodwill	118,219	118,219	118,219	
Intangible assets, net	11,399	8,672	7,338	
Other assets, noncurrent	759	658	3,759	
Total assets	<u>\$ 249,600</u>	<u>\$ 275,189</u>	<u>\$ 290,263</u>	
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' (DEFICIT) EQUITY				
Current liabilities:				
Accounts payable	\$ 370	\$ 462	\$ 1,920	
Escrow funds payable	59,833	87,195	81,502	
Debt, current	2,992	10,342	12,764	
Accrued expenses and other current liabilities	21,624	16,030	33,858	
Deferred revenue	594	614	711	
Total current liabilities	<u>85,413</u>	<u>114,643</u>	<u>130,755</u>	
Debt, noncurrent	13,970	23,491	21,120	
Other liabilities, noncurrent	1,563	1,936	2,513	\$ 1,050
Total liabilities	<u>100,946</u>	<u>140,070</u>	<u>154,388</u>	<u>152,925</u>
Commitments and contingencies (Note 5)				
Redeemable convertible preferred stock, \$0.0001 par value; 76,141,345 shares authorized as of December 31, 2016 and 2017 and as of June 30, 2018 (unaudited); 65,464,387 shares issued and outstanding as of December 31, 2016 and 61,279,079 shares issued and outstanding as of December 31, 2017 and as of June 30, 2018 (unaudited); aggregate liquidation preference of \$129,913 as of December 31, 2016 and \$120,047 as of December 31, 2017 and as of June 30, 2018 (unaudited); no shares issued and outstanding, pro forma (unaudited)	178,785	166,486	166,486	—
Stockholders' (deficit) equity:				
Common stock, \$0.0001 par value; 150,000,000 shares authorized as of December 31, 2016 and 2017 and as of June 30, 2018 (unaudited); 32,178,236, 33,740,323, and 35,880,003 shares issued and outstanding as of December 31, 2016 and 2017 and June 30, 2018 (unaudited); 97,159,082 shares issued and outstanding, pro forma (unaudited)	3	3	4	10
Additional paid-in capital	89,335	92,222	100,173	268,116
Accumulated deficit	<u>(119,469)</u>	<u>(123,592)</u>	<u>(130,788)</u>	<u>(130,788)</u>
Total stockholders' (deficit) equity	<u>(30,131)</u>	<u>(31,367)</u>	<u>(30,611)</u>	<u>137,338</u>
Total liabilities, redeemable convertible preferred stock, and stockholders' (deficit) equity	<u>\$ 249,600</u>	<u>\$ 275,189</u>	<u>\$ 290,263</u>	<u>\$ 290,263</u>

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

UPWORK INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
			<u>(unaudited)</u>	
Revenue	\$164,445	\$202,552	\$95,531	\$ 121,899
Cost of revenue	62,578	65,443	30,953	40,074
Gross profit	<u>101,867</u>	<u>137,109</u>	<u>64,578</u>	<u>81,825</u>
Operating expenses:				
Research and development	37,902	45,604	21,005	26,303
Sales and marketing	37,437	53,044	23,701	36,087
General and administrative	35,446	37,334	16,463	22,395
Provision for transaction losses	5,550	4,250	1,784	2,720
Total operating expenses	<u>116,335</u>	<u>140,232</u>	<u>62,953</u>	<u>87,505</u>
Income (loss) from operations	(14,468)	(3,123)	1,625	(5,680)
Interest expense	858	960	430	1,085
Other (income) expense, net	908	62	(185)	422
Income (loss) before income taxes	(16,234)	(4,145)	1,380	(7,187)
Income tax benefit (provision)	1	22	(11)	(9)
Net income (loss)	<u>\$ (16,233)</u>	<u>\$ (4,123)</u>	<u>\$ 1,369</u>	<u>\$ (7,196)</u>
Premium paid on repurchase of redeemable convertible preferred stock	—	(6,506)	—	—
Undistributed earnings allocable to preferred stockholders	—	—	(1,369)	—
Net loss attributable to common stockholders	<u>\$ (16,233)</u>	<u>\$ (10,629)</u>	<u>\$ —</u>	<u>\$ (7,196)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.51)</u>	<u>\$ (0.32)</u>	<u>\$ —</u>	<u>\$ (0.21)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>32,072</u>	<u>32,945</u>	<u>32,487</u>	<u>34,651</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>\$ (0.04)</u>		<u>\$ (0.07)</u>
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>98,072</u>		<u>95,930</u>
Supplemental pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>\$ (0.04)</u>		<u>\$ (0.07)</u>
Supplemental weighted-average shares used to compute supplemental pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>98,154</u>		<u>96,840</u>

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

UPWORK INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(In thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balances as of December 31, 2015	65,464,387	\$178,785	31,905,645	\$ 3	\$ 81,799	\$ (103,236)	\$ (21,434)
Issuance of common stock upon exercise of stock options	—	—	272,591	—	270	—	270
Stock-based compensation expense	—	—	—	—	7,266	—	7,266
Net loss	—	—	—	—	—	(16,233)	(16,233)
Balances as of December 31, 2016	65,464,387	178,785	32,178,236	3	89,335	(119,469)	(30,131)
Exercise of warrant on redeemable convertible preferred stock and related reclassification of redeemable convertible preferred stock warrant liability	83,181	404	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	1,554,944	—	2,547	—	2,547
Issuance of common stock to consultants	—	—	7,143	—	—	—	—
Repurchase and retirement of redeemable convertible preferred stock	(4,268,489)	(12,703)	—	—	(6,506)	—	(6,506)
Stock-based compensation expense	—	—	—	—	6,846	—	6,846
Net loss	—	—	—	—	—	(4,123)	(4,123)
Balances as of December 31, 2017	61,279,079	166,486	33,740,323	3	92,222	(123,592)	(31,367)
Issuance of common stock upon exercise of stock options and common stock warrants (unaudited)	—	—	2,139,680	1	4,270	—	4,271
Stock-based compensation expense (unaudited)	—	—	—	—	3,681	—	3,681
Net loss (unaudited)	—	—	—	—	—	(7,196)	(7,196)
Balances as of June 30, 2018 (unaudited)	61,279,079	\$166,486	35,880,003	\$ 4	\$ 100,173	\$ (130,788)	\$ (30,611)

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

UPWORK INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>Year Ended December 31,</u>		<u>Six Months Ended</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>June 30,</u>
			<u>2018</u>	
			<u>(unaudited)</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$(16,233)	\$ (4,123)	\$ 1,369	\$ (7,196)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Provision for transaction losses	5,550	4,250	1,784	2,720
Depreciation and amortization	8,462	4,186	2,102	2,255
Amortization of debt issuance costs	—	49	14	51
Change in fair value of redeemable preferred stock warrant liability	114	118	51	359
Stock-based compensation expense	7,266	6,846	3,291	3,681
Loss on disposal of fixed assets	32	66	4	33
Changes in operating assets and liabilities:				
Trade and client receivables	(8,320)	(8,860)	(3,714)	(8,620)
Prepaid expenses and other assets	(450)	(479)	43	(572)
Accounts payable	(578)	74	669	261
Accrued expenses and other liabilities	7,057	(6,148)	3,261	17,333
Deferred revenue	248	20	203	98
Net cash provided by (used in) operating activities	<u>3,148</u>	<u>(4,001)</u>	<u>9,077</u>	<u>10,403</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease (increase) in restricted cash	371	208	(1)	(100)
Purchases of property and equipment	(846)	(1,830)	(568)	(1,297)
Internal-use software and platform development costs	—	(489)	(241)	(1,945)
Net cash used in investing activities	<u>(475)</u>	<u>(2,111)</u>	<u>(810)</u>	<u>(3,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Changes in funds held in escrow, including funds in transit	4,725	(27,362)	(7,452)	5,694
Changes in escrow funds payable	(4,725)	27,362	7,452	(5,694)
Proceeds from exercises of stock options and common stock warrants	270	2,547	1,401	4,271
Proceeds from exercise of redeemable convertible preferred stock warrant	—	260	260	—
Repurchase of redeemable convertible preferred stock	—	(19,208)	—	—
Proceeds from borrowings on debt	17,000	34,000	—	—
Payment of debt issuance costs	(38)	(177)	—	—
Repayment of debt	(12,000)	(17,000)	(3,000)	—
Payments of deferred offering costs	—	(41)	—	(1,596)
Net cash provided by (used in) financing activities	<u>5,232</u>	<u>381</u>	<u>(1,339)</u>	<u>2,675</u>
NET INCREASE (DECREASE) IN CASH	7,905	(5,731)	6,928	9,736
Cash, beginning of period	19,421	27,326	27,326	21,595
Cash, end of period	<u>\$ 27,326</u>	<u>\$ 21,595</u>	<u>\$34,254</u>	<u>\$31,331</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for income taxes	\$ —	\$ 55	\$ —	\$ —
Cash paid for interest	1,330	847	488	1,053
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Property and equipment purchased but not yet paid	—	114	41	355
Reclassification of redeemable convertible preferred stock warrant liability to redeemable convertible preferred stock	—	144	144	—
Unpaid deferred offering costs	—	25	—	1,505

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

UPWORK INC.

Notes to Consolidated Financial Statements

Note 1—Organization and Description of Business

Upwork Inc. (the “Company” or “Upwork”) operates an online marketplace that enables businesses (“clients”) to find and work with highly-skilled independent professionals (“freelancers,” and, together with clients, “users”). The Company was originally incorporated in the state of Delaware in December 2013 prior to and in connection with the combination of Elance, Inc. and oDesk Corporation (the “Elance-oDesk Combination”). The Company changed its name to Elance-oDesk, Inc. (“Elance-oDesk”) shortly before the Elance-oDesk Combination in March 2014, and later to Upwork Inc. in May 2015. In 2015, the Company relaunched as Upwork and commenced consolidation of its two operating platforms. In 2016, following completion of the platform consolidation, the Company began operating under a single platform. The Company is headquartered in Mountain View, California.

The terms “Upwork” and the “Company” in these notes to the consolidated financial statements refer to Upwork and its wholly-owned subsidiaries taken as a whole.

The Company has incurred losses from operations since inception and had an accumulated deficit of \$119.5 million, \$123.6 million, and \$130.8 million (unaudited) as of December 31, 2016, December 31, 2017, and June 30, 2018, respectively. The Company has funded its operations primarily with net proceeds from private placements of redeemable convertible preferred stock, bank borrowings, and utilization of cash generated from operations. Management believes that the Company’s currently available resources will be sufficient to fund its cash requirements for at least the next twelve months.

Note 2—Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Consolidated Financial Statements

The accompanying interim consolidated balance sheets as of June 30, 2018, the interim consolidated statements of operations and cash flows for the six months ended June 30, 2018 and 2017, and the interim consolidated statements of redeemable convertible preferred stock and stockholders’ deficit for the six months ended June 30, 2018 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and in management’s opinion, includes all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of the Company’s financial position as of June 30, 2018 and its results of operations and cash flows for the six months ended June 30, 2018 and 2017. The financial data and the other financial information disclosed in the notes to these consolidated financial statements related to the six-month periods are also unaudited. The results of operations for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year or any other period.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of Upwork and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods presented. Such estimates include, but are not limited to, the useful lives of assets; assessment of the recoverability of long-lived assets; goodwill impairment;

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

allowance for doubtful accounts; liabilities relating to transaction losses; the valuation of warrants; stock-based compensation; and accounting for income taxes. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The Company evaluates its estimates, assumptions, and judgments on an ongoing basis using historical experience and other factors and revises them when facts and circumstances dictate. Actual results could materially differ from these estimates.

Unaudited Pro Forma Consolidated Balance Sheet

The unaudited pro forma consolidated balance sheet information has been prepared assuming (i) the automatic conversion of all of the outstanding shares of redeemable convertible preferred stock into 61,279,079 shares of common stock upon the closing of an initial public offering contemplated by the Company that results in aggregate gross proceeds of at least \$50.0 million (“IPO”) and (ii) the reclassification of the redeemable convertible preferred stock warrant liability into additional paid-in capital resulting from the automatic conversion of a warrant to purchase 124,506 and 273,825 shares of Series A-1 and Series A-2 redeemable convertible preferred stock, respectively, into a warrant to purchase 398,331 shares of common stock. The unaudited pro forma consolidated balance sheet as of June 30, 2018 (unaudited) has been prepared as though the conversion and reclassification had occurred as of that date.

Cash

The Company holds its cash in checking and interest-bearing accounts.

Restricted Cash

The Company maintained restricted cash of \$2.5 million and \$2.3 million related to cash reserve requirements under the California Department of Business Oversight’s escrow laws and regulations, collateral for letters of credit issued in conjunction with the operating leases, and restricted cash balances under foreign currency forward contract obligations as of December 31, 2016 and 2017, respectively, and \$2.4 million (unaudited) as of June 30, 2018. Short-term restricted cash included in prepaid expenses and other current assets was \$1.7 million and \$1.8 million as of December 31, 2016 and 2017, respectively, and long-term restricted cash included in other assets, noncurrent was \$0.8 million and \$0.5 million as of December 31, 2016 and 2017, respectively. Short-term restricted cash included in prepaid expenses and other current assets was \$1.9 million (unaudited) as of June 30, 2018, and long-term restricted cash included in other assets, noncurrent was \$0.5 million (unaudited) as of June 30, 2018.

Funds Held in Escrow, Including Funds in Transit

The Company maintains its users’ funds held in escrow in demand or checking accounts at U.S. financial institutions, as well as four California licensed money transmitters. The balance in these accounts was in excess of federally insured limits as of December 31, 2016 and 2017 and June 30, 2018 (unaudited). Users’ funds held in escrow are denominated exclusively in U.S. dollars.

The Company is an internet escrow agent and is therefore required to hold its users’ escrowed funds and escrow funds in transit in trust as an asset and record a corresponding liability of escrow funds on its consolidated balance sheets. Escrow funds in transit arise due to the time it takes to clear transactions through external payment networks. When clients fund their escrow account using credit cards, there is a clearing period before the cash is received and settled. Accordingly, the funds are treated as funds in transit until the transaction

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

is settled to the escrow trust bank account or, in the case of international credit card settlements, to the Company's bank accounts. Escrow regulations require the Company to fund the trust with its own operating cash if there is ever a shortage due to the timing of cash receipts from clients for completed hourly work. As of December 31, 2016 and 2017 and June 30, 2018, the Company's users' cash as recorded in funds held in escrow, including funds in transit, was \$59.8 million, \$87.2 million, and \$81.5 million (unaudited), respectively.

Escrow Funds Payable

Escrow funds payable represent funds for users that are held in escrow by the Company. Escrow funds payable to clients primarily represent deposits received from certain clients to set up an account or to apply toward future payments to freelancers upon completion of the project defined and agreed between the client and the freelancer.

Concentration of Risk

Financial instruments that subject the Company to concentration of risk consist primarily of cash, restricted cash, funds held in escrow, including funds in transit, and trade and client receivables. The Company maintains its cash balances with large, high-credit quality financial institutions and other payment companies. At times, such deposits may be in excess of federally insured limits. The Company has not experienced any losses on its deposits. Credit risk on trade receivables is minimized as a result of the large size of the Company's client base as well as a large portion of payments made in the form of pre-authorized credit cards. The Company performs ongoing credit evaluation of its clients and maintains allowances for potential credit losses. For any receivables that are deemed not collectible, losses are recorded when probable and estimable. These losses, when incurred, have been within the range of the Company's expectations.

Two clients each accounted for more than 10% of trade and client receivables as of December 31, 2016, December 31, 2017, and June 30, 2018 (unaudited). For the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2018, the Company generated \$25.9 million, \$24.5 million, and \$14.5 million (unaudited), respectively, in revenue from one client, which accounted for more than 10% of revenue for each period.

The Company is dependent upon third parties, such as Amazon Web Services, in order to meet the uptime and performance requirements of its clients.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, restricted cash, funds held in escrow, including funds in transit, trade and client receivables, prepaid and other current assets, escrow funds payable, debt, and the redeemable convertible preferred stock warrant liability. The redeemable convertible preferred stock warrant liability is remeasured at the end of every period and carried at fair value (see Note 3). The Company believes that the carrying values of the remaining financial instruments approximate their fair values. The Company's debt was determined to be Level II in the fair value hierarchy.

Trade and Client Receivables and Related Allowance for Doubtful Accounts

Trade and client receivables are primarily comprised of receivables from its managed services offering and amounts receivable from clients for completed work, including amounts in transit. It also includes unbilled amounts due from clients. Trade and client receivables are recorded and stated at realizable value, net of an allowance for doubtful accounts. Credit is extended generally without collateral to the Company's managed

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

services client and marketplace clients with Upwork Enterprise offerings based on an initial and ongoing evaluation of their financial condition and other factors. In aggregate, gross trade receivables were \$7.1 million and \$8.6 million and gross client receivables were \$20.7 million and \$23.8 million as of December 31, 2016 and 2017, respectively. Gross trade receivables and gross client receivables were \$9.9 million (unaudited) and \$29.4 million (unaudited), respectively, as of June 30, 2018.

The allowance for doubtful accounts is the Company's estimate of the probable credit losses. The Company periodically assesses the collectability of the accounts and determines the allowance recognized by taking into consideration the aging of its receivable balances, historical write-off experience, probability of collection, and other relevant data. Trade and client receivables are written off against the allowance when management determines a balance is uncollectible and no longer actively pursues collection of the receivable.

The following table presents the changes in the allowance for doubtful accounts (in thousands):

	<u>December 31,</u>		<u>June 30,</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Allowance for doubtful accounts, beginning balance	\$ 2,057	\$ 2,473	\$ 1,577
Provision for doubtful accounts	3,693	2,646	2,246
Amounts written off	(3,277)	(3,542)	(1,584)
Allowance for doubtful accounts, ending balance	<u>\$ 2,473</u>	<u>\$ 1,577</u>	<u>\$ 2,239</u>

Derivative Instruments

The Company uses derivative financial instruments not designated as hedges, such as foreign currency forward contracts, to minimize the short-term impact of foreign currency exchange rate fluctuations on certain foreign currency denominated assets and liabilities, as well as certain foreign currency denominated expenses, hedging the gains or losses generated by the re-measurement of significant foreign currency denominated monetary assets and liabilities. The Company does not enter into derivative instruments for speculative or trading purposes and these instruments generally have maturities within twelve months.

The foreign currency forward contracts are recorded at fair value and, when in gain positions, are reported within prepaid expenses and other current assets. When in loss positions, the foreign currency forward contracts are recorded within accrued expenses and other current liabilities in the consolidated balance sheets. Gains or losses from changes in the fair value of these foreign currency forward contracts not designated as hedging instruments are recorded in other (income) expense, net to offset the changes in the fair value of the underlying assets or liabilities being hedged.

The notional amounts associated with the Company's foreign currency forward contracts at December 31, 2016 and 2017 were \$2.6 million and \$3.6 million, respectively, and at June 30, 2018 was \$2.8 million (unaudited), none of which were designated as cash flow hedges. The carrying values of the foreign currency derivative forward contracts approximated their fair values due to their relatively short settlement durations. The fair values of the Company's outstanding foreign currency forward contracts not designated as hedging instruments as of December 31, 2016 and 2017 and June 30, 2018 were not material. Gains and losses on forward currency contracts not designated as hedging instruments were immaterial for the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2017 and 2018 (unaudited).

UPWORK INC.**Notes to Consolidated Financial Statements (Continued)****Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)*****Property and Equipment***

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which are generally three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or their estimated useful lives. Repair and maintenance costs are charged to expense as incurred.

Internal-Use Software and Platform Development Costs

The Company's policy is to capitalize certain costs to develop its internal-use software and platform when (i) preliminary project planning is completed, (ii) the Company has committed project resourcing, and (iii) it is probable that the project will be completed and the software will be used as intended. Costs incurred for enhancements that are expected to result in additional significant functionality are also capitalized. Such costs are amortized on a straight-line basis over two years, beginning when the asset is ready for its intended use. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. There was no capitalized cost for the year ended December 31, 2016. The Company capitalized costs, primarily related to personnel costs, of \$0.5 million for the year ended December 31, 2017 and \$1.9 million (unaudited) for the six months ended June 30, 2018. As of December 31, 2017 and June 30, 2018 (unaudited), since the assets had not been placed into service, amortization had not commenced.

Segment Information

The Company has one reportable segment. The Company's chief operating decision maker is its President and Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets

Goodwill represents the excess of the aggregate fair value of the consideration transferred over the fair value of the net tangible and identifiable intangible assets acquired in the Elance-oDesk Combination. Goodwill is not amortized, but rather is assessed for impairment at least annually, or more frequently if events and changes in circumstances indicate that its carrying amount may not be recoverable. The Company conducts its annual assessment during the fourth quarter of each calendar year based on a single reporting unit structure by performing a qualitative assessment of its goodwill to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in the overall industry demand, that could indicate that it would more likely than not reduce the fair value of the reporting unit below its carrying amount, including goodwill. If it is not more likely than not that the fair value of the reporting unit is below its carrying amount, then goodwill is not considered to be impaired and no further testing is required. If further testing is required, the Company performs a two-step process. The first step involves comparing the fair value of the reporting unit to its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step of the process is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. If the carrying value of the goodwill is greater than its implied fair value, an impairment charge is recognized for the excess. There has been no impairment of goodwill for any of the periods presented.

The Company's long-lived assets consist of property and equipment and acquired identifiable, finite-lived intangible assets, namely developed technology, user relationships, trade names, and domain names. The finite-lived intangible assets are carried at cost, less accumulated amortization. The Company amortizes the finite-lived

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

intangible assets over their estimated useful lives ranging from two to seven years based on the pattern in which the economic benefits of the intangible assets are consumed, or the straight-line method when the pattern cannot be reliably determined. The Company periodically reviews the remaining estimated useful lives of its long-lived tangible and amortizable intangible assets. If the estimated useful life assumption for any asset is changed, the remaining unamortized balance would be depreciated or amortized over the revised estimated useful life, on a prospective basis. Intangible amortization expense related to developed technology and trade names is recorded as cost of revenue. Intangible amortization expense related to user relationships and domain names is included in operating expenses.

The Company evaluates the recoverability of its long-lived assets, including finite-lived intangible assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If it is determined that the asset group is not recoverable, an impairment loss is recorded in the amount by which the carrying amount of the asset group exceeds the aggregate future undiscounted cash flows. When an impairment loss is recognized, the carrying amount of such assets is reduced to fair value. There was no impairment of long-lived assets in any of the periods presented.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting, and filing fees directly relating to the Company's planned IPO, are capitalized. The deferred offering costs will be offset against the IPO proceeds upon the completion of the offering. In the event the offering is terminated, deferred offering costs will be expensed immediately. No amounts were capitalized as of December 31, 2016. For the year ended December 31, 2017 and for the six months ended June 30, 2018, the Company capitalized \$0.1 million and \$3.2 million (unaudited), respectively, of deferred offering costs in other assets, noncurrent.

Revenue Recognition

The Company operates an online marketplace that enables clients to find and work with freelancers. The Company primarily generates revenue from freelancers and clients from marketplace and managed services offerings.

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* ("ASC 605") and related authoritative guidance. Under ASC 605, revenue is recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) fees are fixed or determinable; (iii) the collection of the fees is reasonably assured; and (iv) services have been rendered.

The Company reports revenue in conformity with ASC 605-45, *Revenue Recognition-Principal Agent Considerations*. The determination of whether the Company is the principal or agent, and therefore whether to report revenue on a gross basis for the amount billed or on a net basis for the amount earned from each transaction, requires the Company to evaluate a number of indicators. The Company evaluates each separate unit of account for gross versus net as required.

The Company also reports revenue in conformity with ASC 605-50, *Customer Payments and Incentives*. The determination of whether the Company should characterize consideration paid to customers as costs or a reduction to revenue requires the Company to evaluate whether the consideration paid has an identifiable separable benefit to the Company and is at fair value. The Company provides certain marketing credits to clients which are treated as a reduction of revenue. The Company also enters into certain arrangements with certain

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

financial institutions for services that require a payment to be made to certain financial institutions. These arrangements are evaluated under the guidance of ASC 605-50 to ensure classification as a reduction of revenue or cost is appropriate.

Marketplace

The Company's marketplace revenue is derived from both its Upwork Standard offering and its Upwork Enterprise and other premium offerings.

Upwork Standard

The Company earns fees from freelancers under the Upwork Standard offering as follows:

Service fees. The Company provides freelancers access to the Upwork platform for freelancers to perform specified services agreed between freelancers and clients ("freelancer services"). Freelancers charge clients on an hourly or a milestone basis for services accessed through the Upwork platform ("freelancer billings"). The Company charges freelancers a service fee as a percentage of freelancer billings using a tiered service fee model based on cumulative lifetime billings by the freelancer to each client. For service fees charged to freelancers, the Company recognizes revenue on a net basis, as an agent, for providing access to the Upwork platform as it takes no responsibility for the freelancer services, and therefore the Company is not considered the primary obligor for the freelancer services. Additionally, freelancers and clients negotiate and agree upon the scope and the price for freelancer services directly with each other. The Company recognizes the service fee as services are rendered.

Withdrawal fees. The Company generates revenue from withdrawal fees from freelancers when the freelancers withdraw funds from their cash balances held with the Company. The Company charges a flat withdrawal fee for each withdrawal transaction and recognizes that fee as it is earned for each transaction.

Membership fees. The Company generates revenue from membership fees from freelancers that are charged a monthly fee that provides freelancers access to additional features on the Upwork platform. Membership fees are recognized over the period of the membership, which is generally monthly.

Connects fees. The Company generates revenue from connects fees from freelancers that are charged this fee that provides freelancers enhanced access to clients on the Upwork platform. These fees are recognized as services are rendered.

The Company earns fees from clients under the Upwork Standard offering as follows:

Client payment processing and administration fee. The Company generates revenue from clients for payment processing fees at the time the client is charged for the amounts due from the client. The Company charges a fee per transaction or a flat monthly payment processing fee. Per-transaction payment processing fees are recognized when the client is charged for the amount due and fees charged on a monthly basis are recognized over the month that payment processing services are provided. For client payment processing fees, the Company earns revenue on a gross basis as a principal and not net of the third-party payment processing costs incurred because the Company is considered the primary obligor for payment processing and administration services and has the latitude to set the price with clients separate and apart from the fees it pays its third-party payment processors.

Foreign currency exchange fees. The Company generates revenue from foreign currency exchange fees from clients by charging a fixed mark-up above quoted foreign currency exchange rates when the Company collects amounts denominated in foreign currency. Foreign currency exchange fees are recognized as they are earned for each payment transaction.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Upwork Payroll service fees. The Company generates revenue from Upwork Payroll service fees from clients when their freelancers are classified as employees for engagements on the Upwork platform. The client enters into an Upwork Payroll agreement with the Company, and Upwork separately contracts with unrelated third-party staffing providers who provide employment services to such clients. In such arrangements, freelancers providing freelancer services to clients become employees of third-party staffing providers. In arrangements where clients enter into Upwork Payroll agreements, the Company charges Upwork Payroll service fees to clients and does not charge service fees to the freelancers who are employees of the third-party staffing providers. Such service fees are charged as a fixed percentage of the total freelancer billings. Under an Upwork Payroll agreement, the Company provides the client access to the Upwork platform to procure and manage freelancer services, as well as access to employment services provided by the third-party staffing providers which are earned at the same time, and no allocation of fair value between these elements is required. The Company recognizes Upwork Payroll service fees revenue on a net basis as an agent of the client for providing access to employment services provided by the third-party staffing provider. The Company takes no responsibility for these employment services performed by the third party on behalf of the client. Therefore, the Company is not considered the primary obligor for these services. For freelancer services, the Company recognizes revenue on a net basis, as an agent, for providing access to the Upwork platform as it takes no responsibility for the freelancer services, and therefore the Company is not considered the primary obligor for the freelancer services. Additionally, freelancers and clients negotiate and agree upon the scope and the price for freelancer services directly with each other. The Company recognizes the service fee as services are rendered by freelancers.

Upwork Enterprise and Other Premium Offerings

The Company earns fees from freelancers under Upwork Enterprise and other premium offerings as follows:

Service fees. The Company provides freelancers access to the Upwork platform for freelancers to perform freelancer services. The Company charges freelancers a service fee as a percentage of freelancer billings. The Company earns service fees based on a fixed percentage fee. For service fees charged to freelancers, the Company recognizes revenue on a net basis, as an agent, for providing access to the Upwork platform as it takes no responsibility for the freelancer services, and therefore the Company is not considered the primary obligor for the freelancer services. Additionally, freelancers and clients negotiate and agree upon the scope and the price for freelancer services directly with each other. The Company recognizes the service fee as services are rendered.

The Company earns fees from clients under Upwork Enterprise and other premium offerings as follows:

Client service fees. The Company offers clients access to the Company's platform to source freelancers in exchange for a client service fee calculated as a percentage of freelancer billings. The Company recognizes the client service fees as services are rendered by the freelancers.

Enterprise compliance service fees. The Company generates revenue from enterprise compliance service fees from clients under a compliance agreement with Upwork to determine whether a freelancer should be classified as an employee or an independent contractor based on the scope of freelancer services agreed between the client and freelancer and other factors. The Company charges enterprise compliance service fees as a percentage of freelancer billings. The Company recognizes revenue as services are rendered.

Subscription fees. The Company generates revenue from monthly or annual subscription fees for subscription services that include additional service features, premium access to top talent, professional services, custom reporting, and invoicing. The revenue attribution is consistent with membership fees stated under the Upwork Standard offering.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Upwork Payroll service fees. Upwork Payroll service fees are recognized on the same basis as described under the Upwork Standard offering.

Revenue sharing arrangements. For Upwork Standard, Upwork Enterprise, and other premium offerings, the Company generates a revenue share as a percentage of the fees charged by certain financial institutions to the freelancers. The Company recognizes revenue from these arrangements as they are earned, which is generally monthly based on the contractual terms.

Managed Services

Under a managed services arrangement, the Company is responsible for providing services and engaging freelancers directly or as employees of third-party staffing providers to perform the services on the Company's behalf. The Company recognizes revenue on a gross basis for amounts charged to the client based on the Company's determination that the Company is deemed to be the primary obligor as it takes responsibility and risk for these services completed for the client. The Company determines pricing for these services and then identifies and engages the freelancers or third-party staffing providers to fulfill the service obligation to the client. Revenue for these services is recognized as these services are rendered by the Company.

Multiple-Element Arrangements

Some of the Company's offerings consist of multiple elements which can include a mix of services, including subscription services, employment services, compliance services, and payment processing services. Where neither vendor-specific objective evidence nor third-party evidence of selling price exists, the Company is required to use its best estimate of selling price to allocate arrangement consideration on a relative basis to each element. At the inception of arrangements which do not include subscription services, as there is no fixed consideration to be allocated, a relative fair value allocation is not required. In the instance the multiple-element arrangements include subscription services, the only fixed consideration relates to the subscription services, which is a separate unit of accounting. The fixed consideration is allocated only to the subscription services at inception, as all other fees in the arrangements are contingent on certain activities being performed as stated above.

Deferred Revenue

Deferred revenue consists of subscription and membership fees collected in advance of services being rendered.

Cost of Revenue

Cost of revenue consists primarily of the cost of payment processing fees, costs of freelancers to deliver services under the Company's managed services offering, personnel-related costs for the Company's services and support personnel, third-party hosting fees, and the amortization expense associated with acquired intangibles and capitalized internal-use software and platform development. The Company defines personnel-related costs as salaries, bonuses, benefits, and stock-based compensation costs for employees, and costs related to other service providers the Company engages to provide internal services to the Company.

Research and Development

Research and development expense primarily consists of personnel-related costs and third-party hosting costs related to development. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software and platform development that qualify for capitalization.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Advertising Expense

The Company expenses advertising costs as incurred. The Company incurred \$10.8 million and \$14.6 million in advertising expenses during the years ended December 31, 2016 and 2017, respectively. The Company incurred \$6.1 million (unaudited) and \$12.3 million (unaudited) in advertising expenses during the six months ended June 30, 2017 and 2018, respectively.

Provision for Transaction Losses

Provision for transaction losses consists primarily of losses resulting from fraud on the platform and bad debt expense associated with the Company's trade and client receivables balance and transaction losses expense related to chargebacks. Provision for these items represent estimates of losses based on the Company's actual historical incurred losses and other factors.

Redeemable Convertible Preferred Stock Warrant Liability

The Company accounts for freestanding warrants to purchase shares of its redeemable convertible preferred stock as a liability as the underlying shares of convertible preferred stock are contingently redeemable and, therefore, may obligate the Company to transfer assets at some point in the future. The redeemable convertible preferred stock warrants are recorded as other liabilities, noncurrent in the consolidated balance sheets at their estimated fair values and are subject to remeasurement at each balance sheet date. Any change in fair value from remeasurement is recognized as a component of other (income) expense, net in the consolidated statements of operations.

The Company will continue to adjust the liability for changes in fair value until the earlier of (i) the exercise or expiration of the warrants or (ii) the completion of a liquidation event, including the completion of an IPO, at which time the outstanding redeemable convertible preferred stock warrants will convert to a common stock warrant unless otherwise exercised and the liability will be reclassified to additional paid-in capital.

Stock-Based Compensation

The Company accounts for stock options to employees and directors based on their estimated fair value on the date of grant. The fair value of each stock option is estimated using the Black-Scholes valuation model. The model requires the Company to make a number of assumptions, including the value of the Company's common stock, expected volatility, expected term, risk-free interest rate, and expected dividends. The Company evaluates the assumptions used to value option awards upon each grant of stock options.

The Company recognizes stock-based compensation expense for stock options on a straight-line basis over the vesting term. Prior to the adoption of Accounting Standards Update No. 2016-09 ("ASU 2016-09") on January 1, 2018, stock-based compensation expense was recognized only for those options expected to vest. The Company estimated forfeitures based on historical rates of forfeitures of stock options adjusted to reflect future changes in facts and circumstances, if any, and revised its estimated forfeiture rate if actual forfeitures differed from initial estimates. Subsequent to the adoption, the Company accounts for forfeitures as they occur.

The Company also grants stock options to non-employee service providers. For these stock options, the Company believes the fair value of the stock option on the date of grant is more reliably measurable than the fair value of the services rendered. Therefore, the Company estimates the fair value of nonemployee stock options using the Black-Scholes valuation model with assumptions as discussed in Note 10. The estimated fair value of nonemployee stock options is remeasured over the vesting period as it is being earned, and the expense is recognized on a straight-line basis over the period during which services are rendered.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Foreign Currency

The functional currency of the Company and its subsidiaries is the U.S. dollar. Transactions with users denominated in currencies other than the U.S. dollar are remeasured at the exchange rate in effect on the date of the transaction. At the end of each reporting period, monetary assets and liabilities are remeasured using exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are included in other (income) expense, net in the consolidated statements of operations. The Company recorded net foreign currency transaction losses of \$0.5 million during the year ended December 31, 2016. Foreign currency transaction gains and losses for the year ended December 31, 2017 and for the six months ended June 30, 2017 (unaudited) were immaterial. The Company recorded net foreign currency transaction gains of \$0.5 million (unaudited) for the six months ended June 30, 2018.

Comprehensive Income (Loss)

Comprehensive income (loss) is equal to the net income (loss) for all periods presented. Accordingly, the consolidated statements of comprehensive income (loss) have been omitted from the consolidated financial statements.

Income Taxes

The Company accounts for income taxes in accordance with the liability method. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the change in deferred tax assets and liabilities. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent the Company believes any amounts are not more likely than not to be realized, the Company records a valuation allowance to reduce its deferred tax assets. The 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 have been fully offset by a valuation allowance. If the Company subsequently realizes or determines it is more likely than not that it will realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involved dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on its estimate of whether, and the extent to which, additional taxes will be due. The Company accounts for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a company's income tax return, and also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation of uncertain tax positions. The first step, recognition, requires a company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. The second step, measurement, is based on the largest amount of benefit, which is

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Net Loss Per Share Attributable to Common Stockholders

Net loss per share attributable to common stockholders, basic and diluted, is computed in conformity with the two-class method required for companies with participating securities. The Company considers all series of its redeemable convertible preferred stock to be participating securities as the holders of these shares have a non-forfeitable right to receive 8% per annum non-cumulative dividends, payable prior and in preference to any dividends on common stock. Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net loss attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period shares of convertible preferred stock non-cumulative dividends, among common stockholders as the holders of participating securities do not have a contractual obligation to share in the Company's losses.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, redeemable convertible preferred stock, stock options to purchase common stock, the warrant to purchase common stock and the warrants to purchase redeemable convertible preferred stock are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share as their impact is antidilutive for the periods presented.

Unaudited Pro Forma Net Loss Per Share Attributable to Common Stockholders

In contemplation of an IPO, the unaudited pro forma net loss per share attributable to common stockholders, basic and diluted, have been calculated assuming: (i) the automatic conversion of all series of the Company's outstanding redeemable convertible preferred stock (using the as-if converted method) into shares of common stock and (ii) the automatic conversion of the Company's outstanding redeemable convertible preferred stock warrants into warrants exercisable for common stock as though they had occurred at the beginning of the most recent period presented. As a result, the Company has removed the net loss from the remeasurement of the redeemable convertible preferred stock warrant liability to fair value from the numerator in the unaudited pro forma basic and diluted net loss per share calculation.

Unaudited Supplemental Pro Forma Net Loss Per Share Attributable to Common Stockholders

Supplemental pro forma net loss per share attributable to common stockholders, basic and diluted, have been calculated to give effect to the pro forma adjustments discussed above and to the number of additional shares that would have been required to be issued to repay approximately \$10.0 million of indebtedness under the Company's loan and security agreement at the beginning of the most recent period presented or on the original date of issuance, if later, assuming the issuance of such shares at an assumed IPO price of \$11.00 per share, the midpoint of the price range set forth on the cover page of the Company's prospectus. The approximately \$10.0 million of indebtedness represents all amounts outstanding under a revolving line of credit at June 30, 2018 (see Note 6). The numerator in the supplemental pro forma net loss per share, basic and diluted, calculation has been adjusted to include the pro forma adjustments discussed above and to reverse the interest expense, net of tax, as

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

though they had occurred at the beginning of the most recent period presented, on this indebtedness amount which is assumed to be repaid using a portion of the net proceeds from the IPO. The supplemental pro forma net loss per share does not include the proceeds to be received from the IPO, or shares expected to be sold in the IPO, except for those shares necessary to be issued to repay this indebtedness.

Recent Accounting Pronouncements Not Yet Adopted

As an “emerging growth company,” the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASC 606”). ASC 606 supersedes the revenue recognition requirements in ASC 605, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers* (“Subtopic 340-40” and together with ASC 606, the “new standard”), which requires the deferral of incremental costs of obtaining a contract with a customer. In August 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017. In 2016 the FASB issued amendments on this guidance with the same effective date and transition guidance. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption.

The Company is required to adopt the new revenue standard for the year ending December 31, 2019. Interim reporting under ASC 606 will not be required until 2020. To date, the Company has established an implementation team and is in the process of evaluating the impact of the new standard on its accounting policies, processes, and system requirements. Furthermore, the Company has made and will continue to make investments in systems to enable timely and accurate reporting under the new standard.

The Company is continuing to evaluate adoption methods and the potential impact that the implementation of this standard will have on its consolidated financial statements, including the identification of performance obligations, evaluation of material right considerations, principal agent considerations, the timing of revenue recognition, and related disclosures, but has not yet determined whether the effects of adoption will be material to its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, related to how an entity should recognize lease assets and lease liabilities. The guidance specifies that an entity that is a lessee under lease agreements should recognize lease assets and lease liabilities for those leases classified as operating leases under previous FASB guidance. Accounting for leases by lessors is largely unchanged under the new guidance. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In 2018, the FASB issued ASU No. 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* in conjunction with ASU No. 2016-02 that a company may elect an optional transition practical expedient to not evaluate under Topic 842. The new standard becomes effective for the Company for the year ending on December 31, 2020 and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU No. 2016-09 simplifies several aspects of

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance becomes effective for the Company for the year ending December 31, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, to clarify how certain cash receipts and payments are presented and classified in the statement of cash flows. The new guidance becomes effective for the Company for the year ending December 31, 2019, though early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, that will require that the amounts generally described as restricted cash and restricted cash equivalents would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The new guidance also requires certain disclosures to supplement the statement of cash flows. The guidance becomes effective for the Company for the year ending on December 31, 2019, though early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Others (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU No. 2017-04 eliminates Step 2 from the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under ASU No. 2017-04, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and recognize an impairment loss for the amount by which the carrying amount exceeds the reporting unit's fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. The guidance becomes effective for the Company on a prospective basis for its annual or any interim goodwill impairment tests during the year ending on December 31, 2022, though early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. ASU No. 2017-12 is effective for the Company for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has not yet evaluated the impact of this standard on its financial statements and related disclosures.

Recently Adopted Accounting Pronouncements (Unaudited)

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The Company adopted this standard as of January 1, 2018. ASU 2016-09 eliminates the requirement to delay the recognition of excess tax benefits until they reduce current taxes payable. Under this standard, previously unrecognized excess tax benefits shall be recognized on a modified retrospective basis. ASU No. 2016-09 also requires excess tax benefits and deficiencies to be recognized prospectively in the Company's provision for income taxes rather than additional paid-in

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 2—Basis of Presentation and Summary of Significant Accounting Policies (Continued)

capital. Additionally, the Company elected to account for forfeitures as they occur rather than estimate expected forfeiture using a modified retrospective transition method. Finally, ASU No. 2016-09 requires excess tax benefits to be presented as a component of operating cash flows rather than financing cash flows. The Company elected to adopt this requirement prospectively and accordingly, prior periods have not been adjusted. The adoption of this standard was immaterial to the consolidated financial statements as of and for the six months ended June 30, 2018 (unaudited) was not material.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in the ASU. The Company adopted this standard as of January 1, 2018. The adoption of this standard had no impact on the Company's consolidated financial statements as of and for the six months ended June 30, 2018.

Note 3—Fair Value Measurements

The Company measures its redeemable convertible preferred stock warrant liability at fair value on a recurring basis. The Company defines fair value as the exchange price that would be received from sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- Level I—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;
- Level II—Observable inputs other than Level I prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted 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 assets or liabilities; and
- Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company's own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liability.

The Company's financial instruments that are carried at fair value consist of Level III liabilities. The Company's redeemable convertible preferred stock warrant liability is classified within Level III because the warrants are valued using a Black-Scholes valuation model, for which some inputs are unobservable in the market. The valuation methodology and underlying assumptions are discussed further in Note 8.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 3—Fair Value Measurements (Continued)

The following tables set forth the fair value of the Company’s financial liabilities measured at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

	December 31, 2016			Total
	Level I	Level II	Level III	
Financial Liabilities:				
Redeemable convertible preferred stock warrant liability	\$ —	\$ —	\$ 1,130	\$1,130
Total financial liabilities	\$ —	\$ —	\$ 1,130	\$1,130

	December 31, 2017			Total
	Level I	Level II	Level III	
Financial Liabilities:				
Redeemable convertible preferred stock warrant liability	\$ —	\$ —	\$ 1,104	\$1,104
Total financial liabilities	\$ —	\$ —	\$ 1,104	\$1,104

	June 30, 2018 (unaudited)			Total
	Level I	Level II	Level III	
Financial Liabilities:				
Redeemable convertible preferred stock warrant liability	\$ —	\$ —	\$ 1,463	\$1,463
Total financial liabilities	\$ —	\$ —	\$ 1,463	\$1,463

The following table sets forth a summary of the changes in the fair value of the redeemable convertible preferred stock warrant liability (in thousands):

Fair value at January 1, 2016	\$1,016
Change in fair value	114
Fair value at December 31, 2016	1,130
Change in fair value	118
Reclassification to redeemable convertible preferred stock due to warrant exercise	(144)
Fair value at December 31, 2017	1,104
Change in fair value (unaudited)	359
Fair value at June 30, 2018 (unaudited)	\$1,463

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 4—Balance Sheet Components

Property and Equipment, Net

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

	December 31,		June 30,
	2016	2017	2018 (unaudited)
Computer equipment and software	\$ 5,038	\$ 5,385	\$ 5,146
Internal-use software and platform development costs	1,829	2,318	4,262
Leasehold improvements	1,738	2,189	2,976
Office furniture and fixtures	1,283	1,550	1,952
Total property and equipment	9,888	11,442	14,336
Less: Accumulated depreciation	(7,283)	(7,928)	(8,292)
Property and equipment, net	<u>\$ 2,605</u>	<u>\$ 3,514</u>	<u>\$ 6,044</u>

Depreciation expense related to property and equipment was \$1.8 million and \$1.5 million for the years ended December 31, 2016 and 2017, respectively.

Depreciation expense related to property and equipment was \$0.7 million (unaudited) and \$0.9 million (unaudited) for the six months ended June 30, 2017 and 2018, respectively.

The Company did not capitalize any internal-use software and platform development costs for the year ended December 31, 2016. The Company capitalized \$0.5 million and \$1.9 million (unaudited) of internal-use software and platform development costs for the year ended December 31, 2017 and for the six months ended June 30, 2018 (unaudited), respectively. Amortization expense related to internal-use software and platform development costs was \$1.0 million for the year ended December 31, 2016. There was no amortization expense for the year ended December 31, 2017 and for the six months ended June 30, 2018 (unaudited) related to the internal-use software and platform development costs that were capitalized in 2017 or for the six months ended June 30, 2018 (unaudited) as the underlying assets had not been placed in service as of December 31, 2017 and June 30, 2018 (unaudited).

Intangible Assets, Net

The Company's identifiable intangible assets were acquired in March 2014 from the Elance-oDesk Combination. Intangible assets, net consisted of the following (in thousands):

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 2,293	\$ 2,293	\$ —
User relationships	18,678	7,338	11,340
Developed technology	10,356	10,356	—
Domain names	529	470	59
Total	<u>\$31,856</u>	<u>\$ 20,457</u>	<u>\$ 11,399</u>

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 4—Balance Sheet Components (Continued)

	December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 2,293	\$ 2,293	\$ —
User relationships	18,678	10,006	8,672
Developed technology	10,356	10,356	—
Domain names	529	529	—
Total	<u>\$31,856</u>	<u>\$ 23,184</u>	<u>\$ 8,672</u>

	June 30, 2018		
	Gross Carrying Amount	Accumulated Amortization (unaudited)	Net Carrying Amount
Trade names	\$ 2,293	\$ 2,293	\$ —
User relationships	18,678	11,340	7,338
Developed technology	10,356	10,356	—
Domain names	529	529	—
Total	<u>\$31,856</u>	<u>\$ 24,518</u>	<u>\$ 7,338</u>

Total amortization expense of intangible assets was \$5.7 million and \$2.7 million for the years ended December 31, 2016 and 2017, respectively, of which \$2.9 million and \$0 was included in cost of revenue related to developed technology and trade names for the years ended December 31, 2016 and 2017, respectively. The remaining carrying amount of \$2.6 million for developed technology was accelerated in 2016 when the Elance platform was decommissioned. Amortization for the user relationships of \$2.7 million was included in general and administrative expenses in each of the years ended December 31, 2016 and 2017, respectively. As of December 31, 2017, the remaining useful life for user relationships was 3.3 years.

Total amortization expense of intangible assets was \$1.4 million (unaudited) and \$1.3 million (unaudited) for the six months ended June 30, 2017 and 2018, respectively, and the expense was included in general and administrative expenses. As of June 30, 2018, the remaining useful life for user relationships was 2.8 years (unaudited).

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 4—Balance Sheet Components (Continued)

The estimated future amortization expense for the acquired intangible assets is as follows (in thousands):

	<u>December 31,</u> <u>2017</u>
2018	\$ 2,671
2019	2,668
2020	2,668
2021	665
Total	<u>\$ 8,672</u>

	<u>June 30,</u> <u>2018</u> <u>(unaudited)</u>
Remainder of 2018	\$ 1,337
2019	2,668
2020	2,668
2121	665
Total	<u>\$ 7,338</u>

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	<u>December 31,</u>		<u>June 30,</u> <u>2018</u> <u>(unaudited)</u>
	<u>2016</u>	<u>2017</u>	
Accrued compensation and related benefits	\$ 3,630	\$ 8,399	\$ 5,217
Accrued freelancer costs	10,943	134	20,912
Accrued indirect taxes	1,761	1,861	1,728
Accrued vendor expenses	2,034	4,198	4,301
Accrued payment processing fees	1,337	593	640
Accrued legal settlement	1,095	—	—
Other	824	845	1,060
Total accrued expenses and other current liabilities	<u>\$ 21,624</u>	<u>\$ 16,030</u>	<u>\$ 33,858</u>

Note 5—Commitments and Contingencies

Operating Leases

The Company leases office space under three non-cancelable operating lease agreements, which expire from 2019 through 2020. The terms of the office leases contain rent escalation clauses, rent holidays, or tenant improvement allowances. The Company recognizes rent expense on a straight-line basis over the non-cancelable lease term and records the difference between cash payments and the recognition of rent expense as a deferred rent liability. Where leases contain escalation clauses, rent holidays, or tenant improvement allowances, the

UPWORK INC.**Notes to Consolidated Financial Statements (Continued)****Note 5—Commitments and Contingencies (Continued)**

Company applies them in the determination of straight-line rent expense over the lease term. In September 2015, the Company entered into an agreement to sublease a portion of its office space in San Francisco and recognized sublease income of \$0.9 million in each of the years ended December 31, 2016 and 2017, respectively, and \$0.5 million (unaudited) in the six months ended June 30, 2017. The sublease agreement was terminated in November 2017.

Future aggregate minimum lease payments under the non-cancelable operating leases were as follows (in thousands):

	December 31, 2017
2018	\$ 3,892
2019	2,074
2020	354
Total minimum lease payments	<u>\$ 6,320</u>
	June 30, 2018 (unaudited)
Remainder of 2018	\$ 2,061
2019	2,074
2020	354
Total minimum lease payments	<u>\$ 4,489</u>

Rent expense was \$3.6 million and \$3.7 million for the years ended December 31, 2016 and 2017, respectively. Rent expense was \$1.9 million (unaudited) for each of the six months ended June 30, 2017 and 2018, respectively.

Letters of Credit

As of December 31, 2016, December 31, 2017 and June 30, 2018 (unaudited), in conjunction with the operating lease agreements, the Company had two irrevocable letters of credit outstanding in the aggregate amount of \$0.8 million. The letters of credit are collateralized by restricted cash in the same amount and expire in 2019. No amounts have been drawn against these letters of credit as of December 31, 2016 and 2017 and June 30, 2018 (unaudited).

Contingencies

The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. From time to time in the normal course of business, various claims and litigation have been asserted or commenced. Due to uncertainties inherent in litigation and other claims the Company can give no assurance that it will prevail in any such matters, which could subject the Company to significant liability or damages. Any claims or litigation could have an adverse effect on the Company's business, financial position, results of operations or cash flows in or following the period that claims or litigation are resolved.

On February 8, 2016, a company filed suit against the Company alleging that the Company's trademark "Upwork" infringed on the plaintiff's prior mark. The plaintiff further alleged that the Company had wrongfully

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 5—Commitments and Contingencies (Continued)

profited from and harmed it by the use of “Upwork” to market the Company since the Company began using the name in May 2015. The Company filed counterclaims alleging the plaintiff infringed its rights in other jurisdictions. The Company accrued \$1.1 million for settlement costs as of December 31, 2016 and settled the lawsuit in April 2017.

As of December 31, 2016, December 31, 2017, and June 30, 2018 (unaudited), the Company was not a party to any material legal proceedings or claims, nor is the Company aware of any pending or threatened litigation or claims that could have a material adverse effect on its business, operating results, cash flows, or financial condition. Accordingly, the Company has determined that the existence of a material loss as of this date is neither probable nor reasonably possible.

Indemnification

The Company has indemnification agreements with its officers, directors, and certain key employees to indemnify them while they are serving in good faith in their respective positions. In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to vendors and other parties, including, but not limited to, losses arising out of the Company’s breach of such agreements. In addition, subject to the terms of the applicable agreement, as part of the Company’s Upwork Enterprise offering, the Company indemnifies clients that subscribe to worker classification services for losses arising from worker misclassification and intellectual property claims made by third parties relating to the use of the Company’s platform. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company’s limited history of prior indemnification claims and the facts and circumstances involved in each particular provision.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 6—Debt

The following table presents the carrying value of the Company's debt (in thousands):

	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>June 30, 2018</u> (unaudited)
Facility A—Term loan: carried interest at Prime plus 1.25% per annum with 4.5% cap; accrued interest was due monthly	\$ 14,000	\$ —	\$ —
Facility A—Line of credit: carried interest at Prime plus 1.25% per annum with 4.5% cap; accrued interest was due monthly	3,000	—	—
Facility B—Initial term loan: 18 months of interest-only payments ending in March 2019 followed by 36 equal monthly installments of principal plus interest, maturing March 2022; interest at Prime plus 0.25% per annum	—	15,000	15,000
Facility B—Second term loan: 11 months of interest-only payments ending in October 2018 followed by 47 equal monthly installments of principal plus interest, maturing September 2022. If, however, the Company achieves trailing six-month EBITDA of \$1.0 million for the period ending September 2018, the interest-only repayment period would be extended to March 2019, followed by 42 equal monthly installments of principal plus interest; bears interest at Prime plus 5.25% per annum.	—	9,000	9,000
Facility B—Line of credit: interest at Prime with accrued interest due monthly; matures March 2020	—	10,000	10,000
Total debt	\$ 17,000	\$ 34,000	\$ 34,000
Less: Unamortized debt discount issuance costs	(38)	(167)	(116)
Balance	\$ 16,962	\$ 33,833	\$ 33,884
Debt, current	(2,992)	(10,342)	(12,764)
Debt, noncurrent	\$ 13,970	\$ 23,491	\$ 21,120
Weighted-average interest rate	5.06%	5.93%	6.42%

In connection with the Elance-oDesk Combination, the Company assumed a note payable obligation of Elance. In January 2016, the entire note obligation, consisting of \$12.0 million in principal and accrued payment-in-kind interest of \$0.6 million, was extinguished and paid in full with the net proceeds from a \$14.0 million term loan issued in January 2016, as discussed below. The Company also paid a \$0.3 million prepayment fee related to the extinguishment, which was recorded in other (income) expense, net, during the year ended December 31, 2016.

In January 2016, the Company entered into a Loan and Security Agreement ("2016 Agreement"), which was subsequently amended in September 2016. The 2016 Agreement consisted of a term loan of \$14.0 million and a \$6.0 million revolving line of credit, for an aggregate facility amount of \$20.0 million ("Facility A"). The debt

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 6—Debt (Continued)

issuance costs associated with the term loan was immaterial. In March 2016, the Company drew revolving loan borrowings of \$3.0 million under this facility and repaid the amount in May 2017. In September 2017, the term loan of \$14.0 million was extinguished and paid in full with the net proceeds of the \$15.0 million term loan received in September 2017, as discussed below.

In September 2017, the Company entered into a Loan and Security Agreement (the “2017 Agreement”), which was subsequently amended in November 2017. The 2017 Agreement consisted initially of a term loan of \$15.0 million and a \$15.0 million revolving line of credit based on eligible trade and client accounts receivable, for an aggregate facility amount of \$30.0 million. However, upon the Company achieving adjusted net revenue of at least \$49.0 million in a trailing three-month period on or before June 30, 2018 (unaudited), the revolving line of credit increased to \$25.0 million with a corresponding increase to the aggregate facility amount to \$40.0 million. The 2017 Agreement was amended to include a second term loan of \$9.0 million, which, in turn, increased the aggregate maximum amount of the facility of up to \$49.0 million (as amended, “Facility B”). The Company incurred debt issuance costs of \$0.2 million, which was primarily classified as a deduction to the long-term portion of the term loan. In November 2017, the Company drew revolving loan borrowings of \$10.0 million and term loan borrowings of \$9.0 million. In addition, the Company has granted its lender first-priority liens against substantially all of its assets, as collateral, excluding the Company’s intellectual property (but including proceeds therefrom) and the funds and assets held by the Company’s subsidiary, Upwork Escrow Inc. The Company has also agreed to a negative pledge on its intellectual property. The 2017 Agreement is also subject to the Company maintaining an adjusted quick ratio of 1.30 and achieving minimum EBITDA levels over trailing periods ranging from three to twelve months. The 2017 Agreement also includes a restrictive covenant on dividend payments other than dividends paid solely in common stock. The Company used \$19.0 million of its borrowings to repurchase shares of its redeemable convertible preferred stock in 2017 (see Note 7).

The amortization expense related to the debt discount was immaterial for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 (unaudited). The Company was in compliance with all financial-related covenants under its loan agreements as of December 31, 2016 and 2017 and June 30, 2018 (unaudited).

Future maturities of principal payments, excluding potential early payments, as of December 31, 2017 were expected to be as follows (in thousands):

Year Ending December 31,	
2018	\$10,383
2019	6,048
2020	7,298
2021	7,298
2022	2,973
Total	<u>\$34,000</u>

There were no changes to the future maturities of principal payments as of June 30, 2018 (unaudited) as compared to December 31, 2017.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 7—Redeemable Convertible Preferred Stock

Redeemable convertible preferred stock as of December 31, 2016, December 31, 2017 and June 30, 2018 consisted of the following (in thousands, except share data):

	December 31, 2016			
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Aggregate Liquidation Preference
Series A-1	10,141,345	9,990,839	\$ 78,762	\$ 99,908
Series A-2	60,000,000	50,219,608	70,186	5
Series B-1	5,854,982	5,108,922	29,013	29,172
Series B-2	145,018	145,018	824	828
Total redeemable convertible preferred stock	<u>76,141,345</u>	<u>65,464,387</u>	<u>\$ 178,785</u>	<u>\$ 129,913</u>
	December 31, 2017			
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Aggregate Liquidation Preference
Series A-1	10,141,345	9,142,770	\$ 72,181	\$ 91,427
Series A-2	60,000,000	47,124,931	65,853	5
Series B-1	5,854,982	4,866,360	27,628	27,787
Series B-2	145,018	145,018	824	828
Total redeemable convertible preferred stock	<u>76,141,345</u>	<u>61,279,079</u>	<u>\$ 166,486</u>	<u>\$ 120,047</u>
	June 30, 2018 (unaudited)			
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Aggregate Liquidation Preference
Series A-1	10,141,345	9,142,770	\$ 72,181	\$ 91,427
Series A-2	60,000,000	47,124,931	65,853	5
Series B-1	5,854,982	4,866,360	27,628	27,787
Series B-2	145,018	145,018	824	828
Total redeemable convertible preferred stock	<u>76,141,345</u>	<u>61,279,079</u>	<u>\$ 166,486</u>	<u>\$ 120,047</u>

Shares of redeemable convertible preferred stock are not mandatorily or currently redeemable. However, a liquidation or winding up of the Company, a greater than 50% change in control, or a sale of substantially all of the Company's assets would constitute a redemption event that is outside of the Company's control. As such, all shares of redeemable convertible preferred stock have been presented outside of permanent equity. The Company has not adjusted the carrying values of the redeemable convertible preferred stock to the deemed liquidation values of such shares since a liquidation event was not probable at any of the balance sheet dates. Subsequent adjustments to increase or decrease the carrying values to the ultimate liquidation values will be made only if and when it becomes probable that such a liquidation event will occur.

As a result of the Elance-oDesk Combination, holders of preferred stock of Elance, Inc. and holders of preferred stock of oDesk Corporation each received as consideration for such shares a combination of shares of

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 7—Redeemable Convertible Preferred Stock (Continued)

Series A-1 and Series A-2 redeemable convertible preferred stock. As a result, no stockholder holds shares of Series A-1 redeemable convertible preferred stock without also holding shares of Series A-2 redeemable convertible preferred stock, nor does any stockholder hold shares of Series A-2 redeemable convertible preferred stock without also holding shares of Series A-1 redeemable convertible preferred stock. The rights, privileges, and preferences of the Series A-1, Series A-2, Series B-1, and Series B-2 redeemable convertible preferred stock (“Preferred Stock”) are as follows:

Dividends

Holders of the Series A-1, Series A-2, Series B-1, and Series B-2 redeemable convertible preferred stock are each entitled to non-cumulative dividends of \$0.80, \$0.000008, \$0.4568, and \$0.4568 per share, respectively. Dividends on the Preferred Stock are payable only when, and if, declared by the board of directors. No dividends on the Preferred Stock have been declared by the Company’s board of directors or paid as of December 31, 2016 or 2017 or June 30, 2018 (unaudited).

Voting Rights

The holders of each share of Preferred Stock are entitled to the number of votes equal to the number of shares of common stock into which their respective shares are convertible, provided, however, that the holders of Series B-2 redeemable convertible preferred stock, or common stock issued upon conversion thereof, are not entitled to cast votes in connection with the election of members of the board of directors. The holders of Preferred Stock have certain protective provisions so long as an aggregate of 15.1 million shares of Preferred Stock are outstanding. Under these provisions, the Company cannot, without the approval of greater than 50% of the then-outstanding shares of Preferred Stock (i) alter or change the rights, powers, or preferences of the Preferred Stock set forth in the Company’s certificate of incorporation or bylaws, (ii) authorize or create any new class of stock having rights, powers or preferences that are senior to or on parity with any series of Preferred Stock, or obligate itself to authorize or create any security convertible into or exercisable for such class of stock, (iii) redeem or repurchase any shares of common stock or Preferred Stock (other than shares subject to the Company’s right of repurchase, through the exercise of any right of first refusal, or otherwise approved by the board of directors), (iv) declare or pay a dividend or otherwise make a distribution to holders of Preferred Stock or common stock (other than a dividend on the common stock payable solely in shares of common stock or a repurchase approved by the board of directors), (v) voluntarily liquidate, dissolve, or wind-up the business or effect a deemed liquidation event (as defined in the certificate of incorporation), or (vi) increase or decrease the authorized number of directors constituting the board of directors.

In addition, so long as any shares of any series of Preferred Stock are outstanding, the Company cannot, without the approval of greater than 50% of the then-outstanding shares of such series of Preferred Stock, alter or change the rights, powers, or preferences of such series of Preferred Stock set forth in the Company’s certificate of incorporation or bylaws in a way that adversely affects such series of Preferred Stock in a manner different from other series of Preferred Stock (other than (a) the authorization, creation, or issuance of any new class or series of capital stock having rights, powers, or preferences that are senior to, on parity with, or junior to any series of Preferred Stock and (b) an amendment or other change of the rights, powers, or preferences of any series of preferred stock that is proportional to the amendments or other changes similarly made to other series of Preferred Stock that have a similar right, power, or preference).

Conversion

The holders of each share of Preferred Stock have the option to convert each share of Preferred Stock at any time into a number of shares of common stock determined by dividing the original issue price per share by the

UPWORK INC.**Notes to Consolidated Financial Statements (Continued)****Note 7—Redeemable Convertible Preferred Stock (Continued)**

then-current conversion price for such series. The original issue prices per share for the Series A-1, Series A-2, Series B-1, and Series B-2 redeemable convertible preferred stock are \$10.00, \$0.0001, \$5.71, and \$5.71, respectively, and, subject to adjustments for certain dilutive issuances, splits, and combinations, and other recapitalizations or reorganizations, the conversion price for each series of Preferred Stock is currently equal to the original issue price for such series. In the event that any holder of Series A-1 or Series A-2 redeemable convertible preferred stock elects to voluntarily convert shares of such Preferred Stock into shares of common stock, the election is deemed to be an election of such holder to convert shares of Series A-1 and Series A-2 redeemable convertible preferred stock held by such holder into shares of common stock at the same ratio and in the same proportions. In addition, the Preferred Stock will automatically be converted into common stock upon the earlier of (i) the written consent of the holders of at least a majority of the then-outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis or (ii) an IPO that results in aggregate gross proceeds to the Company of at least \$50.0 million. As of December 31, 2017 and June 30, 2018 (unaudited), the conversion ratio was 1:1 for each series of Preferred Stock.

Liquidation Preference

In the event of liquidation, dissolution, or winding up or any deemed liquidation event of the Company, the holders of Preferred Stock are entitled to receive the greater of (i) their full preferential amounts plus any declared but unpaid dividends and (ii) such amount per share as would have been payable had all shares of such series of Preferred Stock been converted into common stock, prior to any distribution to the holders of common stock. If the assets available for distribution are insufficient to pay such amounts, then the entire assets available for distribution will be distributed ratably among the holders of Preferred Stock in proportion to the full amount each holder is otherwise entitled to receive. After payment to the holders of Preferred Stock of their full preferential amounts specified above, the Company's remaining assets available for distribution to stockholders will be distributed among the holders of common stock pro rata based upon the number of shares of common stock held by each holder. The preferential amounts per share of the Series A-1, Series A-2, Series B-1, and Series B-2 redeemable convertible preferred stock were \$10.00, \$0.0001, \$5.71, and \$5.71, respectively, as of December 31, 2017 and June 30, 2018 (unaudited).

A deemed liquidation event will be deemed to have occurred upon (a) a merger or consolidation of the Company into another entity (except where the merger or combination results in the holders of the Company's capital stock prior to the merger or consolidation continuing to hold at least 50% of the voting power of the surviving or acquiring entity) or (b) a sale, lease, transfer, exclusive license, or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the Company's assets (or in the case of an exclusive license, of all or substantially all of the Company's intellectual property). The holders of Preferred Stock can waive the treatment of any transaction as a deemed liquidation event by a vote of the holders of a majority of the then-outstanding shares of Preferred Stock.

Redemption

The holders of Preferred Stock have no voluntary rights to redeem shares.

Repurchase of Redeemable Convertible Preferred Stock in Connection with Secondary Market Transaction

In November 2017, the Company's board of directors approved the repurchase of 874,069 shares of Series A-1 redeemable convertible preferred stock, 3,151,858 shares of Series A-2 redeemable convertible preferred stock, and 242,562 shares of Series B-1 redeemable convertible preferred stock, from one stockholder at the purchase price of \$4.50 per share, for a total consideration of \$19.2 million, which exceeded the carrying

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 7—Redeemable Convertible Preferred Stock (Continued)

value of \$12.7 million on the date of repurchase. The redeemable convertible preferred stock repurchased was retired immediately thereafter. The repurchase price in excess of the carrying value of redeemable convertible preferred stock of \$6.5 million was recorded as a reduction to additional paid-in capital, while the carrying value of the shares repurchased was recorded as a reduction to redeemable convertible preferred stock. For the computation of earnings per share for the year ended December 31, 2017, the repurchase price in excess of the carrying value of the redeemable convertible preferred stock of \$6.5 million is reflected as an increase to net income (loss) attributable to common stockholders (see Note 11).

Note 8—Preferred and Common Stock Warrants***Redeemable Convertible Preferred Stock Warrants***

As a result of the Elance-oDesk Combination, a redeemable convertible preferred stock warrant that was originally issued by Elance prior to the Elance-oDesk Combination became exercisable to purchase up to 26,000 and 57,181 shares of the Company's Series A-1 and Series A-2 redeemable convertible preferred stock, respectively, at an exercise price of \$3.13 per share. As of December 31, 2016, the warrant was outstanding and exercisable. In June 2017, the warrant was exercised for cash.

Further, as a result of the Elance-oDesk Combination, another redeemable convertible preferred stock warrant that was originally issued by Elance prior to the Elance-oDesk Combination became exercisable to purchase up to 124,506 and 273,825 shares of the Company's Series A-1 and Series A-2 redeemable convertible preferred stock, respectively, at an exercise price of \$3.13 per share. The warrant was outstanding and exercisable as of December 31, 2016 and 2017 and June 30, 2018 (unaudited).

The Company estimated the fair value of each redeemable convertible preferred stock warrant using the Black-Scholes valuation model. The redeemable convertible preferred stock liability, included in other noncurrent liabilities, was \$1.1 million as of December 31, 2016 and 2017, and \$1.5 million (unaudited) as of June 30, 2018. The following assumptions were used to calculate the fair value of the then-outstanding warrants as of December 31, 2016 and 2017 and June 30, 2018 (unaudited):

	December 31,		June 30,
	2016	2017	2018 (unaudited)
Dividend yield	0%	0%	0%
Expected term (in years)	0.50-3.75	2.75	2.25
Risk-free interest rates	1.0%-1.6%	1.8%	2.5%
Expected volatility	34.8%-39.2%	34.6%	38.4%

Common Stock Warrant

As a result of the Elance-oDesk Combination, a common stock warrant that was originally issued by oDesk prior to the Elance-oDesk Combination became exercisable to purchase up to 45,286 shares of common stock at an exercise price of \$0.06 per share. The warrant was outstanding and exercisable as of December 31, 2016 and 2017 with the fair value of the warrant reflected in additional paid-in capital in the consolidated balance sheets. In May 2018, the Company issued 45,286 shares of common stock upon the exercise of this common stock warrant.

In April 2018, the Company established The Upwork Foundation initiative. The program will include a donor-advised fund created through the Tides Foundation. In May 2018, the Company issued a warrant to purchase 500,000 shares of its common stock at an exercise price of \$0.01 per share to the Tides Foundation. The vesting and exercisability provisions of the warrant are contingent upon an IPO.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 8—Preferred and Common Stock Warrants (Continued)

This warrant is exercisable as to 1/10th of the shares on each anniversary of the IPO, with proceeds from the sale of such shares to be donated in accordance with the Company's directive. There has been no effect (unaudited) on the Company's consolidated financial statements as of and for the six months ended June 30, 2018.

Note 9—Common Stock

Holders of common stock are entitled to one vote per share and are entitled to dividends on a pro rata basis with the holders of redeemable convertible preferred stock whenever funds are legally available and when, as, and if declared by the Company's board of directors, subject to the rights of the holders of the Company's redeemable convertible preferred stock.

As of December 31, 2016 and 2017, and June 30, 2018 (unaudited), the Company was authorized to issue 150,000,000 shares of common stock. As of December 31, 2017 and June 30, 2018 (unaudited), the Company had reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	<u>December 31,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>
Options issued and outstanding	23,607,746	22,932,222
Warrant to purchase redeemable convertible preferred stock	398,331	398,331
Warrant to purchase common stock	45,286	500,000
Conversion of redeemable convertible preferred stock	61,279,079	61,279,079
Remaining shares reserved for future issuances under 2014 Plan	<u>3,962,024</u>	<u>2,543,154</u>
Total	<u>89,292,466</u>	<u>87,652,786</u>

Note 10—Stock-Based Compensation*Assumed Awards*

In connection with the Elance-oDesk Combination, the Company assumed substantially all stock options outstanding under the Elance 1999 Stock Option Plan (the "Elance 1999 Plan") and the Elance 2009 Stock Option Plan (the "Elance 2009 Plan"). Such assumed options were converted into options to purchase the Company's common stock. In addition, all stock options outstanding under the oDesk Corporation 2004 Stock Plan (the "oDesk Plan") were converted into options to purchase shares of the Company's common stock, with the number of shares that could be purchased under each option reduced by approximately 16.14%. The exercise price of all options was simultaneously increased such that the then-aggregate exercise price payable by holders did not change. These options generally vest over a four-year period from the original date of grant and expire ten years from the original grant date.

2014 Stock Option Plan

In March 2014, the Company's board of directors and, in June 2014, the Company's stockholders approved the 2014 Equity Incentive Plan (the "2014 EIP"). The total number of shares of common stock reserved and available for grant and issuance pursuant to such plan was originally 12,462,985 plus (i) shares that were then subject to outstanding option grants under the oDesk Plan, the Elance 1999 Plan, and the Elance 2009 Plan (collectively, the "Prior Plans") but subsequently ceased to be subject to an award for any reason other than exercise of a stock option, (ii) shares that had been reserved but not subject to any outstanding awards under the Prior Plans and (iii) shares issued under the Prior Plans that were repurchased, forfeited, or used to pay employee

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 10—Stock-Based Compensation (Continued)

withholding or exercise price obligations. The number of shares available for grant under the 2014 EIP was increased by 3,001,091 shares and 4,500,000 shares in August 2014 and October 2017, respectively. Under the terms of the 2014 EIP, incentive stock options may be granted at prices not less than 100% of the fair value of the Company's common stock on the date of grant unless determined in writing by the Company's board of directors. The options granted under the 2014 EIP generally vest over a four-year period from the original date of grant and expire ten years from the original grant date.

The following table summarizes activity under the Company's stock option plans:

	Options Outstanding				
	Shares Available for Grant	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balances at January 1, 2016	4,193,938	20,710,510	\$ 2.79	8.28	\$ 8,634
Granted	(2,624,450)	2,624,450	3.20		
Exercised	—	(272,591)	0.99		
Forfeited and cancelled	2,132,867	(2,132,867)	2.93		
Balances at December 31, 2016	3,702,355	20,929,502	2.85	7.58	11,149
Authorized	4,500,000	—			
Granted	(5,803,596)	5,803,596	3.58		
Issuance of common stock to consultants	(7,143)	—			
Exercised	—	(1,554,944)	1.64		
Forfeited and cancelled	1,570,408	(1,570,408)	2.98		
Balances at December 31, 2017	3,962,024	23,607,746	3.10	7.39	22,260
Vested and exercisable as of December 31, 2017		12,438,113	2.83	6.40	15,067
Vested and expected to vest as of December 31, 2017		21,958,118	3.14	7.43	19,773
Granted (unaudited)	(1,775,400)	1,775,400	4.43		
Exercised (unaudited)	—	(2,094,394)	2.04		
Forfeited and cancelled (unaudited)	356,530	(356,530)	3.52		
Balances at June 30, 2018 (unaudited)	2,543,154	22,932,222	3.29	7.27	76,129
Vested and exercisable as of June 30, 2018 (unaudited)		12,397,563	3.03	6.31	44,334
Vested and expected to vest as of June 30, 2018 (unaudited)		22,932,222	3.29	7.27	76,129

Aggregate intrinsic value represents the difference between the exercise price of the options and the estimated fair value of the Company's common stock as determined by its board of directors. The intrinsic value of options exercised was \$0.6 million and \$2.9 million for the years ended December 31, 2016 and 2017, respectively, and \$2.3 million (unaudited) and \$5.9 million (unaudited) for the six months ended June 30, 2017 and 2018, respectively.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 10—Stock-Based Compensation (Continued)

The weighted-average grant-date fair value of options granted was \$1.41 and \$1.54 for the years ended December 31, 2016 and 2017, respectively, and \$1.45 (unaudited) and \$1.87 (unaudited) for the six months ended June 30, 2017 and 2018, respectively. As of December 31, 2017, total unrecognized stock-based compensation cost, net of estimated forfeitures, was \$14.7 million, which is expected to be recognized on a straight-line basis over a weighted-average period of 3.0 years. As of June 30, 2018, total unrecognized stock-based compensation cost was \$15.8 million (unaudited), which is expected to be recognized on a straight-line basis over a weighted-average period of 2.9 years (unaudited).

Stock-Based Compensation

The following table summarizes the components of employee stock-based compensation expense recognized in the consolidated statements of operations (in thousands):

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
Cost of revenue	\$ 193	\$ 290	\$ 193	\$ 105
Research and development	1,820	1,797	839	1,088
Sales and marketing	1,052	1,299	655	671
General and administrative	4,201	3,460	1,604	1,817
Total stock-based compensation	<u>\$ 7,266</u>	<u>\$ 6,846</u>	<u>\$3,291</u>	<u>\$3,681</u>

Included in stock-based compensation expense for the year ended December 31, 2016 and 2017 was \$6.8 million and \$6.4 million, respectively, related to stock option grants, and \$0.5 million and \$0.4 million, respectively, related to secondary market transactions between employees or former employees and third parties in excess of fair value. Included in stock-based compensation expense for the six months ended June 30, 2017 and 2018 was \$3.1 million (unaudited) and \$3.7 million (unaudited), respectively, related to stock option grants and \$0.2 million (unaudited) for the six months ended June 30, 2017 related to secondary market transactions between employees or former employees and third parties in excess of fair value. There was an immaterial secondary transaction between an employee or former employee and third parties during the six months ended June 30, 2018 (unaudited). No stock-based compensation expense was capitalized to internal-use software and platform development costs for the year ended December 31, 2016. The amount of stock-based compensation capitalized to internal-use software and platform development costs for the year ended December 31, 2017 and for the six months ended June 30, 2018 (unaudited) was immaterial.

Determination of Fair Value

The fair value of stock options granted to employees is estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
Dividend yield	0%	0%	0%	0%
Expected term (in years)	6.08	5.3-6.3	5.9-10	5.2-6.27
Risk-free interest rate	1.2%-2.1%	1.9%-2.2%	1.9%-2.7%	2.5%-2.9%
Expected volatility	42%-45%	39%-43%	42-48%	38%-40%

Dividend Yield—The dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 10—Stock-Based Compensation (Continued)

Expected Term—The expected term represents the period that the Company’s stock-based awards are expected to be outstanding. The Company determines the expected term for all awards using the simplified method as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option’s expected term.

Expected Volatility—Since the Company does not have a trading history of its common stock, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company’s industry that the Company considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

Fair Value of Common Stock—Given the absence of a public trading market, the Company’s board of directors considers numerous objective and subjective factors to determine the fair value of its common stock at each grant date. These factors include, but are not limited to: (i) independent contemporaneous third-party valuations of common stock; (ii) the prices for the Company’s redeemable convertible preferred stock sold to outside investors; (iii) the rights and preferences of redeemable convertible preferred stock relative to common stock; (iv) the lack of marketability of its common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an IPO or sale of the Company, given prevailing market conditions.

Stock-Based Compensation to Non-Employees

The Company granted options to purchase 8,000 and 8,500 shares of the Company’s common stock to consultants in conjunction with services performed for the years ended December 31, 2016 and 2017, respectively. Stock-based compensation expense related to non-employees was \$0.2 million and \$0.1 million for the years ended December 31, 2016 and 2017, respectively. Stock-based compensation expense related to non-employees was immaterial (unaudited) for the six months ended June 30, 2017 and 2018.

Secondary Market Transactions

Certain common stockholders (who were employees or former employees of the Company) sold the Company’s common stock in secondary market transactions to third parties in 2016 and 2017. They sold an aggregate of 324,826 shares of common stock for \$1.6 million at an average price of \$4.93 per share for the year ended December 31, 2016. They sold an aggregate of 488,484 shares of common stock for \$2.3 million at an average price of \$4.72 per share for the year ended December 31, 2017. For the six months ended June 30, 2017, an aggregate of 195,000 shares (unaudited) of common stock were sold for \$0.9 million (unaudited) at an average price of \$4.50 per share (unaudited). The incremental value between the sale price and the fair value of the common stock at each date of sale resulted in aggregate stock-based compensation expense of \$0.5 million, \$0.4 million, and \$0.2 million (unaudited) for the years ended December 31, 2016 and 2017, and six months ended June 30, 2017, respectively. There was an immaterial secondary market transaction during the six months ended June 30, 2018 (unaudited).

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 11—Net Loss Per Share Attributable to Common Stockholders

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Year Ended December 31,		Six Months Ended June 30,	
	2016	2017	2017	2018
	(unaudited)			
Numerator:				
Net income (loss)	\$ (16,233)	\$ (4,123)	\$ 1,369	\$ (7,196)
Less: Premium on repurchase of redeemable convertible preferred stock	—	(6,506)	—	—
Less: Undistributed earnings allocable to preferred stockholders	—	—	(1,369)	—
Net loss attributable to common stockholders	<u>\$ (16,233)</u>	<u>\$ (10,629)</u>	<u>\$ —</u>	<u>\$ (7,196)</u>
Denominator:				
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>32,071,604</u>	<u>32,944,714</u>	<u>32,486,660</u>	<u>34,651,331</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.51)</u>	<u>\$ (0.32)</u>	<u>\$ —</u>	<u>\$ (0.21)</u>

The following potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to common stockholders as of December 31, 2016 and 2017 and June 30, 2017 and 2018 because including them would have been anti-dilutive:

	December 31,		June 30,	
	2016	2017	2017	2018
	(unaudited)			
Options to purchase common stock	20,929,502	23,607,746	20,212,796	22,932,222
Common stock issuable upon conversion of redeemable convertible preferred stock	65,464,387	61,279,079	65,547,568	61,279,079
Common stock issuable upon exercise of common stock warrant	45,286	45,286	45,286	500,000
Common stock issuable upon exercise and redeemable conversion of preferred stock warrants	481,512	398,331	398,331	398,331
Total	<u>86,920,687</u>	<u>85,330,442</u>	<u>86,203,981</u>	<u>85,109,632</u>

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 11—Net Loss Per Share Attributable to Common Stockholders (Continued)

Unaudited Pro Forma Net Loss Per Share Attributable to Common Stockholders

The following table sets forth the computation of the Company's unaudited pro forma net loss per share attributable to common stockholders, basic and diluted (in thousands, except share and per share data):

	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Numerator:		
Net loss attributable to common stockholders	\$ (10,629)	\$ (7,196)
Add: Pro forma adjustment for remeasurement of redeemable convertible preferred stock warrant liability	118	359
Add: Pro forma adjustment for premium on repurchase of redeemable convertible preferred stock	6,506	—
Pro forma net loss attributable to common stockholders, basic and diluted	<u>\$ (4,005)</u>	<u>\$ (6,837)</u>
Denominator:		
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	32,944,714	34,651,331
Pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock to common stock	65,127,010	61,279,079
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted	<u>98,071,724</u>	<u>95,930,410</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 11—Net Loss Per Share Attributable to Common Stockholders (Continued)

Supplemental Unaudited Pro Forma Net Loss Per Share Attributable to Common Stockholders

The following table sets forth the computation of the Company's unaudited supplemental pro forma net loss per share attributable to common stockholders, basic and diluted (in thousands, except share and per share data):

	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Numerator:		
Net loss attributable to common stockholders	\$ (10,629)	\$ (7,196)
Add: Pro forma adjustment for remeasurement of redeemable convertible preferred stock warrant liability	118	359
Add: Pro forma adjustment for premium on repurchase of redeemable convertible preferred stock	6,506	—
Add: Pro forma adjustment to reverse interest expense related to repayment of indebtedness, net of tax	42	248
Supplemental pro forma net loss attributable to common stockholders, basic and diluted	<u>\$ (3,963)</u>	<u>\$ (6,589)</u>
Denominator:		
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted	98,071,724	95,930,410
Pro forma adjustment to include additional shares required to be issued to generate proceeds to repay indebtedness	<u>82,192</u>	<u>909,091</u>
Weighted-average shares used to compute supplemental pro forma net loss per share attributable to common stockholders, basic and diluted	<u>98,153,916</u>	<u>96,839,501</u>
Supplemental pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>

Note 12—Income Taxes

The loss before benefit from income taxes consisted of the following:

	Year Ended December 31,	
	2016	2017
	(in thousands)	
Domestic	\$ (16,271)	\$ (4,153)
Foreign	37	8
Total	<u>\$ (16,234)</u>	<u>\$ (4,145)</u>

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 12—Income Taxes (Continued)

The components of the benefit from income taxes were as follows:

	Year Ended December 31,	
	2016	2017
	(in thousands)	
Current:		
Federal	\$ —	\$ —
State	(2)	(1)
Foreign	1	(21)
Total current	<u>\$ (1)</u>	<u>\$ (22)</u>
Deferred:		
Federal	\$ —	\$ —
State	—	—
Foreign	—	—
Total deferred	<u>\$ —</u>	<u>\$ —</u>
Total	<u><u>\$ (1)</u></u>	<u><u>\$ (22)</u></u>

The Company had an effective tax rate of 0.01% and 0.52% for the years ended December 31, 2016 and 2017, respectively. The reconciliation of the statutory federal income tax rate to the Company's effective tax rate was as follows:

	Year Ended December 31,	
	2016	2017
Tax at federal statutory rate	34.00%	34.00%
State tax, net of federal benefit	0.15	1.03
Stock-based compensation	(8.19)	(38.63)
Other items	(0.69)	(2.10)
Research and development credits	—	102.35
Net operating loss expiration	—	(9.29)
Change in valuation allowance	(25.26)	458.55
Rate differential impact on "Tax Cuts and JOBS Act"	—	(545.38)
Effective tax rate	<u><u>0.01%</u></u>	<u><u>0.53%</u></u>

The change in valuation allowance is primarily related to the reduction of the corporate tax rate and \$22.6 million revaluation of net deferred tax assets at December 31, 2017.

The Company recorded an income tax provision for the six months ended June 30, 2017 and June 30, 2018 of \$11,000 (unaudited) and \$9,000 (unaudited), respectively. The provision for income taxes consisted primarily of certain state and foreign income taxes. The primary differences between the effective tax rate and the federal statutory tax rate relates to federal and state losses for which the Company does not recognize a benefit with minor offsets for certain state and foreign taxes currently payable.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 12—Income Taxes (Continued)

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities were as follows:

	December 31,	
	2016	2017
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$ 61,582	\$ 39,236
Stock-based compensation	3,214	2,427
Depreciation and amortization	509	245
Non-deductible accrued expenses and reserves	2,861	683
Research and development credits	—	4,629
Gross deferred tax assets	68,166	47,220
Deferred tax liabilities:		
Acquired intangible assets	(3,868)	(1,856)
Net deferred tax assets prior to valuation allowance	64,298	45,364
Valuation allowance	(64,298)	(45,364)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company established a full valuation allowance of \$64.3 million and \$45.4 million at December 31, 2016 and 2017, respectively, against its net deferred tax assets. The Company determines its valuation allowance on deferred tax assets by considering both positive and negative evidence to ascertain whether it is more likely than not that deferred tax assets will be realized. Realization of deferred tax assets is dependent upon the generation of future taxable income, if any, the timing and amount of which are uncertain. Due to the history of losses the Company has generated in the past, the Company believes that it is not more likely than not that all of the deferred tax assets can be realized as of December 31, 2017 and June 30, 2018 (unaudited). Accordingly, the Company has recorded a full valuation allowance on its deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. Among other changes is a permanent reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018. As a result of this rate reduction, the Company revalued its net deferred tax asset at December 31, 2017. This resulted in a reduction of \$22.6 million in the value of the net deferred tax asset, which was fully offset by the change in valuation allowance of \$22.6 million due to the Company's full valuation allowance position.

Due to the complexity of the provision for accelerated expensing of property and the lack of current guidance, under the guidance of Staff Accounting Bulletin No. 118, the Company has taken the provisional amount of \$0.8 million as the bonus depreciation for which the accounting is incomplete but a reasonable estimate can be determined. Additionally, state and local authorities are reviewing federal conformity matters. Provisional amounts or adjustments to provisional amounts identified in the measurement period, as defined, would be included as an adjustment to tax expense or benefit from continuing operations in the period the amounts are determined. The Company has determined a reasonable estimate for the tax reform effects and reported the estimates as a provisional amount in its consolidated financial statements for which the accounting under ASC 740 is completed. As of June 30, 2018, the Company continues to gather information to assess the application of the Tax Act.

UPWORK INC.**Notes to Consolidated Financial Statements (Continued)****Note 12—Income Taxes (Continued)**

The Company had federal and California net operating loss (“NOL”) carryforwards of \$172.9 million and \$38.5 million, respectively, as of December 31, 2017. The federal amounts were generated in the years ended December 31, 1999 through 2017 and will begin to expire in 2019. The California amounts were generated in the years ended December 31, 2007 through 2017 and will begin to expire in 2028. The NOLs generated before 2008 have expired for California purposes.

Utilization of the Company’s NOL and research credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, as well as similar state and foreign provisions.

The Company had federal research and development tax credits carryforwards of \$7.1 million and state research and development tax credit carryforwards of \$8.3 million as of December 31, 2017. The federal credits carryforwards begin expiring in 2019 and the state credits carry forward indefinitely.

The Company has not provided U.S. federal and state income taxes, nor foreign withholding taxes, on undistributed earnings for certain non-U.S. subsidiaries, because such earnings are intended to be indefinitely reinvested. The Act provides for a one-time “deemed repatriation” of accumulated foreign earnings, which has been calculated as \$0.2 million for the year ended December 31, 2017. This one-time deemed repatriation tax is offset by losses from current operating activity. The Company does not expect that future foreign earnings will be subject to U.S. federal income tax since the Company intends to continue reinvesting such earnings outside of the U.S. indefinitely.

Uncertain Tax Positions

As of December 31, 2017, the Company’s total amount of unrecognized tax benefits was \$10.2 million, none of which would impact the Company’s effective tax rate, if recognized.

The activity related to the unrecognized tax benefits was as follows:

	Year Ended December 31,	
	2016	2017
	(in thousands)	
Gross unrecognized tax benefits—beginning balance	\$ 14,130	\$ 17,370
Decrease related to tax positions taken during prior year	—	(7,739)
Increases related to tax positions taken during current year	3,240	569
Gross unrecognized tax benefits—ending balance	<u>\$ 17,370</u>	<u>\$ 10,200</u>

The decrease related to prior year uncertain tax positions reflected above is largely attributable to the completion of a study on the qualifying activities related to research and development costs giving rise to research and development tax credits.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the provision for income taxes in the period that such determination is made. As of December 31, 2017, the Company had not recorded any interest or penalties related to uncertain tax positions. The Company does not anticipate the recorded reserves to change significantly in the next twelve months as the Company has a history of operating losses.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 12—Income Taxes (Continued)

Due to certain tax attribute carryforwards, the tax years 1999 to 2017 remain open to examination by the major taxing jurisdictions in which the Company is subject to tax. As of December 31, 2017, the Company was not under examination by the Internal Revenue Service or any state or foreign tax jurisdiction.

Note 13—Segment and Geographical Information

The Company has determined it operates as one operating and reportable segment for purposes of allocating resources and evaluating financial performance.

The following table sets forth total revenue by type of service (in thousands):

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
			(unaudited)	
Marketplace	\$ 138,484	\$ 178,046	\$83,938	\$107,413
Managed services	25,961	24,506	11,593	14,486
Total	<u>\$ 164,445</u>	<u>\$ 202,552</u>	<u>\$95,531</u>	<u>\$121,899</u>

The Company generates its revenue from freelancers and clients. Marketplace revenue included freelancer service fees of \$101.7 million and \$120.9 million for the years ended December 31, 2016 and 2017, respectively, and client payment processing and administrative fees of \$12.6 million and \$27.9 million for the years ended December 31, 2016 and 2017, respectively. Marketplace revenue included freelancer service fees of \$57.6 million and \$72.0 million for the six months ended June 30, 2017 and 2018 (unaudited), respectively, and client payment processing and administrative fees of \$13.3 million (unaudited) and \$16.8 million (unaudited) for the six months ended June 30, 2017 and 2018, respectively.

The following table sets forth total revenue by geographic area based on the billing address of its freelancers and clients (in thousands):

	<u>Year Ended December 31,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
			(unaudited)	
Freelancers:				
United States	\$ 21,455	\$ 26,596	\$12,345	\$ 18,657
India	20,003	21,880	10,471	12,573
Philippines	13,394	14,761	7,044	8,158
Rest of world	58,519	68,829	33,248	39,184
Total freelancers	<u>\$ 113,371</u>	<u>\$ 132,066</u>	<u>\$63,108</u>	<u>\$ 78,572</u>
Clients:				
United States	\$ 42,455	\$ 55,179	\$25,364	\$ 33,649
Rest of world	8,619	15,307	7,059	9,678
Total clients	<u>\$ 51,074</u>	<u>\$ 70,486</u>	<u>\$32,423</u>	<u>\$ 43,327</u>
Total	<u>\$ 164,445</u>	<u>\$ 202,552</u>	<u>\$95,531</u>	<u>\$121,899</u>

Substantially all of the Company's long-lived assets were located in the United States as of December 31, 2016 and 2017, and as of June 30, 2018 (unaudited).

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 14—401(k) Plan

The Company offers the Upwork Retirement Savings Plan (“Retirement Plan”), a defined contribution plan that allows employees to contribute a portion of their salary, subject to the annual limits. Under the Retirement Plan, eligible employees may defer a portion of their pretax salaries, but not more than the statutory limits. The Retirement Plan provides for a discretionary employer matching contribution. Starting April 2016, the Company began to make matching contributions equal to 50% of each dollar a participant contributed, subject to a maximum contribution of \$5,000 per year. The Company’s total expense for the matching contributions was \$0.9 million and \$1.2 million for the years ended December 31, 2016 and 2017, respectively. The Company’s total expense for the matching contributions was \$0.8 million (unaudited) and \$1.1 million (unaudited) for the six months ended June 30, 2017 and 2018, respectively.

Note 15—Subsequent Events

The Company evaluated subsequent events through June 4, 2018, the date on which its consolidated financial statements were available to be issued.

In May 2018, the Company issued 45,286 shares of common stock upon the exercise of a common stock warrant with an exercise price of \$0.06 per share.

In April 2018, the Company established The Upwork Foundation initiative. The program will include a donor-advised fund created through the Tides Foundation. In May 2018, the Company issued a warrant to purchase 500,000 shares of its common stock at an exercise price of \$0.01 per share to the Tides Foundation. This warrant is exercisable as to 1/10th of the shares on each anniversary of the IPO, with proceeds from the sale of such shares to be donated in accordance with the Company’s directive.

Note 16—Subsequent Events (Unaudited)

The Company evaluated subsequent events through September 6, 2018, the date on which its unaudited interim consolidated financial statements were available to be issued. In connection with the reissuance of the unaudited interim consolidated financial statements in Amendment No. 1 to the Registration Statement on Form S-1, the Company has evaluated subsequent events through September 21, 2018, the date the unaudited interim consolidated financial statements were available to be reissued.

In July 2018, the Company’s board of directors granted options to purchase 2,293,596 shares of common stock to employees at an exercise price of \$6.61 per share. Included in the grants was an option to purchase 1,860,000 shares of common stock issued to Stephane Kasriel, Chief Executive Officer, which vesting is based on the achievement of various business milestones, including the Company completing its IPO before January 2019. In addition, included in the grants were options to purchase 262,500 shares of common stock issued to other employees which vest as to 25% of the award following one year of continuous services from the vesting commencement date and then vest 1/48th of the initial award monthly during the following 36 months. The remaining options to purchase 171,096 shares of common stock granted to all other employees receiving a grant are subject to a specific number of option awards vested each month, based on continuous service by the employee.

In August 2018, the Company’s board of directors granted options to purchase 399,527 shares of common stock to employees at an exercise price of \$8.18 per share. Included in the grants was an option to purchase 150,527 shares of common stock options granted to a board member, with one-third of the award vesting on the one-year anniversary of the vesting commencement date and an additional one-third of the award vesting on each anniversary thereafter. The remaining awards generally contain a 25% cliff vest at the one year anniversary of the vesting commencement date, with 1/48th vesting during the following 36 months.

UPWORK INC.

Notes to Consolidated Financial Statements (Continued)

Note 16—Subsequent Events (Unaudited) (Continued)

In September 2018, the Company entered into a second amendment (“Amendment”) to the 2017 Loan and Security Agreement and amended certain provisions of Facility B—Second term loan and Facility B—Line of credit of the Company’s loan and security agreement with Silicon Valley Bank. The Amendment does not expand the total borrowing capacity as originally agreed in September 2017 as amended in November 2017 (see Note 6). Rather, the amendment expands the types of eligible trade and client accounts receivable considered for the determination of the borrowing base of Facility B—Line of credit. The amendment also provides for a reduction in the interest rate for Facility B—Second term loan, from Prime plus 5.25% to Prime plus 0.25%, from and after the occurrence of an IPO with net proceeds of more than \$50.0 million. To the extent the Company has not yet collected funds for hourly billings from clients which are in-transit due to timing differences in receipt of cash from clients and payments of cash to freelancers, the Company plans, from time to time, to utilize the Facility B—Line of Credit, to fund such shortage of cash.

In September 2018, the Company entered into an agreement to extend its non-cancellable operating lease for its San Francisco office through 2024. From September 1, 2019 through August 31, 2024, total minimum lease payments under the lease agreement are \$15.7 million, with lease payments ranging from \$1 million to \$2.2 million per year from 2019 to 2024.

In September 2018, the Company entered into an agreement for a non-cancellable operating lease for new office space in Chicago through 2024. From June 1, 2019 through October 31, 2024, total minimum lease payments under the lease agreement are \$5.1 million, with lease payments ranging from \$0.5 million to \$1.0 million per year from 2019 to 2024.

Our mission is to create economic opportunities so people have better lives.





PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all costs and expenses to be paid by us, other than underwriting discounts and commissions, in connection with the sale of the common stock being registered hereby. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee, and The Nasdaq Global Market listing fee:

	Amount Paid or to be Paid
SEC registration fee	\$ 21,084
FINRA filing fee	25,902
The Nasdaq Global Market listing fee	250,000
Printing and engraving expenses	520,000
Legal fees and expenses	2,100,000
Accounting fees and expenses	2,200,000
Transfer agent and registrar fees and expenses	18,000
Miscellaneous expenses	865,014
Total	<u>\$ 6,000,000</u>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law, or DGCL, authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the DGCL are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or Securities Act.

As permitted by the DGCL, the Registrant's restated certificate of incorporation to be effective upon the completion of this offering contains provisions that eliminate the personal liability of its directors for monetary damages for any breach of fiduciary duties as a director, except liability for the following:

- any breach of the director's duty of loyalty to the Registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, the Registrant's restated bylaws to be effective upon the completion of this offering, provide that:

- the Registrant is required to indemnify its directors and executive officers to the fullest extent permitted by the DGCL, subject to very limited exceptions;
- the Registrant may indemnify its other employees and agents as set forth in the DGCL;
- the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the DGCL, subject to very limited exceptions; and
- the rights conferred in the restated bylaws are not exclusive.

[Table of Contents](#)

Prior to completion of this offering, the Registrant has entered into indemnification agreements with each of its current directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's restated certificate of incorporation and restated bylaws and to provide additional procedural protections. There is no pending litigation or proceeding involving a director or executive officer of the Registrant for which indemnification is sought. The indemnification provisions in the Registrant's restated certificate of incorporation, restated bylaws, and the indemnification agreements entered into or to be entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant currently carries liability insurance for its directors and officers.

Certain of the Registrant's directors are also indemnified by their employers with regard to service on the Registrant's board of directors.

In addition, the underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act, or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

From September 17, 2015 through September 17, 2018, the Registrant has issued and sold the following securities:

1. The Registrant granted options to employees, directors, and other service providers to purchase an aggregate of 15,743,769 shares of common stock under its 2014 Equity Incentive Plan, or the 2014 Plan, with per share exercise prices ranging from \$3.00 to \$8.18, and has issued 1,847,810 shares of common stock upon exercise of stock options under its 2014 Plan.
2. The Registrant has issued 2,675,933 shares of common stock upon exercise of stock options under the Elance 1999 Stock Option Plan, the oDesk 2004 Stock Plan, and the Elance 2009 Stock Option Plan.
3. In May 2018, the Registrant issued 45,286 shares of common stock upon the exercise of a common stock warrant with an exercise price of \$0.06 per share.
4. In May 2018, in connection with The Upwork Foundation initiative, the Registrant issued a warrant to purchase 500,000 shares of common stock with an exercise price of \$0.01 per share.
5. In October 2017, the Registrant issued restricted stock awards to certain services providers to purchase 7,143 shares of common stock under its 2014 Plan at a purchase price of \$3.68 per share.
6. In June 2017, the Registrant issued 26,000 shares of Series A-1 convertible preferred stock and 57,181 shares of Series A-2 convertible preferred stock upon the exercise of warrants to purchase shares of Series A-1 convertible preferred stock and Series A-2 convertible preferred stock, respectively, each with a per share exercise price of \$3.13.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.

Table of Contents

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<u>Form of Underwriting Agreement.</u>
3.1*	<u>Restated Certificate of Incorporation of the Registrant, as currently in effect.</u>
3.2*	<u>Form of Restated Certificate of Incorporation, to be effective immediately prior to the completion of this offering.</u>
3.3*	<u>Amended and Restated Bylaws of the Registrant, as currently in effect.</u>
3.4*	<u>Form of Restated Bylaws, to be effective immediately prior to the completion of this offering.</u>
4.1*	<u>Form of Common Stock certificate.</u>
4.2*	<u>Amended and Restated Investors' Rights Agreement, dated August 19, 2014, by and among the Registrant and certain security holders of the Registrant, as amended.</u>
4.3*	<u>Warrant, dated September 26, 2013, by and between Elance, Inc. and Silver Lake Waterman Fund, L.P.</u>
4.4*	<u>Warrant, dated May 1, 2018, by and between the Registrant and Tides Foundation.</u>
5.1	<u>Opinion of Fenwick & West LLP.</u>
10.1*	<u>Form of Indemnification Agreement.</u>
10.2*	<u>oDesk 2004 Stock Plan, as amended, and forms of equity agreements thereunder.</u>
10.3*	<u>2014 Equity Incentive Plan, as amended, and forms of equity agreements thereunder.</u>
10.4*	<u>2018 Equity Incentive Plan, to become effective on the date immediately prior to the date of this prospectus, and forms of award agreements thereunder.</u>
10.5*	<u>2018 Employee Stock Purchase Plan, to be effective on the date of this registration statement, and enrollment forms thereunder.</u>
10.6*	<u>2017 Performance Bonus Plan.</u>
10.7*	<u>Severance and Change in Control Agreement, dated May 23, 2018, by and between the Registrant and Stephane Kasriel.</u>
10.8*	<u>Severance and Change in Control Agreement, dated May 23, 2018, by and between the Registrant and Brian Kinion.</u>
10.9*	<u>Severance and Change in Control Agreement, dated May 29, 2018, by and between the Registrant and Hayden Brown.</u>
10.10*	<u>Amended and Restated Offer Letter, dated May 23, 2018, by and between the Registrant and Stephane Kasriel.</u>
10.11*	<u>Amended and Restated Offer Letter, dated May 23, 2018, by and between the Registrant and Brian Kinion.</u>
10.12*	<u>Amended and Restated Offer Letter, dated May 29, 2018, by and between the Registrant and Hayden Brown.</u>
10.13*	<u>Offer Letter, dated February 25, 2015, by and between the Registrant and Elizabeth Nelson.</u>

Table of Contents

10.14	<u>Loan and Security Agreement, dated September 19, 2017, by and between the Registrant and Silicon Valley Bank, as amended.</u>
10.15*	<u>441 Logue Avenue Lease Agreement, dated March 27, 2007, by and between Elance, Inc. and 441 Logue Avenue Associates, LLC, as amended.</u>
10.16*	<u>Offer Letter, dated August 3, 2018, by and between the Registrant and Gary Steele.</u>
21.1*	<u>List of Subsidiaries of the Registrant.</u>
23.1	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.</u>
23.2	<u>Consent of Fenwick & West LLP (included in Exhibit 5.1).</u>
24.1*	<u>Power of Attorney.</u>
99.1*	<u>Consent of Inavero.</u>

* Previously filed.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Mountain View, California, on the day of September 21, 2018.

UPWORK INC.

By: /s/ Stephane Kasriel
Stephane Kasriel
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stephane Kasriel</u> Stephane Kasriel	President, Chief Executive Officer, and Director (Principal Executive Officer)	September 21, 2018
<u>/s/ Brian Kinion</u> Brian Kinion	Chief Financial Officer (Principal Financial and Accounting Officer)	September 21, 2018
<u>*</u> Thomas Layton	Executive Chairman	September 21, 2018
<u>*</u> Gregory C. Gretsch	Director	September 21, 2018
<u>*</u> Kevin Harvey	Director	September 21, 2018
<u>*</u> Daniel Marriott	Director	September 21, 2018
<u>*</u> Elizabeth Nelson	Director	September 21, 2018
<u>*</u> Gary Steele	Director	September 21, 2018

*By: /s/ Stephane Kasriel
Stephane Kasriel
Attorney-in-Fact

Upwork Inc.

[•] Shares
Common Stock
(\$0.0001 par value)

Underwriting Agreement

New York, New York
[•], 2018

Citigroup Global Markets Inc.
Jefferies LLC
As Representatives of the several Underwriters,

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

c/o Jefferies LLC
520 Madison Avenue
New York, New York 10022

Ladies and Gentlemen:

Upwork Inc., a corporation organized under the laws of Delaware (the "Company"), proposes to sell to the several underwriters named in Schedule I hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, [•] shares of common stock, \$0.0001 par value ("Common Stock") of the Company, and the persons named in Schedule II hereto (the "Selling Stockholders") propose to sell to the several Underwriters [•] shares of Common Stock (said shares to be issued and sold by the Company and shares to be sold by the Selling Stockholders collectively being hereinafter called the "Underwritten Securities"). The Company and the Selling Stockholders named in Schedule II hereto also propose to grant to the Underwriters an option to purchase up to [•] and [•], respectively, additional shares of Common Stock solely to cover over-allotments, if any (the "Option Securities;" the Option Securities, together with the Underwritten Securities, being hereinafter called the "Securities"). To the extent there are no additional Underwriters listed on Schedule I other than you, the term Representatives as used herein shall mean you, as Underwriters, and the terms Representatives and Underwriters shall mean either the singular or plural as the context requires. The use of the neuter in this underwriting agreement (this "Agreement") shall include the feminine and masculine wherever appropriate.

As used in this Agreement, the “Registration Statement” means the registration statement referred to in paragraph 1(a) hereof, including the exhibits, schedules and financial statements and any prospectus supplement relating to the Securities that is filed with the Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b) under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “Securities Act”) and deemed part of such registration statement pursuant to Rule 430A under the Securities Act (“Rule 430A”), as amended at the date and time that this Agreement is executed and delivered by the parties hereto (the “Execution Time”), and, in the event any post-effective amendment thereto or any registration statement and any amendments thereto filed pursuant to Rule 462(b) under the Securities Act (a “Rule 462(b) Registration Statement”) becomes effective prior to the Closing Date (as defined in Section 3 hereof), shall also mean such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be; the “Effective Date” means each date and time that the Registration Statement, any post-effective amendment or amendments thereto or any Rule 462(b) Registration Statement became or becomes effective; the “Preliminary Prospectus” means any preliminary prospectus referred to in paragraph 1(a) hereof and any preliminary prospectus included in the Registration Statement at the Effective Date that omits information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A (the “Rule 430A Information”); and the “Prospectus” means the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) under the Securities Act (“Rule 424(b)”) after the Execution Time.

As used in this Agreement, the “Disclosure Package” shall mean (i) the Preliminary Prospectus that is generally distributed to investors and used to offer the Securities (ii) any issuer free writing prospectus, as defined in Rule 433 under the Securities Act (an “Issuer Free Writing Prospectus”), identified in Schedule III hereto, and (iii) any other free writing prospectus, as defined in Rule 405 under the Securities Act (a “Free Writing Prospectus”), that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package.

1. Representations and Warranties.

(i) The Company represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1(i).

(a) The Company has prepared and filed with the SEC a registration statement (file number 333-227207) on Form S-1, including a related preliminary prospectus, for the registration of the offering and sale of the Securities under the Securities Act. Such Registration Statement, including any amendments thereto filed prior to the Execution Time, has become effective. The Company may have filed one or more amendments thereto, including a related preliminary prospectus, each of which has previously been furnished to the Representatives. The Company will file with the SEC a final prospectus relating to the Securities in accordance with Rule 424(b) after the Execution Time. As filed, such final prospectus shall contain all information required by the Securities Act and the rules thereunder and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to the Representatives prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the latest Preliminary Prospectus) as the Company has advised the Representatives, prior to the Execution Time, will be included or made therein.

(b) On the Effective Date, the Registration Statement did, and when the Prospectus is first filed in accordance with Rule 424(b) and on the Closing Date (as defined herein) and on any date on which Option Securities are purchased, if such date is not the Closing Date (a “settlement date”), the Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Securities Act and the rules thereunder; on the Effective Date and at the Execution Time, the Registration Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and on the date of any filing pursuant to Rule 424(b) and on the Closing Date and any settlement date, the Prospectus (together with any supplement thereto) will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto), it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(c) (i) The Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, when taken together as a whole, (ii) each electronic road show, when taken together as a whole with the Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, and (iii) any individual Written Testing-the-Waters Communication (as defined below), when taken together as a whole with the Disclosure Package and the price to the public, the number of Underwritten Securities and the number of Option Securities to be included on the cover page of the Prospectus, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Disclosure Package or any individual Written Testing-the-Waters Communication based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(d) (i) At the time of filing the Registration Statement and (ii) as of the Execution Time (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an Ineligible Issuer (as defined in Rule 405 under the Securities Act (“Rule 405”)), without taking account of any determination by the SEC pursuant to Rule 405 that it is not necessary that the Company be considered an Ineligible Issuer.

(e) From the time of initial confidential submission of the Registration Statement to the SEC (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the Execution Time, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “Emerging Growth Company”). “Testing-the-Waters Communication” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

(f) The Company (i) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Representatives with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act (“Rule 144A”) or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule IV hereto. “Written Testing-the-Waters Communication” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405.

(g) Each Issuer Free Writing Prospectus does not include any information that conflicts with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Underwriter consists of the information described as such in Section 8 hereof.

(h) Each of the Company and its subsidiaries (i) has been duly incorporated or organized and is validly existing as a corporation or other business entity, as applicable, in good standing under the laws of the jurisdiction in which it is chartered or organized with full corporate or other organizational power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Disclosure Package and the Prospectus, and (ii) is duly qualified to do business as a foreign corporation or other business entity and is in good standing under the laws of each jurisdiction which requires such qualification, except in the case of (ii), to the extent it would not reasonably be expected to have a Material Adverse Effect (as defined below); as used in this Agreement, “Material Adverse Effect” shall mean a change or effect that would reasonably be expected to have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business.

(i) The Company has an authorized capitalization as set forth in the Prospectus and all of the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and conform in all material respects to the description of the Common Stock contained in the Disclosure Package and the Prospectus.

(j) All the outstanding shares of capital stock of each significant subsidiary (as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act) (each a “significant subsidiary”) have been duly and validly authorized and issued and are fully paid and non-assessable, and, except as otherwise set forth in the Disclosure Package and the Prospectus, all outstanding shares of capital stock of the significant subsidiaries are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances, except to the extent that such security interests, claims, liens or encumbrances would not reasonably be expected to have a Material Adverse Effect.

(k) The Securities to be issued and sold by the Company to the Underwriters hereunder have been duly authorized and, when issued and delivered against payment therefor as provided herein, will be validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Common Stock contained in the Disclosure Package and the Prospectus.

(l) There is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required (and the Preliminary Prospectus contains in all material respects the same description of the foregoing matters contained in the Prospectus); and the statements in the Preliminary Prospectus and the Prospectus under the headings “Description of Capital Stock,” “Shares Eligible for Future Sale,” “Material U.S. Federal Tax Consequences to Non-U.S. Holders of Our Common Stock,” “Underwriting,” “Business—Escrow Services” and “Risk Factors—We may be subject to escrow, payment services, and money transmitter regulations that may adversely affect our business” insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate and fair summaries of such legal matters, agreements, documents or proceedings.

(m) This Agreement has been duly authorized, executed and delivered by the Company.

(n) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Disclosure Package and the Prospectus, will not be an “investment company” as defined in the Investment Company Act of 1940, as amended.

(o) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except (i) such as have been obtained under the Securities Act, (ii) such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Disclosure Package and the Prospectus and (iii) any necessary qualification under the rules and regulations of the Financial Industry Regulatory Authority (“FINRA”).

(p) Neither the issue and sale of the Securities nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of, or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, (i) the charter or bylaws of the Company or any of its subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its subsidiaries or any of its or their properties; except in the case of (ii) and (iii) as would not reasonably be expected to have a Material Adverse Effect.

(q) No holders of securities of the Company have rights to the registration of such securities under the Registration Statement, except as disclosed in the Disclosure Package and Prospectus or to the extent such securities have been included in the Registration Statement or which rights have been duly waived in writing or otherwise satisfied.

(r) The consolidated historical financial statements and schedules of the Company and its consolidated subsidiaries included in the Preliminary Prospectus, the Prospectus and the Registration Statement present fairly in all material respects the financial condition, results of operations and cash flows of the Company as of the dates and for the periods indicated, comply as to form with the applicable accounting requirements of the Securities Act and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as otherwise noted therein). The selected financial data set forth under the caption “Selected Consolidated Financial and Other Data” in the Preliminary Prospectus, the Prospectus and Registration Statement fairly present in all material respects, on the basis stated in the Preliminary Prospectus, the Prospectus and the Registration Statement, the information included therein.

(s) Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Preliminary Prospectus or the Prospectus under the Securities Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Preliminary Prospectus and the Prospectus regarding “non-

GAAP financial measures” (as such term is defined by the rules and regulations of the SEC) comply with Regulation G of the Securities and Exchange Act 1934, as amended, and the rules and regulations promulgated thereunder (the “Exchange Act”) and Item 10 of Regulation S-K under the Securities Act (“Regulation S-K”), to the extent applicable.

(t) The Company and its subsidiaries have no off-balance sheet arrangements (as defined in Regulation S-K, Item 303(a)(4)(ii)) that may have a material current or future effect on the Company’s financial condition, changes in financial condition results of operations, liquidity, capital expenditures or capital resources.

(u) Other than as set forth in the Disclosure Package and the Prospectus, no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries or its or their property is pending or, to the knowledge of the Company, threatened that (i) would reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) would reasonably be expected to have a Material Adverse Effect.

(v) Each of the Company and each of its subsidiaries owns or leases all such properties as are necessary to the conduct of its operations in all material respects as presently conducted.

(w) Neither the Company nor any subsidiary is in violation or default of (i) any provision of its charter or bylaws, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or such subsidiary or any of its properties, as applicable; except in the case of (ii) and (iii) for such violations or defaults as would not reasonably be expected to have a Material Adverse Effect.

(x) PricewaterhouseCoopers LLP, who have certified certain financial statements of the Company and its consolidated subsidiaries and delivered their report with respect to the audited consolidated financial statements and schedules included in the Disclosure Package and the Prospectus, are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder.

(y) There are no transfer taxes or other similar fees or charges under Federal tax law or the tax laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Securities.

(z) The Company and each of its subsidiaries have filed all tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a Material Adverse Effect, or except as are currently being contested in good faith, or as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto) and have paid all taxes required to be paid by them and any other assessment, fine or penalty levied against them, to the extent that any of the foregoing is due and payable, except for any such tax assessment, fine or penalty that is currently being contested in good faith or for which failure to pay would not have a Material Adverse Effect, or as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(aa) No material labor problem or dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is threatened, and the Company is not aware of any existing or threatened labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, that would reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(bb) Any statistical, industry-related and market-related data included in the Prospectus are based on or derived from sources that the Company reasonably believes are reliable and accurate in all material respects.

(cc) The Company and its subsidiaries taken as a whole are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are commercially reasonable and customary in the businesses in which they are collectively engaged, except as would not have a Material Adverse Effect; all policies of insurance insuring the Company or any of its subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect, except as would not reasonably be expected to have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments, except as would not have a Material Adverse Effect; and, to the knowledge of the Company, there are no material claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(dd) No subsidiary of the Company, except Upwork Escrow Inc., is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(ee) The Company and its subsidiaries possess all material licenses, certificates, permits, franchises and other authorizations issued by all applicable authorities necessary to conduct their respective businesses and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(ff) Except as set forth in or contemplated in the Disclosure Package and the Prospectus, the Company maintains a system of internal accounting controls that have been designed to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and its subsidiaries are not aware of any material weakness in their internal controls over financial reporting, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(gg) To the extent required by applicable law, the Company maintains "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Exchange Act) and such disclosure controls and procedures are effective. The Company has not taken, directly or indirectly, without giving effect to the activities by the Underwriters, any action designed to or that would reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(hh) The Company and its subsidiaries (i) are in material compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received and are in compliance with all material permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) have not received notice of any actual or potential liability under any Environmental Law, in each case, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto). Except as set forth in the Disclosure Package and the Prospectus, neither the Company nor any of the subsidiaries has been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

(ii) None of the following events has occurred or exists: (i) a failure to fulfill the obligations, if any, under the minimum funding standards of Section 302 of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the regulations and published interpretations thereunder with respect to a Plan, determined without regard to any waiver of such obligations or extension of any amortization period that would reasonably be expected to have a Material Adverse Effect; (ii) an audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other federal or state governmental agency or any foreign regulatory agency with respect to the employment or compensation of employees by any of the Company or any of its subsidiaries that would reasonably be expected to have a Material Adverse Effect; (iii) any breach of any contractual obligation, or any violation of law or applicable qualification standards, with respect to the employment or compensation of employees by the Company or any of its subsidiaries that would have a Material Adverse Effect. None of the following events has occurred or is reasonably likely to occur: (i) an increase in the aggregate amount of contributions required to be made to all Plans in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the most recently completed fiscal year of the Company and its subsidiaries that would have a Material Adverse Effect; (ii) an increase in the “accumulated post-retirement benefit obligations” (within the meaning of Statement of Financial Accounting Standards 106) of the Company and its subsidiaries compared to the amount of such obligations in the most recently completed fiscal year of the Company and its subsidiaries that would have a Material Adverse Effect; (iii) any event or condition giving rise to a liability under Title IV of ERISA that would have a Material Adverse Effect; or (iv) the filing of a claim by one or more employees or former employees of the Company or any of its subsidiaries related to their employment that would have a Material Adverse Effect. For purposes of this paragraph, the term “Plan” means a plan (within the meaning of Section 3(3) of ERISA) subject to Title IV of ERISA with respect to which the Company or any of its subsidiaries may have any liability.

(jj) There is and has been no failure on the part of the Company and any of the Company’s directors or officers, in their capacities as such, to comply with any applicable provision of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated in connection thereunder (the “Sarbanes-Oxley Act”) applicable to the Company, including Section 402 relating to loans.

(kk) Neither the Company nor any of its subsidiaries, nor any director or officer thereof, nor to the knowledge of the Company, any affiliate, employee, agent or other person acting on behalf of the Company or any of its subsidiaries has taken any action, directly or indirectly, that has resulted in a violation of the Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act 2010, each as may be amended, or any similar law of any other relevant jurisdiction, or the rules or regulations thereunder (collectively the “Anti-Bribery Laws”). Neither the Company nor any of its subsidiaries, nor any director or officer thereof, nor to the knowledge of the Company, any affiliate,

employee, agent or other person acting on behalf of the Company or any of its subsidiaries has, directly or indirectly: (i) used any corporate funds for unlawful contributions, loans, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made, offered or authorized any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns; (iii) made, offered or authorized any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment to any person; or (iv) been made aware of any allegation or conducted any investigation of potential or actual violations concerning the Anti-Bribery Laws. No part of the proceeds of the offering will be used, directly or indirectly, in violation of the Anti-Bribery Laws. The Company and its subsidiaries have instituted and maintained policies and procedures designed to promote and achieve compliance with the Anti-Bribery Laws, including the books and records and internal controls provisions of the Foreign Corrupt Practices Act of 1977, as amended.

(ll) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable money laundering statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency, including but not limited to the Bank Secrecy Act and USA PATRIOT Act (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened. The Company is not considered a “money services business” as defined by the Money Laundering Laws.

(mm) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or controlled affiliate of the Company or any of its subsidiaries (i) is currently the subject of any sanctions administered or enforced by the United States (including any sanctions administered or enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or the Bureau of Industry and Security of the U.S. Department of Commerce), the United Nations Security Council, the European Union, a member state of the European Union (including sanctions administered or enforced by Her Majesty’s Treasury of the United Kingdom) or other relevant sanctions authority (collectively, “Sanctions” and such persons, “Sanctioned Persons” and each such person, a “Sanctioned Person”), (ii) is located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions that broadly prohibit dealings with that country or territory (collectively, “Sanctioned Countries” and each, a “Sanctioned Country”) or (iii) will, directly or indirectly, use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity in any manner that would result in a violation of any Sanctions by, or could result in the imposition of Sanctions against, any individual or entity (including any individual or entity participating in the offering, whether as underwriter, advisor, investor or otherwise).

(nn) Neither the Company nor any of its subsidiaries has knowingly engaged in any dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country, in the preceding five years, nor does the Company or any of its subsidiaries have any plans to engage in dealings or transactions with or for the benefit of a Sanctioned Person, or with or in a Sanctioned Country.

(oo) The Company conducts, and during the past five years has conducted, its export transactions in material compliance with (i) all applicable U.S. export and reexport controls, including the United States Export Administration Act and Regulations and Foreign Assets Control Regulations, and (ii) all other applicable import/export controls in other countries in which the Company conducts business.

(pp) (A) The Company and its subsidiaries (i) solely and exclusively own all patents, copyrights, trade secrets and other rights in confidential information or know-how, trademarks, service marks, trade names, domain names, and other intellectual property and proprietary rights and similar, equivalent or corresponding rights in or to any of the foregoing anywhere in the world (collectively, "Intellectual Property Rights") owned or purported to be owned by the Company or its subsidiaries ("Company IPR"), free and clear of any liens or encumbrances, and (ii) to the Company's knowledge (without having conducted any special investigation or patent search), own, license, or otherwise possess adequate rights (including all Intellectual Property Rights), on commercially reasonable terms, to use all software, inventions, confidential information, systems, technology, and other tangible embodiments of Intellectual Property Rights used in the business and operations of the Company and its subsidiaries (the "Business") or necessary for the conduct of the Business as now conducted or as proposed in the Disclosure Package and the Prospectus to be conducted; except where failure to have any of the foregoing would not have a Material Adverse Effect. (B) Except as described in the Disclosure Package and the Prospectus, there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by any third party (i) alleging that the Business, or any products or services developed, distributed, or offered by the Company or its subsidiaries ("Company Products") infringe, misappropriate or otherwise violate any Intellectual Property Rights of any third party, or (ii) challenging the Company's or its subsidiaries' rights in or to any Company IPR or the validity, enforceability, or scope of any Company IPR, and, in each case, the Company has not received any written notice of any such claim, and is unaware of any facts which would form a reasonable basis for any such claim or notice, in each case, except for any such claims or notices which are not required to be set forth in the Disclosure Package and the Prospectus. (C) Except as described in the Disclosure Package and the Prospectus, the Company has not brought any action, suit, proceeding or claim or sent any notice alleging any infringement or misappropriation, or other violation by third parties of any Company IPR, and is unaware of any facts which would form a reasonable basis for any such claim or notice, in each case, except for any such claims or notices which are not required to be set forth in the Disclosure Package and the Prospectus. (D) Except as would not be material to the Company and its subsidiaries, taken as a whole, the Company and its subsidiaries have taken reasonable steps to prevent unauthorized use of any trademarks that are Company IPR. (E) Except as would not be material to the Company and its subsidiaries, taken as a whole, the Company and its subsidiaries have taken steps reasonably necessary to secure interests in the Company IPR from their employees, consultants, agents and contractors. (F) The Company and its subsidiaries are not a party

to or bound by any material options, licenses or agreements (i) pursuant to which any third party has licensed any material Intellectual Property Rights to the Company or its subsidiaries, (ii) pursuant to which the Company or its subsidiaries have licensed any material Company IPR to any third party, or (iii) which are otherwise material to the operation of the Business, in each case, that are required to be set forth in the Disclosure Package and the Prospectus and are not described in all material respects. (G) Except as set forth in the Disclosure Package and the Prospectus under the caption “Business—Intellectual Property,” and as would not have a Material Adverse Effect, the Company and its subsidiaries have not received any complaints or other claims from users of the Company Products, except for any such claims received and resolved in the ordinary course of business without material liability to the Company, and the Company is unaware of any facts which would form a reasonable basis for any such claim, including any disputes between users of the Company Products. (H) Except as would not have a Material Adverse Effect, no government funding, facilities or resources of a university, college, other educational institution or research center or funding from third parties was used in the development of any Company IPR or Company Product, and, to the Company’s knowledge, no governmental agency or body, university, college, other educational institution or research center has any claim or right in or to any Company IPR. (I) Except as would not be material to the Company and its subsidiaries, taken as a whole, the Company and its subsidiaries have taken reasonable steps in accordance with standard industry practice to maintain the confidentiality of all material trade secrets and other confidential information owned, used or held for use by the Company or any of its subsidiaries that the Company intended to maintain as trade secrets or as confidential information. (J) Except as would not have a Material Adverse Effect, to the extent the Company or its subsidiaries include in any product developed or distributed by the Company any software or other material distributed under an “open source” or similar licensing model that meets the definition of “open source” promulgated by the Open Source Initiative located online at <http://opensource.org/osd> (including but not limited to the GNU General Public License, GNU Lesser General Public License and GNU Affero General Public License) (“Open Source Materials”), the Company and its subsidiaries have used Open Source Materials in compliance with license terms applicable to such Open Source Materials. (K) Except as would not have a Material Adverse Effect, none of the Company Products incorporates or uses Open Source Materials in a manner that requires or has required (i) the Company or any of its subsidiaries to permit reverse-engineering of any of the Company’s or its subsidiaries’ proprietary software or other proprietary technology (“Company Technology”), or (ii) any Company Technology to be (x) disclosed or distributed in source code form, (y) licensed for the purpose of making derivative works, or (z) redistributable at no charge or minimal charge.

(qq) To the Company’s knowledge, the information technology systems, equipment and software used by the Company or any of its subsidiaries in their respective businesses (the “IT Assets”) (i) operate and perform in all material respects in accordance with their documentation and functional specifications and otherwise as required by the Business of the Company and its subsidiaries, (ii) except as described in the Disclosure Package and the Prospectus, have not materially malfunctioned or failed since January 1, 2016 and (iii) are free of any viruses, “back doors,” “Trojan horses,” “time bombs,” “worms,” “drop dead devices” or other software or hardware components that are

designed to interrupt use of, permit unauthorized access to, or disable, damage or erase, any software material to the Business. Except as would not, individually or in the aggregate, have a Material Adverse Effect, the Company and its subsidiaries have implemented commercially reasonable backup and disaster recovery technology processes consistent with industry standard practices. No person has gained unauthorized access to any IT Asset since January 1, 2016 in a manner that has resulted in or caused, or would reasonably be expected to result in or cause, a Material Adverse Effect.

(rr) The Company and its subsidiaries (i) have operated their respective businesses in a manner compliant with applicable laws, regulations and contractual obligations applicable to the receipt, collection, handling, processing, sharing, transfer, usage, disclosure or storage of all user data and all other information, including personally identifiable information, financial data, IP addresses, device identifiers and website usage activity (“Personal and Device Data”) by or for the Company and its subsidiaries (“Privacy Legal Obligations”), (ii) have implemented, maintained, and complied with, and are in compliance with reasonable and appropriate policies and procedures designed to ensure compliance with Privacy Legal Obligations and the privacy, integrity, security and confidentiality of all Personal and Device Data handled, processed, collected, shared, transferred, used, disclosed and/or stored in connection with the Company’s and its subsidiaries’ operation of their respective businesses, and (iii) have and do use commercially reasonable efforts to require all third parties to which they provide, or that they permit to collect, maintain or otherwise process any Personal and Device Data (“Data Processors”) to use reasonable efforts to maintain the privacy and security of such Personal and Device Data and to comply with all applicable Privacy Legal Obligations; except in the case of (i), (ii) or (iii) where the failure to so comply has not resulted in or caused, and would not be reasonably expected to have, a Material Adverse Effect. Neither the Company nor any of its subsidiaries has experienced any security incident that has compromised the privacy and/or security of any Personal and Device Data, except as has not resulted in or caused, or that would reasonably be expected to result in or cause, a Material Adverse Effect.

(ss) The Company has not sold or issued any shares of capital stock during the six-month period preceding the date of the Prospectus, including any sales pursuant to Rule 144A or Regulation D of the Securities Act, other than (i) shares issued pursuant to employee benefit plans, stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants, or (ii) as disclosed in the Disclosure Package and the Prospectus.

(tt) There are no relationships or related-party transactions involving the Company, any of the subsidiaries or consolidated affiliated entities, or any other person required to be described in the Disclosure Package or the Prospectus which have not been described as required under Section 404 of Regulation S-K.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

(ii) Each Selling Stockholder, severally and not jointly, represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1(ii).

(a) Such Selling Stockholder is the record and beneficial owner of the Securities to be sold by it hereunder free and clear of all liens, encumbrances, equities and claims and has duly endorsed such Securities in blank, and has full power and authority to sell its interest in the Securities, and, assuming that each Underwriter acquires its interest in the Securities it has purchased from such Selling Stockholder without notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code (“UCC”)), each Underwriter that has purchased such Securities delivered on the Closing Date to The Depository Trust Company or other securities intermediary by making payment therefor as provided herein, and that has had such Securities credited to the securities account or accounts of such Underwriters maintained with The Depository Trust Company or such other securities intermediary will have acquired a security entitlement (within the meaning of Section 8-102(a)(17) of the UCC) to such Securities purchased by such Underwriter, and no action based on an adverse claim (within the meaning of Section 8-105 of the UCC) may be successfully asserted against such Underwriter with respect to such Securities.

(b) Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(c) Certificates in negotiable form or book entry securities entitlements for such Selling Stockholder’s Securities have been placed in custody, for delivery pursuant to the terms of this Agreement, under a Custody Agreement and Power of Attorney duly authorized (if applicable), executed and delivered by such Selling Stockholder, in the form heretofore furnished to the Representatives (the “Custody Agreement”) with Computershare Inc., as Custodian (the “Custodian”); the Securities represented by the certificates so held in custody for each Selling Stockholder are subject to the interests hereunder of the Underwriters; the arrangements for custody and delivery of such certificates or book entry securities entitlements, made by such Selling Stockholder hereunder and under the Custody Agreement, are not subject to termination by any acts of such Selling Stockholder, or by operation of law, whether by the death or incapacity of such Selling Stockholder or the occurrence of any other event; and if any such death, incapacity or any other such event shall occur before the delivery of such Securities hereunder, certificates for the Securities or book entry securities entitlements will be delivered by the Custodian in accordance with the terms and conditions of this Agreement and the Custody Agreement as if such death, incapacity or other event had not occurred, regardless of whether or not the Custodian shall have received notice of such death, incapacity or other event.

(d) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by such Selling Stockholder of the transactions contemplated herein, except such as may have been obtained under the Securities Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters and such other approvals as have been obtained.

(e) Neither the sale of the Securities being sold by such Selling Stockholder nor the consummation of any other of the transactions herein contemplated by such Selling Stockholder or the fulfillment of the terms hereof by such Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under (a) the charter, by-laws or other organizational documents of such Selling Stockholder, (b) the terms of any indenture or other agreement or instrument to which such Selling Stockholder or any of its subsidiaries is a party or bound, or (c) any statute, law or any judgment, order or decree applicable to such Selling Stockholder or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder or any of its subsidiaries; except in the case of (b) or (c) where such conflict, breach, violation or default would not impair the ability of such Selling Stockholder to consummate the transactions contemplated by this Agreement.

(f) Such Selling Stockholder is not prompted to sell its Securities by any material information concerning the Company or any of its subsidiaries which is not set forth in the Disclosure Package and the Prospectus.

(g) Any statements in in the Registration Statement, the Prospectus, any Preliminary Prospectus or any Free Writing Prospectus or any amendment or supplement thereto used by the Company or any Underwriter, as the case may be, made in reliance upon and in conformity with information furnished in writing to the Company by any Selling Stockholder specifically for use in connection with the preparation thereof, do not include any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood and agreed that the only information furnished in writing to the Company by such Selling Stockholder consists of the name of such Selling Stockholder, the number of offered shares and the address and other information with respect to such Selling Stockholder (excluding percentages) which appear in the Registration Statement, the Prospectus, any Preliminary Prospectus or any other Free Writing Prospectus or any amendment or supplement thereto in the table (and corresponding footnotes) under the caption "Principal and Selling Stockholders" (the "Selling Stockholder Information").

(h) Such Selling Stockholder represents and warrants that it is not (1) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) a plan or account subject to Section 4975 of the Internal Revenue Code of 1986, as amended, or (3) an entity deemed to hold "plan assets" of any such plan or account under Section 3(42) of ERISA, 29 C.F.R. 2510.3-101, or otherwise.

Any certificate signed by any Selling Stockholder and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by such Selling Stockholder, as to matters covered thereby, to each Underwriter.

2. Purchase and Sale.

(a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company and the Selling Stockholders agree, severally and not jointly, to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Stockholders, at a purchase price of \$[•] per share, the amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule I hereto.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company and the Selling Stockholders named in Schedule II hereto hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to [•] Option Securities at the same purchase price per share as the Underwriters shall pay for the Underwritten Securities, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Securities but not payable on the Option Securities. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Securities by the Underwriters. Said option may be exercised in whole or in part at any time on or before the 30th day after the date of the Prospectus upon written or telegraphic notice by the Representatives to the Company and such Selling Stockholders setting forth the number of shares of the Option Securities as to which the several Underwriters are exercising the option and the settlement date. The maximum number of Option Securities to be sold by the Company is [•] and the maximum aggregate number of Option Securities to be sold by the Selling Stockholders is [•]. The maximum number of Option Securities which each Selling Stockholder agrees to sell is set forth in Schedule II hereto. In the event that the Underwriters exercise less than their full option to purchase Option Securities, the number of Option Securities to be sold by the Company and each Selling Stockholder listed on Schedule II shall be, as nearly as practicable, in the same proportion as the maximum number of Option Securities to be sold by the Company and each Selling Stockholder and the number of Option Securities to be sold. The number of Option Securities to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Securities, subject to such adjustments as the Representatives in their absolute discretion shall make to eliminate any fractional shares.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 2(b) hereof shall have been exercised on or before the third Business Day immediately preceding the Closing Date) shall be made at [10:00] AM, New York City time, on [•], 2018, or at such time on such later date not more than three Business Days after the foregoing date as the Representatives shall designate, which date and time may be postponed by agreement among the Representatives, the Company and the Selling Stockholders or as provided in Section 9 hereof (such date and time of delivery and payment for the Securities being herein called the "Closing Date"). As used herein,

“**Business Day**” shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City. Delivery of the Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the respective aggregate purchase prices of the Securities being sold by the Company and each of the Selling Stockholders to or upon the order of the Company and the Selling Stockholders by wire transfer payable in same-day funds to the accounts specified by the Company and the Selling Stockholders. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of The Depository Trust Company unless the Representatives shall otherwise instruct.

Each Selling Stockholder will pay all applicable state transfer taxes, if any, involved in the transfer to the several Underwriters of the Securities to be purchased by them from such Selling Stockholder and the respective Underwriters will pay any additional stock transfer taxes involved in further transfers.

If the option provided for in Section 2(b) hereof is exercised after the second Business Day immediately preceding the Closing Date, the Company and the Selling Stockholders named in Schedule II hereto will deliver the Option Securities (at the expense of the Company) to the Representatives, at 388 Greenwich Street, New York, New York, on the date specified by the Representatives (which shall be within two Business Days after exercise of said option) for the respective accounts of the several Underwriters, against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company and the Selling Stockholders named in Schedule II by wire transfer payable in same-day funds to an account specified by the Company and the Selling Stockholders named in Schedule II hereto. If settlement for the Option Securities occurs after the Closing Date, the Company and such Selling Stockholders will deliver to the Representatives on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 6 hereof.

4. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

5. Agreements.

(i) The Company agrees with the several Underwriters that:

(a) Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement to the Prospectus or any Rule 462(b) Registration Statement unless the Company has furnished the Representatives a copy for their review prior to filing and will not file any such proposed amendment or supplement to which the Representatives reasonably object. The Company will cause the Prospectus, properly completed, and any supplement thereto to be filed in a form approved by the Representatives with the SEC pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide

evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (i) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the SEC pursuant to Rule 424(b) or when any Rule 462(b) Registration Statement shall have been filed with the SEC, (ii) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (iii) of any request by the SEC or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (iv) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of any notice objecting to its use or the institution or threatening of any proceeding for that purpose and (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the occurrence of any such suspension or objection to the use of the Registration Statement and, upon such issuance, occurrence or notice of objection, to obtain as soon as possible the withdrawal of such stop order or relief from such occurrence or objection, including, if necessary, by filing an amendment to the Registration Statement or a new registration statement and using its best efforts to have such amendment or new registration statement declared effective as soon as practicable.

(b) If, at any time prior to the filing of the Prospectus pursuant to Rule 424(b), any event occurs as a result of which the Disclosure Package would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, the Company will (i) notify promptly the Representatives so that any use of the Disclosure Package may cease until it is amended or supplemented; (ii) amend or supplement the Disclosure Package to correct such statement or omission; and (iii) supply any amendment or supplement to the Representatives in such quantities as they may reasonably request.

(c) If, at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act ("Rule 172")), any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with the Securities Act or the rules thereunder, the Company promptly will (i) notify the Representatives of any such event; (ii) prepare and file with the SEC, subject to the second sentence of paragraph (a) of this Section 5, an amendment or supplement which will correct such statement or omission or effect such compliance; and (iii) supply any supplemented Prospectus to the Representatives in such quantities as they may reasonably request.

(d) As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 under the Securities Act; provided that the Company will be deemed to have satisfied this obligation to the extent it files such documents on the EDGAR systems of the Commission.

(e) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement (including exhibits thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172), as many copies of each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus and any supplement thereto as the Representatives may reasonably request. The Company will pay the expenses of printing or other production of all documents relating to the offering subject to Section 5(k) hereof.

(f) The Company will arrange, if necessary, for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives may designate and will maintain such qualifications in effect so long as required for the distribution of the Securities; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, in any jurisdiction where it is not now so subject.

(g) The Company will not, without the prior written consent of Citigroup Global Markets Inc. and Jefferies LLC, offer, sell, contract to sell, pledge, or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any controlled affiliate of the Company, directly or indirectly, including the filing (or participation in the filing) of a registration statement with the SEC in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any other shares of Common Stock or any securities convertible into, or exercisable, or exchangeable for, shares of Common Stock, or publicly announce an intention to effect any such transaction, for a period of 180 days after the date of this Agreement. The restrictions contained in the preceding sentence shall not apply to (i) the Securities to be sold hereunder, (ii) the issuance and sale of Common Stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of Common Stock pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan of the Company in effect at the Execution Time, (iii) the issuance of shares of Common Stock issuable upon the exercise (including net exercise) of an option or warrant, vesting or settlement of a restricted stock unit, or the exercise, conversion or exchange of a security outstanding at the Execution Time, (iv) entering into an agreement providing for the issuance by the Company of shares of Common Stock or any security convertible into or exercisable for shares of Common Stock in connection with the acquisition by the Company or any of its subsidiaries of the securities, business, technology, property or other assets of another

person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement, (v) entering into any agreement approved by the Company's Board of Directors providing for the issuance of shares of Common Stock or any security convertible into or exercisable for shares of Common Stock in connection with joint ventures, commercial relationships, charitable contributions or other strategic transactions, and the issuance of any such securities pursuant to any such agreement and (vi) the filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to the Company's equity-based compensation plans that are described in the Prospectus or any assumed employee benefit plan contemplated by clause (iv); provided that in the case of clauses (iv) and (v), the aggregate number of shares of Common Stock that the Company may sell or issue or agree to sell or issue pursuant to clauses (iv) and (v) shall not exceed 5% of the total number of shares of the Common Stock issued and outstanding immediately following the completion of the transactions contemplated by this Agreement and provided further that in the case of clauses (ii), (iii), (iv) and (v) the Company shall cause each recipient of such securities to execute and deliver to Citigroup Global Markets Inc. and Jefferies LLC, on or prior to the issuance of such securities, a lock-up agreement on substantially the same terms as the lock-up agreements referenced in Section 6(k) hereof for the remainder of the period from the date hereof until and including the date that is 180 days after the date of the Underwriting Agreement (the "Lock-Up Period") and enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of Citigroup Global Markets Inc. and Jefferies LLC.

(h) If Citigroup Global Markets Inc. and Jefferies LLC, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 6(k) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three Business Days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two Business Days before the effective date of the release or waiver.

(i) To confirm that the Company has entered into and will enforce all existing agreements between the Company and any of its securityholders that prohibit the offer, sale, agreement to sell, pledge or other disposition of (or any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) any of the Company's capital stock in connection with the offering and sale of the Securities until, in respect of any particular securityholder, the earlier to occur of (i) the expiration of the Lock-Up Period or (ii) the expiration of any similar arrangement entered into by such securityholder with the Representatives, the Company will direct the transfer agent to place stop transfer restrictions upon any such capital stock of the Company that is bound by such existing "lock-up," "market stand-off," "holdback" or similar provisions of such agreements, including but not limited to in a lock-up letter described in Section 6(k) hereof, for the duration of the periods contemplated in (i) or (ii) of this Section 5(i), as the case may be, and not to release or otherwise grant any waiver of such provisions in such agreements during such periods without the prior written consent of Citigroup Global Markets Inc. and Jefferies LLC, on behalf of the Underwriters.

(j) The Company will not take, directly or indirectly, any action designed to or that would constitute or that would reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(k) The Company agrees to pay the costs and expenses relating to the following matters: (i) the preparation, printing or reproduction and filing with the SEC of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and all amendments or supplements to any of them, as may, in each case, be reasonably requested for use in connection with the offering and sale of the Securities; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Securities, including any stamp or transfer taxes in connection with the original issuance and sale of the Securities; (iv) the printing (or reproduction) and delivery of this Agreement, any blue sky memorandum and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Securities; (v) the registration of the Securities under the Exchange Act and the listing of the Securities on the Nasdaq Global Market (the "Exchange"); (vi) any registration or qualification of the Securities for offer and sale under the securities or blue sky laws of the several states (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such registration and qualification); (vii) any filings required to be made with the FINRA (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such filings); (viii) the transportation and other expenses incurred by or on behalf of Company representatives (not including the underwriters and their representatives) in connection with presentations to prospective purchasers of the Securities, provided that in relation to such presentations, (A) the Company and the Underwriters will each bear 50% of the costs associated with any private or chartered aircraft used, (B) the Company and the Underwriters will each pay their own costs associated with transportation and hotel accommodations and (C) the Underwriters will bear the cost of any expenses associated with hosting presentations or meetings, including meals, undertaken in connection with the marketing of the offering and the sale of the Shares to prospective investors; (ix) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including local and special counsel) for the Company and the Selling Stockholders; and (x) all other costs and expenses incident to the performance by the Company and the Selling Stockholders of their obligations hereunder; provided, however, that the amount payable by the Company pursuant to the fees and disbursements of counsel to the Underwriters described in subsections (vi) and (vii) shall not exceed an aggregate of \$25,000.

(l) The Company agrees that, unless it has or shall have obtained the prior written consent of the Representatives, and each Underwriter, severally and not jointly, agrees with the Company that, unless it has or shall have obtained, as the case may be, the prior written consent of the Company, it has not made and will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a Free Writing Prospectus required to be filed by the Company with the SEC or retained by the Company under Rule 433 under the Securities Act ("Rule 433"); provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Free Writing Prospectuses included in Schedule III hereto. Any such free writing prospectus consented to by the Representatives or the Company is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company agrees that (x) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus, (y) it has complied and will comply, as the case may be, with the requirements of Rule 164 under the Securities Act ("Rule 164") and Rule 433 applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the SEC, legending and record keeping and (z) it will satisfy the conditions under Rule 433 to avoid a requirement to file with the SEC any electronic road show.

(m) The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) completion of the distribution of the Securities within the meaning of the Securities Act and (b) completion of the 180-day restricted period referred to in Section 5(g) hereof.

(n) If at any time following the distribution of any Written Testing-the-Waters Communication authorized by the Company, any event occurs as a result of which such Written Testing-the-Waters Communication authorized by the Company would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made or the circumstances then prevailing not misleading, the Company will (i) notify promptly the Representatives so that use of the Written Testing-the-Waters Communication may cease until it is amended or supplemented; (ii) if requested by the Representatives, amend or supplement the Written Testing-the-Waters Communication to correct such statement or omission; and (iii) if requested by the Representatives, supply any amendment or supplement to the Representatives in such quantities as may be reasonably requested.

(ii) Each Selling Stockholder agrees with the several Underwriters that:

(a) Such Selling Stockholder will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(b) Such Selling Stockholder will advise the Representatives promptly, and if requested by the Representatives, will confirm such advice in writing, so long as delivery of a prospectus relating to the Securities by an underwriter or dealer may be required under the Securities Act, of any change in Selling Stockholder Information in the Registration Statement, the Prospectus any Preliminary Prospectus or any Free Writing Prospectus or any amendment or supplement thereto relating to such Selling Stockholder.

(c) Such Selling Stockholder will not, directly or indirectly, use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person in any manner that will result in a violation of Sanctions by, or could result in the imposition of Sanctions against, any person (including any person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(d) Such Selling Stockholder will not, directly or indirectly, use the proceeds of this offering or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person in any manner that will result in a violation of the Money Laundering Laws.

(e) Such Selling Stockholder represents that it has not prepared or had prepared on its behalf or used or referred to, and agrees that it will not prepare or have prepared on its behalf or use or refer to, any Free Writing Prospectus, and has not distributed and will not distribute any written materials in connection with the offer or sale of the Securities.

6. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities and the Option Securities, as the case may be, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders contained herein as of the Execution Time, the Closing Date and any settlement date pursuant to Section 3 hereof, to the accuracy of the statements of the Company and the Selling Stockholders made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their obligations hereunder and to the following additional conditions:

(a) The Prospectus, and any supplement thereto, have been filed in the manner and within the time period required by Rule 424(b); any other material required to be filed by the Company pursuant to Rule 433(d) shall have been filed with the SEC within the applicable time periods prescribed for such filings by Rule 433; and no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) The Company shall have requested and caused Fenwick & West LLP, counsel for the Company, to have furnished to the Representatives their written opinion and negative assurance letter, each dated as of the Closing Date, in form and substance satisfactory to the Representatives.

(c) The Selling Stockholders shall have requested and caused Whalen LLP, counsel for the Selling Stockholders, to have furnished to the Representatives their opinion dated as of the Closing Date and addressed to the Representatives, in substance and form satisfactory to the Representatives.

(d) The Representatives shall have received from Wilson Sonsini Goodrich & Rosati, P.C., counsel for the Underwriters, such opinion or opinions, dated the Closing Date and addressed to the Representatives, with respect to the issuance and sale of the Securities, the Registration Statement, the Disclosure Package, the Prospectus (together with any supplement thereto) and other related matters as the Representatives may reasonably require, and the Company and each Selling Stockholder shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(e) The Company shall have furnished to the Representatives a certificate of the Company, signed by the chief executive officer and the principal financial or accounting officer of the Company, dated the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Disclosure Package, the Prospectus and any amendment or supplement thereto, as well as each electronic road show used in connection with the offering of the Securities, and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto), there has been no material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(f) The Company shall have requested and required PricewaterhouseCoopers LLP to have furnished to the Representatives, at the Execution Time and at the Closing Date, letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' comfort letters to underwriters with respect to the financial statements and certain financial information contained in the Disclosure Package and the Prospectus; provided, that the letter delivered on the Closing Date shall use a cut-off date no more than two Business Days prior to such Closing Date.

(g) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto), there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 6 or (ii) any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), earnings, business or properties of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto) the effect of which, in any case referred to in clause (i) or (ii) above, is, in the sole judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Registration Statement (exclusive of any amendment thereof), the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(h) Prior to the Closing Date, the Company and the Selling Stockholders shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

(i) Subsequent to the Execution Time, there shall not have been any decrease in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 3(a)(62) under the Exchange Act) or any notice given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(j) The Securities shall have been listed and admitted and authorized for trading on the Exchange, and satisfactory evidence of such actions shall have been provided to the Representatives.

(k) At the Execution Time, the Company shall have furnished to the Representatives a letter substantially in the form of Exhibit A hereto from each officer and director of the Company, each Selling Stockholder and securityholders of the Company representing substantially all of the Company's securities.

(l) The chief financial officer of the Company shall have furnished to the Representatives a certificate as to the accuracy of certain financial and other information included in the Registration Statement, the Disclosure Package, the Prospectus and any amendment or supplement thereto, as well as each electronic road show used in connection with the offering of the Securities, dated as of Closing Date, in form and substance reasonably acceptable to the Representatives.

(m) Prior to the Closing Date, the Company and the Selling Stockholders shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

If any of the conditions specified in this Section 6 shall not have been fulfilled when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company and each Selling Stockholder in writing or by telephone or facsimile confirmed in writing.

The documents required to be delivered by this Section 6 shall be delivered at the office of Wilson Sonsini Goodrich & Rosati, P.C., counsel for the Underwriters, at 650 Page Mill Road, Palo Alto, California, on the Closing Date.

7. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 10 hereof, or because of any refusal, inability or failure on the part of the Company or any Selling Stockholder to perform any agreement herein or comply with any provision hereof, in each case other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally through Citigroup Global Markets Inc. on demand for all reasonable and documented out-of-pocket expenses approved in writing by Citigroup Global Markets Inc. (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities. If the Company is required to make any payments to the Underwriters under this Section 7 because of any Selling Stockholder's refusal, inability or failure to satisfy any condition to the obligations of the Underwriters set forth in Section 6, the Selling Stockholders, pro rata in proportion to the percentage of Securities to be sold by each, shall reimburse the Company on demand for all amounts so paid.

8. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, the directors, officers, employees, affiliates and agents of each Underwriter and each person who controls any Underwriter within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement for the registration of the Securities as originally filed or in any amendment thereof, or in any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus, any "road show" as defined under Rule 433(h) of the Securities Act, or any Written Testing-the-Waters Communication prepared or authorized by the Company or in any amendment thereof or

supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each Underwriter, as incurred, for any documented legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Selling Stockholder severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, each Underwriter, the directors, officers, employees, affiliates and agents of each Underwriter and each person who controls the Company or any Underwriter within the meaning of either the Securities Act or the Exchange Act and each other Selling Stockholder, if any, to the same extent as the foregoing indemnity from the Company to each Underwriter, provided that each Selling Stockholder shall be liable only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the registration statement for the registration of the Securities as originally filed or in any amendment thereof, or in any Preliminary Prospectus, or the Prospectus, any Issuer Free Writing Prospectus, any "road show" as defined under Rule 433(h) of the Securities Act, or any Written Testing-the-Waters Communication or in any amendment thereof or supplement thereto, in reliance upon and in conformity with the Selling Stockholder Information; provided, further, that the aggregate liability under this paragraph (b) and the contribution provisions of paragraph (e) below of each Selling Stockholder shall be limited to an amount equal to the initial public offering price of the Securities sold by such Selling Stockholder to the Underwriters (after deducting underwriting commissions and discounts, but before expenses) (the "Selling Stockholder Proceeds"). This indemnity agreement will be in addition to any liability which any Selling Stockholder may otherwise have.

(c) Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act and each Selling Stockholder, to the same extent as the foregoing indemnity to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The Company and each Selling Stockholder acknowledges that the statements set forth (i) in the last paragraph of the cover page regarding delivery of the Securities and under the heading "Underwriting" (ii) the list of Underwriters and their respective participation in the sale of the Securities, (iii) the sentences related to concessions and reallowances and (iv) the

paragraph related to stabilization, syndicate covering transactions and penalty bids in the Preliminary Prospectus and the Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus.

(d) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (c) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (c) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the reasonable and documented fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable and documented fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party in writing to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (ii) does not include a statement as to an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) In the event that the indemnity provided in paragraph (a), (b) or (c) of this Section 8 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company, the Selling Stockholders and the Underwriters severally agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending the same) (collectively, "Losses") to which the Company, one or more of the Selling Stockholders and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company, by the Selling Stockholders and by the Underwriters from the offering of the Securities. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company, the Selling Stockholders and the Underwriters shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company, of the Selling Stockholders and of the Underwriters in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company and by the Selling Stockholders shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by each of them, and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions, in each case as set forth on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company, the Selling Stockholders on the one hand or the Underwriters on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (e), (i) in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) the aggregate liability of each Selling Stockholder under the contribution provisions contained in this paragraph (e) and the indemnification provisions contained in paragraph (b) above shall be limited to an amount equal to the Selling Stockholder Proceeds. Notwithstanding the provisions of this paragraph (e), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee, affiliate and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (e).

(f) The aggregate liability of each Selling Stockholder under such Selling Stockholder's representations and warranties contained in Section 1(ii) hereof and under the indemnity and contribution agreements contained in this Section 8 shall be limited to the Selling Stockholder Proceeds. The Company and the Selling Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible.

9. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule I hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such non-defaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any non-defaulting Underwriter, the Selling Stockholders or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding five Business Days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company, the Selling Stockholders and any non-defaulting Underwriter for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Securities, if at any time prior to such delivery and payment (i) (A) trading in the Company's Common Stock shall have been suspended by the SEC or the Exchange or (B) trading in securities generally on the Exchange shall have been suspended or limited or minimum prices shall have been established on such exchange, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities, (iii) there shall have occurred a material disruption in commercial banking or securities settlement or clearance services or (iv) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, or other calamity or crisis the effect of which on financial markets is such as to make it, in the sole judgment of the Representatives, impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Preliminary Prospectus or the Prospectus (exclusive of any amendment or supplement thereto).

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers, of each Selling Stockholder and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, any Selling Stockholder or the Company or any of the officers, directors, employees, agents, affiliates or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7, 8 and 9 hereof shall survive the termination or cancellation of this Agreement.

12. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed or delivered to (a) Citigroup Global Markets Inc. at 388 Greenwich Street, New York, New York 10013, Attention: General Counsel and (b) Jefferies LLC, 520 Madison Avenue, New York, New York 10022, Attention: General Counsel; or, if sent to the Company, will be mailed or delivered to Upwork Inc., 441 Logue Avenue, Mountain View, California 94043, Attention: Legal Department; or if sent to any Selling Stockholder will be mailed or delivered to the address set forth in Schedule II hereto.

13. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors, employees, agents and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

14. Jurisdiction. The Company agrees that any suit, action or proceeding against the Company brought by any Underwriter, the directors, officers, employees, affiliates and agents of any Underwriter, or by any person who controls any Underwriter, arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or U.S. federal court in The City of New York and County of New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

15. No Fiduciary Duty. The Company and the Selling Stockholders hereby acknowledge that (a) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Selling Stockholders, on the one hand, and the Underwriters and any affiliate through which it may be acting, on the other, (b) the Underwriters are acting as principal and not as an agent or fiduciary of the Company or the Selling Stockholders and (c) the Company's engagement of the Underwriters in connection with the offering and the process leading up to the offering is as independent contractors and not in any other capacity. Furthermore, the Company and the Selling Stockholders agree that they are solely responsible for making their own judgments in connection with the offering (irrespective of whether any of the Underwriters has advised or is currently advising the Company or any Selling Stockholder on related or other matters). The Company and the Selling Stockholders agree that they will not claim that the Underwriters have rendered advisory services of any nature or respect, or owe an agency, fiduciary or similar duty to the Company or any of the Selling Stockholders, in connection with such transaction or the process leading thereto.

16. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Selling Stockholders and the Underwriters, or any of them, with respect to the subject matter hereof.

17. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

18. Waiver of Jury Trial. The Company, the Underwriters and the Selling Stockholders hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

19. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

20. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Selling Stockholders and the several Underwriters.

Very truly yours,

Upwork Inc.

By: _____

Name:

Title:

The Selling Stockholders named in Schedule II to the foregoing Agreement

By: _____

Name:

Title: Attorney-in-Fact

(Signature Page to Underwriting Agreement)

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Citigroup Global Markets Inc. Jefferies LLC

By: Citigroup Global Markets Inc.

By: _____

Name:

Title:

By: Jefferies LLC

By: _____

Name:

Title:

For themselves and the other several Underwriters named in Schedule I to the foregoing Agreement.

(Signature Page to Underwriting Agreement)

SCHEDULE I

<u>Underwriters</u>	<u>Number of Underwritten Securities to be Purchased</u>
Citigroup Global Markets Inc.	[]
Jefferies LLC	[]
RBC Capital Markets, LLC	[]
Stifel, Nicolaus & Company, Incorporated	[]
JMP Securities LLC	[]
Total	[]

SCHEDULE II

<u>Selling Stockholders</u>	<u>Number of Underwritten Securities to be Sold</u>	<u>Maximum Number of Option Securities to be Sold</u>
[Selling Stockholder name]	[]	[]
[Selling Stockholder address]		
Facsimile number: [insert fax number]		
Total	[]	[]

SCHEDULE III

Schedule of Free Writing Prospectuses included in the Disclosure Package

[list all Free Writing Prospectuses included in the Disclosure Package]

SCHEDULE IV

Schedule of Written Testing-the-Waters Communication

[list all Written Testing-the-Waters Communications]

Upwork Inc.
Public Offering of Common Stock

, 2018

Citigroup Global Markets Inc.
Jefferies LLC
As Representatives of the several Underwriters,

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

c/o Jefferies LLC
520 Madison Avenue
New York, New York 10022

Ladies and Gentlemen:

This letter (this "Letter Agreement") is being delivered to you in connection with the proposed underwriting agreement (the "Underwriting Agreement"), between Upwork Inc., a Delaware corporation (the "Company"), and each of Citigroup Global Markets Inc. and Jefferies LLC, as representatives (the "Representatives") of a group of Underwriters named therein, relating to an underwritten public offering of Common Stock, \$0.0001 par value (the "Common Stock"), of the Company (the "Offering").

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of the Representatives, offer, sell, contract to sell, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the undersigned or any affiliate of the undersigned or any person in privity with the undersigned or any affiliate of the undersigned), directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Securities and Exchange Commission (the "SEC") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC promulgated thereunder with respect to, any shares of capital stock of the Company or any securities convertible into, or exercisable or exchangeable for such capital stock (collectively, the "Lock-Up Securities"), or publicly announce an intention to effect any such transaction, for a period from the date hereof until and including the date that is 180 days after the date of the Underwriting Agreement (the "Lock-Up Period"). If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing restrictions shall be equally applicable to any issuer-directed shares of Common Stock the undersigned may purchase in the Offering.

Notwithstanding the foregoing, the undersigned may transfer Lock-Up Securities:

- (a) as a *bona fide* gift or gifts, or for *bona fide* estate planning purposes;
- (b) to any member of the undersigned's immediate family or to any trust for the direct or indirect benefit of the undersigned or the undersigned's immediate family, or if the undersigned is a trust, to a trustor, trustee or beneficiary of the trust or to the estate of a trustor, trustee or beneficiary of such trust;
- (c) upon death or by will, testamentary document or intestate succession;
- (d) in transactions consisting of shares of Common Stock acquired by the undersigned (A) in the Offering or (B) in open market transactions after the completion of the Offering;
- (e) if the undersigned is a corporation, business trust, association, limited liability company, partnership, limited liability partnership or other entity (individually, an "Entity"), (A) to any Entity which is directly or indirectly controlled by, a wholly-owned subsidiary of, or is under common control with, the undersigned, or (B) as part of a disposition, transfer or distribution by the undersigned to its limited or general partners, members, stockholders or other equityholders or to the estate of any such partners, members, stockholders, or other equityholders;
- (f) to the Company in connection with the vesting or settlement of restricted stock units or the "net" or "cashless" exercise of options, warrants or other rights to purchase shares of Common Stock for purposes of exercising such options, warrants or rights, including any transfer to the Company for the payment of tax withholdings or remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or other rights, in all cases, pursuant to equity awards made under plans, or warrants or other rights, that are described in the registration statement on Form S-1 pursuant to which the Offering is being made (the "Registration Statement");
- (g) to the Company pursuant to (A) equity awards granted under an equity incentive plan or other equity award plan, which plan is described in the Registration Statement or (B) a right of first refusal that the Company has with respect to transfers of such shares or securities;
- (h) pursuant to a *bona fide* third-party tender offer, merger, consolidation or other similar transaction made to all holders of the Company's capital stock involving a Change of Control (as defined below) of the Company that takes place after the completion of the Offering, *provided, that*, in the event that such tender offer, merger, consolidation or other similar transaction is not completed, the Lock-Up Securities held by the undersigned shall remain subject to the provisions of this Letter Agreement;

- (i) in connection with the conversion or reclassification of the outstanding preferred stock or other classes of capital stock of the Company into shares of Common Stock in connection with the consummation of the Offering, in each case, in accordance with the Company's certificate of incorporation, *provided, that*, any such shares of Common Stock received upon such conversion or reclassification shall remain subject to the provisions of this Letter Agreement;
- (j) pursuant to a qualified domestic order or in connection with a divorce settlement or any other court order; or
- (k) to the Representatives pursuant to the Underwriting Agreement.

provided, that, (A) in the case of (a), (b), (c) and (e) above, such transfer shall not involve of a disposition for value, (B) in the case of (a), (b), (c), (e) and (j) above, it shall be a condition to the transfer or distribution that the donee, transferee or distributee, as the case may be, agrees in writing to be bound by the restrictions set forth herein, (C) in the case of (a), (b), (c), (d), and (e) above, no filing under Section 16 of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of Common Stock shall be required or shall be voluntarily made during the Lock-Up Period (other than any required Form 5 filing, which may be made), (D) in the case of (f) above, no filing under Section 16 of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of Common Stock shall be required or shall be voluntarily made during the Lock-Up Period until the later of (a) 60 days after the date of the Underwriting Agreement or (b) the Company's first earnings release following the closing of the Offering, and after such 60th day or earnings release, as the case may be (such period, the "Filing Limitation Period"), and if, following such Filing Limitation Period, the undersigned is required to file a report under Section 16 of the Exchange Act reporting a reduction in beneficial ownership of shares of Common Stock during the Lock-Up Period, the undersigned shall make the filing on Form 4 under transaction code "F" and include a statement in such report to the effect that the purpose of such transfer was either (1) to cover tax withholding obligations of the undersigned or remittance payments due in connection with such vesting, settlement or exercise or (2) in connection with a cashless or net exercise of options, warrants or other rights to purchase shares of Common Stock for purposes of exercising such options, warrants or rights and (E) in the case of (g) and (j) above, no filing under Section 16 of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of Common Stock shall be voluntarily made during the Lock-Up Period and, if the undersigned is required to file a report under Section 16 of the Exchange Act during the Lock-Up Period, the undersigned shall include a statement in such report to the effect that such transfer is to the Company in connection with the repurchase of shares of Common Stock, to the Company pursuant to a right of first refusal, or pursuant to a qualified domestic order or in connection with a divorce settlement or any other court order, as the case may be.

For purposes of this Letter Agreement: “immediate family” shall mean any relationship by blood, marriage, domestic partnership or adoption, not more remote than first cousin; and “Change of Control” shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of the Company’s voting securities if, after such transfer, the Company’s stockholders as of immediately prior to such transfer do not hold a majority of the outstanding voting securities of the Company (or the surviving entity).

If the undersigned is an officer (under the rules and regulations of the Financial Industry Regulatory Authority, Inc. (“FINRA”)) or director of the Company, (i) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, the Representatives will notify the Company of the impending release or waiver, and (ii) if required by FINRA Rule 5131 (or any successor provision thereto), the Company has agreed or will agree in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Letter Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

For avoidance of doubt, nothing in this Letter Agreement prohibits the undersigned from (i) receiving shares of Common Stock from the Company in connection with (A) the exercise of options or the vesting and settlement of restricted stock units or other rights granted under a stock incentive plan or other equity award plan and (B) the exercise of warrants, *provided, that*, in each case, any shares of Common Stock issued upon exercise of such option, warrant or other rights or the vesting and settlement of restricted stock units shall continue to be subject to the restrictions set forth herein until the expiration of the Lock-Up Period or (ii) entering into a written plan meeting the requirements of Rule 10b5-1 under the Exchange Act after the date of this Letter Agreement relating to the transfer of Lock-Up Securities, *provided*, that the securities subject to such plan may not be transferred until after the expiration of the Lock-Up Period and to the extent a public announcement, report or filing under the Exchange Act regarding the establishment of such plan shall be required or voluntarily made during the Lock-Up Period, such announcement, report or filing shall include a statement to the effect that no transfer of securities subject to such plan may be made under such plan until after the expiration of the Lock-Up Period.

In the event that either of the Representatives withdraws from or declines to participate in the Offering, all references to the Representatives contained in this Letter Agreement shall be deemed to refer to the sole Representative that continues to participate in the Offering (the “Sole Representative”), and, in such event, any written consent, waiver or notice given or delivered in connection with this Letter Agreement by Sole Representative shall be deemed to be sufficient and effective for all purposes under this Letter Agreement.

The undersigned hereby consents to receipt of this Letter Agreement in electronic form and understands and agrees that this Letter Agreement may be signed electronically. In the event that any signature is delivered by facsimile transmission, electronic mail, or otherwise by electronic transmission evidencing an intent to sign this Letter Agreement, such facsimile

transmission, electronic mail or other electronic transmission shall create a valid and binding obligation of the undersigned with the same force and effect as if such signature were an original. Execution and delivery of this Letter Agreement by facsimile transmission, electronic mail or other electronic transmission is legal, valid and binding for all purposes.

The undersigned understands that the Company and the Underwriters are relying upon this Letter Agreement in proceeding toward consummation of the Offering. The undersigned further understands that this Letter Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns. The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. This Letter Agreement shall be governed by, and construed in accordance with, the laws of the state of New York.

Notwithstanding anything to the contrary contained herein, this Letter Agreement will automatically terminate and the undersigned will be released from all of his, her or its obligations hereunder upon the earliest to occur, if any, of (i) the date upon which the Company provides the Representatives with written notice, prior to the execution of the Underwriting Agreement, that it has determined not to proceed with the Offering, (ii) the date the Company files an application with the SEC to withdraw the registration statement related to the Offering, (iii) the date of the termination of the Underwriting Agreement (other than the provisions thereof which survive termination) prior to payment for and delivery of the shares of Common Stock to be sold thereunder, or (iv) December 31, 2018, in the event that the Underwriting Agreement has not been executed by such date; *provided, that*, that the Company may, in its sole discretion, by written notice to you prior to December 31, 2018, extend such date for a period of up to three additional months.

[Signature Page Follows]

Yours very truly,

[STOCKHOLDER NAME]

By: _____

Name:

Title:

(Signature Page to Lock-up Agreement)

Upwork Inc.
[•], 20__

Upwork Inc. (the “Company”) announced today that Citigroup Global Markets Inc. and Jefferies LLC, the lead book-running managers in the Company’s recent public sale of [•] shares of common stock, are [waiving] [releasing] a lock-up restriction with respect to [•] shares of the Company’s common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on [•], 20__, and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Upwork Inc.
Public Offering of Common Stock

[•], 20__

[Name and Address
of Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by Upwork Inc. (the "Company") of [•] shares of common stock, \$[•] par value (the "Common Stock"), of the Company and the lock-up letter dated [•], 2018 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated [•], 20__, with respect to [•] shares of Common Stock (the "Shares").

Citigroup Global Markets Inc. and Jefferies LLC each hereby agrees to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective [•], 20__; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

[Signature Page Follows]

Yours very truly,
Citigroup Global Markets Inc.

By: _____
Name:
Title:

Jefferies LLC

By: _____
Name:
Title:

cc: Upwork Inc.

(Signature Page to Waiver of Lock-up)



555 CALIFORNIA STREET, 12TH FLOOR SAN FRANCISCO, CA 94104
TEL: 415.875.2300 FAX: 415.281.1350 WWW.FENWICK.COM

September 21, 2018

Upwork Inc.
441 Logue Avenue
Mountain View, California 94043

Ladies and Gentlemen:

At your request, we have examined the Registration Statement on Form S-1 (File Number 333-227207) (the "**Registration Statement**") initially filed by Upwork Inc., a Delaware corporation (the "**Company**"), with the Securities and Exchange Commission (the "**Commission**") on September 6, 2018, as subsequently amended on September 21, 2018, in connection with the registration under the Securities Act of 1933, as amended (the "**Securities Act**"), of an aggregate of 14,112,199 shares (the "**Stock**") of the Company's Common Stock (the "**Common Stock**"), which number of shares includes the offer and sale of up to 6,271,291 shares of Common Stock to be sold by certain selling stockholders (the "**Selling Stockholders**"), of which (i) up to 6,169,056 of such Stock is presently issued and outstanding (the "**Selling Stockholder Shares**") and (ii) up to 102,235 of such Stock is issuable upon exercise of stock options to be exercised by certain Selling Stockholders (the "**Selling Stockholder Option Shares**").

In rendering this opinion, we have examined such matters of fact as we have deemed necessary in order to render the opinion set forth herein, which included examination of the following:

(1) The Company's Restated Certificate of Incorporation, filed with and certified by the Delaware Secretary of State on August 18, 2014 (as amended to date, the "**Restated Certificate**"), and the Restated Certificate of Incorporation that the Company intends to file and that will be effective upon the consummation of the sale of the Stock (the "**Post-Effective Restated Certificate**").

(2) The Company's Bylaws, as amended to date, certified to us as of the date hereof by an officer of the Company as being complete and in full force and effect as of the date hereof (the "**Bylaws**") and the Restated Bylaws that the Company has adopted in connection with, and that will be effective upon, the consummation of the sale of the Stock (the "**Post-Effective Bylaws**").

(3) The Registration Statement, together with the exhibits filed as a part thereof or incorporated therein by reference.

(4) The prospectus prepared in connection with the Registration Statement (the "**Prospectus**").

(5) The minutes of meetings and actions by written consent of the Company's Board of Directors (the "**Board**") and stockholders (the "**Stockholders**") at which, or pursuant to which, the Restated Certificate, the Post-Effective Restated Certificate, the Bylaws and the Post-Effective Bylaws were approved.

(6) The minutes of meetings and actions by written consent of the Board and Stockholders at which, or pursuant to which, the issuance of the Selling Stockholder Shares (and the approval of the stock options under which the Selling Shareholder Options Shares are issuable) were approved, and the sale of the Stock and the issuance of the unissued Stock and related matters were approved.

(7) The stock records of the Company that the Company has provided to us (consisting of a list of stockholders and a list of holders of outstanding stock options, warrants, and any other rights to purchase capital stock, in each case, that was prepared by the Company and setting forth the number of such issued and outstanding securities).

(8) A Certificate of Good Standing issued by the Secretary of State of the State of Delaware dated September 20, stating that the Company is qualified to do business and is in good standing under the laws of the State of Delaware as of such date (the "**Certificate of Good Standing**").

(9) The agreements under which the Selling Stockholders acquired or will acquire the shares of Common Stock to be sold by them as described in the Registration Statement.

(10) The custody agreements, payment instructions, powers of attorney and contingent exercise notices signed by the Selling Stockholders in connection with the sale of Stock described in the Registration Statement.

(11) An opinion certificate addressed to us and dated of even date herewith executed by the Company containing certain factual representations (the "**Opinion Certificate**").

(12) The underwriting agreement to be entered into by and among the Company, the several underwriters named in Schedule I thereto, and the Selling Stockholders named in Schedule II thereto.

In our examination of documents for purposes of this opinion, we have assumed, and express no opinion as to, the genuineness of all signatures on original documents, the authenticity and completeness of all documents submitted to us as originals, the conformity to originals and completeness of all documents submitted to us as copies, the legal capacity of all persons or entities (other than the Company) executing the same, the lack of any undisclosed termination, modification, waiver or amendment to any document reviewed by us and the due authorization, execution and delivery of all such documents by the Selling Stockholders where due authorization, execution and delivery are prerequisites to the effectiveness thereof.

The Company's capital stock is uncertificated. We assume that the issued Stock will not be reissued by the Company in uncertificated form until any previously issued stock certificate representing such issued Stock have been surrendered to the Company in accordance with Section 158 of the Delaware General Corporation Law and that the Company will properly register the transfer of the Stock to the purchasers of such Stock on the Company's record of uncertificated securities.

We render this opinion only with respect to, and express no opinion herein concerning the application or effect of the laws of any jurisdiction other than, the existing laws of the United States of America and the State of California and of the existing Delaware General Corporation Law and reported judicial decisions relating thereto.

With respect to our opinion expressed in paragraph (1) below as to the valid existence and good standing of the Company under the laws of the State of Delaware, we have relied solely upon the Certificate of Good Standing and representations made to us by the Company in the Opinion Certificate.

In connection with our opinion expressed in paragraphs (2), (3) and (4) below, we have assumed that, at or prior to the time of the delivery of any shares of Stock, the Registration Statement will have been declared effective under the Securities Act, that the registration will apply to the offer and sale of such shares of Stock and will not have been modified or rescinded and that there will not have occurred any change in law affecting the validity of the issuance of such shares of Stock.

This opinion is based upon the customary practice of lawyers who regularly give, and lawyers who regularly advise opinion recipients regarding, opinions of the kind set forth in this opinion letter, including customary practice as described in bar association reports.

Based upon the foregoing, we are of the following opinion:

(1) The Company is a corporation validly existing, in good standing, under the laws of the State of Delaware;

(2) the up to 6,271,291 Selling Stockholder Shares to be sold by the Selling Stockholders pursuant to the Registration Statement are validly issued, fully paid and nonassessable;

(3) the up to 102,235 Selling Stockholder Option Shares to be sold by certain Selling Stockholders, when issued in accordance with the terms of the stock option agreement pursuant to which the Selling Stockholder Option Shares are issuable and the resolutions of the Board granting such stock options, and sold and delivered in the manner and for the consideration stated in the Registration Statement and the Prospectus, will be, validly issued, fully paid and nonassessable; and

(4) the up to 7,840,908 shares of Stock to be issued and sold by the Company, when issued, sold and delivered in the manner and for the consideration stated in the Registration Statement and the Prospectus and in accordance with the resolutions adopted by the Board and to be adopted by the Pricing Committee of the Board, will be validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to all references to us, if any, in the Registration Statement, the Prospectus constituting a part thereof and any amendments thereto.

This opinion is intended solely for use in connection with issuance and sale of shares of Stock subject to the Registration Statement and is not to be relied upon for any other purpose. This opinion is rendered as of the date first written above and is based solely on our understanding of facts in existence as of such date after the aforementioned examination. In rendering the opinions above, we are opining only as to the specific legal issues expressly set forth therein, and no opinion shall be inferred as to any other matter or matters. We assume no obligation to advise you of any fact, circumstance, event or change in the law or the facts that may hereafter be brought to our attention whether or not such occurrence would affect or modify any of the opinions expressed herein.

Very truly yours,

FENWICK & WEST LLP

By: /s/ Robert A. Freedman

Robert A. Freedman, a Partner

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this “Agreement”) dated as of September 19, 2017 (the “**Effective Date**”) between (a) **SILICON VALLEY BANK**, a California corporation (“**Bank**”), and (b) **UPWORK INC.**, a Delaware corporation, **ELANCE, INC.**, a Delaware corporation, **UPWORK GLOBAL INC.**, a California corporation, and **UPWORK TALENT GROUP INC.**, a Delaware corporation (each and together, jointly and severally, “**Borrower**”), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.2 Revolving Line.

(a) **Availability.** Subject to the terms and conditions of this Agreement, to the completion of the Initial Audit, and to deduction of Reserves, Bank shall make Advances not exceeding the Availability Amount. Amounts borrowed under the Revolving Line may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) **Termination; Repayment.** The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.3 Cash Management Services Sublimit. Borrower may use the Revolving Line in an aggregate amount not to exceed the lesser of (A) (i) Two Million Five Hundred Thousand Dollars (\$2,500,000), minus (ii) the aggregate Dollar Equivalent of the face amount of any outstanding Letters of Credit issued by Bank (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve) (provided, however, the aggregate amount of Letters of Credit referred to in clause (ii) shall not be deducted from clause (i) if such Letters of Credit are secured by cash collateral pursuant to Section 4.1) or (B) (i) the lesser of the Revolving Line or the Borrowing Base, minus (ii) the sum of all outstanding principal amounts of any Advances, minus (iii) the aggregate Dollar Equivalent of the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve), for Bank’s cash management services, which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in Bank’s various cash management services agreements (collectively, the “**Cash Management Services**”). Any amounts Bank pays on behalf of Borrower for any Cash Management Services will be treated as Advances under the Revolving Line and will accrue interest at the interest rate applicable to Advances.

2.4 Letters of Credit Sublimit.

(a) As part of the Revolving Line, Bank shall issue or have issued Letters of Credit denominated in Dollars or a Foreign Currency for Borrower’s account. The aggregate Dollar Equivalent amount utilized for the issuance of Letters of Credit issued by Bank shall at all times reduce the amount otherwise available for Advances under the Revolving Line unless such Letters of Credit are secured by cash collateral pursuant to Section 4.1. The aggregate Dollar Equivalent of the face amount of outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve) may not exceed the lesser of (A) (i) Two Million Five Hundred Thousand Dollars (\$2,500,000), minus (ii) the sum of all amounts used for Cash Management Services or (B) (i) the lesser of the Revolving Line or the Borrowing Base, minus (ii) the sum of all outstanding principal amounts of any Advances (including any amounts used for Cash Management Services).

(b) If, on the Revolving Line Maturity Date (or the effective date of any termination of this Agreement), there are any outstanding Letters of Credit, then on such date Borrower shall provide to Bank cash collateral in an amount equal to at least one hundred percent (100%) for Letters of Credit denominated in Dollars or at least one hundred five percent (105%) for Letters of Credit denominated in a Foreign Currency, in each case of the aggregate Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or estimated by Bank to become due in connection therewith, to secure all of the Obligations relating to such Letters of Credit. All Letters of Credit shall be in form and substance reasonably acceptable to Bank in its sole discretion and shall be subject to the terms and conditions of Bank's standard Application and Letter of Credit Agreement (the "**Letter of Credit Application**"). Borrower agrees to execute any further documentation in connection with the Letters of Credit as Bank may reasonably request. Borrower further agrees to be bound by the regulations and interpretations of the issuer of any Letters of Credit guaranteed by Bank and opened for Borrower's account or by Bank's interpretations of any Letter of Credit issued by Bank for Borrower's account, and Borrower understands and agrees that Bank shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments, or supplements thereto.

(c) The obligation of Borrower to immediately reimburse Bank for drawings made under Letters of Credit shall be absolute, unconditional, and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, such Letters of Credit, and the Letter of Credit Application.

(d) Borrower may request that Bank issue a Letter of Credit payable in a Foreign Currency. If a demand for payment is made under any such Letter of Credit, Bank shall treat such demand as an Advance to Borrower of the Dollar Equivalent of the amount thereof (plus fees and charges in connection therewith such as wire, cable, SWIFT or similar charges).

(e) To guard against fluctuations in currency exchange rates, upon the issuance of any Letter of Credit payable in a Foreign Currency, Bank shall create a reserve (the "**Letter of Credit Reserve**") under the Revolving Line in an amount equal to a percentage (which percentage shall be determined by Bank in its reasonable discretion) of the face amount of such Letter of Credit. The amount of the Letter of Credit Reserve may be adjusted by Bank from time to time to account for fluctuations in the exchange rate. The availability of funds under the Revolving Line shall be reduced by the amount of such Letter of Credit Reserve for as long as such Letter of Credit remains outstanding.

2.5 Term Loan.

(a) Availability. Subject to the terms and conditions of this Agreement, on the Effective Date, Bank shall make a term loan to Borrower in the original principal amount of Fifteen Million Dollars (\$15,000,000) (the "**Term Loan**"). After repayment, the Term Loan (or any portion thereof) may not be reborrowed.

(b) Repayment. Commencing on the first Payment Date following the Effective Date, and continuing on each Payment Date thereafter, Borrower shall make monthly payments of interest, in arrears, on the principal amount of the Term Loan at the rate set forth in Section 2.7(a)(ii). Commencing on the first Payment Date following the expiration of the Interest Only Period, and continuing on each Payment Date thereafter, Borrower shall repay the Term Loan in (i) thirty-six (36) equal monthly installments of principal, plus (ii) monthly payments of accrued interest as set forth above. All outstanding principal and accrued and unpaid interest under the Term Loan, and all other outstanding Obligations with respect to the Term Loan, are due and payable in full on the Term Loan Maturity Date.

(c) Permitted Prepayment. Borrower shall have the option to prepay all, but not less than all, of the Term Loan, provided Borrower (i) delivers written notice to Bank of its election to prepay the Term Loan at least ten (10) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) the outstanding principal plus accrued and unpaid interest with respect to the Term Loan, and (B) all other sums, if any, that shall have become due and payable with respect to the Term Loan, including interest at the Default Rate with respect to any past due amounts.

(d) Mandatory Prepayment Upon an Acceleration. If the Term Loan is accelerated by Bank following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest with respect to the Term Loan, and (ii) all other sums, if any, that shall have become due and payable with respect to the Term Loan, including interest at the Default Rate with respect to any past due amounts.

2.6 Overadvances. If, at any time, the sum of (a) the outstanding principal amount of any Advances (including any amounts used for Cash Management Services), plus (b) the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve), exceeds the lesser of either the Revolving Line or the Borrowing Base, Borrower shall immediately pay to Bank in cash the amount of such excess (such excess, the “**Overadvance**”). Without limiting Borrower’s obligation to repay Bank any Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at a per annum rate equal to the rate that is otherwise applicable to Advances plus five percent (5.0%).

2.7 Payment of Interest on the Credit Extensions.

(a) Interest Rates.

(i) Advances. Subject to Section 2.7(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the Prime Rate, which interest shall be payable monthly in accordance with Section 2.7(d) below.

(ii) Term Loan. Subject to Section 2.7(b), the principal amount outstanding under the Term Loan shall accrue interest at a floating per annum rate equal to one-quarter of one percent (0.25%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.7(d) below.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percent (5.00%) above the rate that is otherwise applicable thereto (the “**Default Rate**”). Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.7(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) Payment; Interest Computation. Interest is payable monthly on the Payment Date of each month and shall be computed on the basis of a 360-day year for the actual number of days elapsed. In computing interest, (i) all payments received after 2:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

2.8 Fees. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of Sixty Two Thousand Five Hundred Dollars (\$62,500), on the Effective Date, less the good faith deposit of Twenty Thousand Dollars (\$20,000) previously remitted by Borrower to Bank.

(b) **Bank Expenses.** All documented Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement, which fees for the documentation and negotiation of this Agreement will not exceed \$25,000 provided no more than two turns of the Loan Documents and provided further that any legal fees in excess of \$25,000 shall require Bank's counsel to provide an itemized bill containing detailed task descriptions with associated time expended for each task) incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

(c) **Letter of Credit Fee.** Bank's customary fees and expenses for the issuance or renewal of Letters of Credit, upon the issuance of such Letter of Credit, each anniversary of the issuance during the term of such Letter of Credit, and upon the renewal of such Letter of Credit by Bank.

(d) **Fees Fully Earned.** Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 2.8 pursuant to the terms of Section 2.9(c). Bank shall provide Borrower written notice of deductions made from the Designated Deposit Account pursuant to the terms of the clauses of this Section 2.8.

2.9 Payments; Application of Payments; Debit of Accounts.

(a) All payments to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff or counterclaim, before 2:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 2:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit Borrower's deposit accounts, including the Designated Deposit Account, and any other accounts which are mutually agreed upon in advance, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

2.10 Withholding. Payments received by Bank from Borrower under this Agreement will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to Bank, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Bank receives a net sum equal to the sum which it would have received had no withholding or deduction been required, and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon request, furnish Bank with proof reasonably satisfactory to Bank indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.10 shall survive the termination of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed signatures to the Loan Documents;

(b) [reserved];

(c) the Operating Documents and long-form good standing certificates of Borrower certified by the Secretary of State (or equivalent agency) of Borrower's jurisdiction of organization or formation and each jurisdiction in which Borrower is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) a secretary's certificate of Borrower with respect to such Borrower's Operating Documents, incumbency, specimen signatures and resolutions authorizing the execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(e) duly executed signatures to the completed Borrowing Resolutions for Borrower;

(f) [reserved];

(g) duly executed signature to a payoff letter from Pacific Western Bank;

(h) evidence that (i) the Liens securing Indebtedness owed by Borrower to Pacific Western Bank will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or control agreements, have or will, concurrently with the initial Credit Extension, be terminated;

(i) certified copies, dated as of a recent date, of financing statement searches, as Bank may reasonably request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(j) the Perfection Certificate of Borrower, together with the duly executed signatures thereto;

(k) [reserved];

(l) [reserved];

(m) [reserved];

(n) evidence reasonably satisfactory to Bank that the insurance policies and endorsements required by Section 6.7 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank;

(o) [reserved];

(p) [reserved]; and

(q) payment of the fees and Bank Expenses then due as specified in Section 2.7 hereof.

3.2 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) timely receipt of the Credit Extension request and any materials and documents required by Section 3.4;

(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the proposed Credit Extension and on the Funding Date of each Credit Extension, taking into account updates thereof subsequent to the Effective Date to the extent permitted by notice to the Bank by one or more specific provisions of this Agreement; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date or time period shall be true, accurate and complete in all material respects as of such date or with respect to such time period, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects, taking into account updates thereof subsequent to the Effective Date to the extent permitted by notice to the Bank by one or more specific provisions of this Agreement; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date or time period shall be true, accurate and complete in all material respects as of such date or with respect to such time period; and

(c) Bank determines to its reasonable satisfaction that there has not been a Material Adverse Change.

3.3 Covenant to Deliver. Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance (other than Advances under Sections 2.3 or 2.4) set forth in this Agreement, to obtain an Advance, Borrower (via an individual duly authorized by an Administrator) shall notify Bank (which notice shall be irrevocable) by electronic mail by 2:00 p.m. Pacific time on the Funding Date of the Advance. Such notice shall be made by Borrower through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format reasonably acceptable to Bank that is executed by an Authorized Signer. Bank shall have received reasonably satisfactory evidence that the Board has approved that such Authorized Signer may provide such notices and request Advances. In connection with any such notification, Borrower must promptly deliver to Bank by electronic mail or through Bank's online banking program such reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may reasonably request in its sole discretion. Bank shall credit proceeds of an Advance to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from an Authorized Signer or without instructions if the Advances are necessary to meet Obligations which have become due.

3.5 Post-Closing Requirements.

(a) Within ninety (90) days after the Effective Date, Borrower shall replace all existing letters of credit issued by financial institutions other than Bank with one or more Letters of Credit issued by Bank;

(b) Within thirty (30) days after the Effective Date, Borrower shall deliver to Bank duly executed Control Agreements for the Borrower's deposit and securities accounts listed on Exhibit C reasonably satisfactory to Bank in its sole discretion;

(c) Prior to Bank's initial Advance, the completion of the Initial Audit; and

(d) Prior to Bank's initial Advance, Borrower shall deliver to Bank a completed Borrowing Base Report (and any schedules related thereto and including any other information requested by Bank with respect to Borrower's Accounts).

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated in accordance with the provisions set forth in Section 12.1, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at the sole cost and expense of Borrower, release its Liens in the Collateral and all rights therein shall revert to Borrower. In the event (x) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its reasonable judgment for Bank Services, if any. Bank shall use reasonable commercial efforts to inform Borrower within a commercially reasonable period of time what constitutes acceptable cash collateral with respect to each Bank Services Agreement in force and effect when Borrower delivers its written termination notice. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred percent (100%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred five percent (105%), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its business judgment), to secure all of the Obligations relating to such Letters of Credit.

4.2 Priority of Security Interest. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

4.3 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect, or as being of an equal or lesser scope, or with greater detail, all in Bank's discretion.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority. Borrower is duly existing and in good standing as a Registered Organization in its jurisdiction of formation and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate signed by each Borrower entitled "Perfection Certificate" (the "**Perfection Certificate**"). Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification

number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth the mailing address at which Borrower owns, leases or occupies real property and the Borrower has provided written notice of Borrowers' principal place of business and/or chief executive office; (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete in all material respects (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date (whether through the delivery of a new Perfection Certificate, written notice to Bank of updates thereto, or delivery of a Compliance Statement) to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default would reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Borrower has taken such actions as are necessary to give Bank a perfected security interest therein, pursuant to the terms of Section 6.8(b). The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

All Inventory is in all material respects of good and marketable quality, free from material defects.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, and (c) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate. Each Patent which it owns or purports to own and which is material to Borrower's business is, to Borrower's knowledge, valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower's business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Borrower's business.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is it bound by, any Restricted License.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall be an Eligible Account.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Eligible Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Eligible Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are Eligible Accounts in any Borrowing Base Statement. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Eligible Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

5.4 Litigation. Except as set forth in the Perfection Certificate (as updated from time to time in accordance with Section 5.1), there are no actions or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, One Million Dollars (\$1,000,000).

5.5 Financial Statements; Financial Condition. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank by submission to the Financial Statement Repository or otherwise submitted to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to the Financial Statement Repository or otherwise submitted to Bank.

5.6 Solvency. The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower (a) has complied in all material respects with all Requirements of Law, and (b) has not violated any Requirements of Law the violation of which would reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted or where failure to obtain such consents, approvals and authorizations would be reasonably likely to result in a Material Adverse Change.

5.8 Subsidiaries; Investments. Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

5.9 Tax Returns and Payments; Pension Contributions. Borrower has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits and contributions do not, individually or in the aggregate, exceed Two Hundred Fifty Thousand Dollars (\$250,000).

To the extent Borrower defers payment of any contested taxes, Borrower shall (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien." Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could reasonably be expected to result in additional taxes becoming due and payable by Borrower in excess of Two Hundred Fifty Thousand Dollars (\$250,000). Borrower has paid all

amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement submitted to the Financial Statement Repository or otherwise submitted to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written reports, written certificates and written statements submitted to the Financial Statement Repository or otherwise submitted to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the reports, certificates, or written statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 Definition of "Knowledge." For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

6 AFFIRMATIVE COVENANTS

Until such time as all Obligations are satisfied in full and Bank has no further obligation to make Credit Extensions to Borrower, Borrower shall do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations, provided that Borrower, in its sole discretion, may choose to shut down or dissolve any Subsidiary, including without limitation Elance EEC Ireland Limited; provided that the assets and property of such Subsidiary (if not a Borrower or Guarantor) shall be transferred to a Borrower or Guarantor. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject, where the failure to so comply would reasonably be expected to have a material adverse effect on Borrower's business or operations.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 Financial Statements, Reports. Provide Bank with the following by submitting to the Financial Statement Repository or otherwise submitting to Bank:

(a) a Borrowing Base Statement (and any schedules related thereto and including any other information reasonably requested by Bank with respect to Borrower's Accounts) within thirty (30) days after the end of each month;

(b) within thirty (30) days after the end of each month, (A) monthly accounts receivable agings for Borrower' Enterprise Accounts, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, and (C) monthly reconciliations of accounts receivable agings for Borrower' Enterprise Accounts (aged by invoice date), and general ledger;

(c) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations for such month in a form reasonably acceptable to Bank (the "**Monthly Financial Statements**"), which Monthly Financial Statements shall include a detailed cash report that shows month-end balances for all of the Borrower's and its Subsidiaries' Collateral Accounts;

(d) within thirty (30) days after the last day of each month and together with the Monthly Financial Statements, a completed Compliance Statement, confirming that, as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(e) as soon as available, and in any event within thirty (30) days after the end of each fiscal quarter of Borrower, a recurring revenue cohort report in a form reasonably acceptable to Bank;

(f) within sixty (60) days after the end of each fiscal year of Borrower, and contemporaneously with any updates or amendments thereto, (A) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the then current fiscal year of Borrower, and (B) annual financial projections for such fiscal year (on a quarterly basis), in each case as approved by the Board, together with any related business forecasts used in the preparation of such annual financial projections;

(g) as soon as available, and in any event within one hundred eighty (180) days following the end of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion (provided that such opinion may contain a "going concern" qualification typical for venture backed companies similar to Borrower) on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank, which includes any of the "Big Four" US accounting firms;

(h) in the event that Borrower becomes subject to the reporting requirements under the Exchange Act within ten (10) days of filing, copies of all periodic and other reports, proxy statements and other materials filed by Borrower and/or any Guarantor with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the internet at Borrower's website address; provided, however, Borrower shall promptly notify Bank in writing (which may be by electronic mail) of the posting of any such documents;

(i) within ten (10) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Debt;

(j) prompt report of any legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that could reasonably be expected to result in a judgment against Borrower or any of its Subsidiaries of, individually or in the aggregate, Seven Hundred Fifty Thousand Dollars (\$750,000) or more; and

(k) promptly, from time to time, such other information regarding Borrower or compliance with the terms of any Loan Documents as reasonably requested by Bank.

Any submission by Borrower of a Compliance Statement, a Borrowing Base Statement or any other financial statement submitted to the Financial Statement Repository pursuant to this Section 6.2 or otherwise submitted to Bank shall be deemed to be a representation by Borrower that (i) as of the date of such Compliance Statement, Borrowing Base Statement or other financial statement, the information and calculations set forth therein are true, accurate and correct, (ii) as of the end of the compliance period set forth in such submission, Borrower is in complete compliance with all required covenants except as noted in such Compliance Statement, Borrowing Base Statement or other financial statement, as applicable, (iii) as of the date of such submission, no Events of Default have occurred or are continuing, (iv) all representations and warranties other than any representations or warranties that are made as of a specific date

in Section 5 remain true and correct in all material respects as of the date of such submission except as noted in such Compliance Statement, Borrowing Base Statement or other financial statement, as applicable, (v) as of the date of such submission, Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9, and (vi) as of the date of such submission, no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary indorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the lesser of the Revolving Line or the Borrowing Base.

(c) Collection of Enterprise Accounts. Borrower shall use commercially reasonable efforts to (i) within one (1) year after the Effective Date, establish payment and billing system functionality necessary to utilize the Cash Collateral Account (as defined below) and (ii) promptly following the establishment thereof, direct Account Debtors to deliver or transmit all proceeds of Enterprise Accounts into a lockbox account, or via electronic deposit capture into a "blocked account" as specified by Bank (either such account, the "**Cash Collateral Account**"). Subject to the foregoing requirement, upon the occurrence and during the continuance of an Event of Default, Borrower shall, once Borrower has established payment and billing system functionality necessary to utilize the Cash Collateral Accounts, use commercially reasonable efforts to immediately deliver all payments on and proceeds of Enterprise Accounts to the Cash Collateral Account. Subject to Bank's right to maintain a reserve pursuant to Section 6.3(d), all amounts received in the Cash Collateral Account shall be transferred on a daily basis to Borrower's operating account with Bank (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to transfer such amounts). Following the establishment thereof, Borrower hereby authorizes Bank to transfer to the Cash Collateral Account any amounts that Bank reasonably determines are proceeds of the Enterprise Accounts (provided that Bank is under no obligation to do so and this allowance shall in no event relieve Borrower of its obligations hereunder).

(d) Reserves. Notwithstanding any terms in this Agreement to the contrary, at times when an Event of Default exists, Bank may hold any proceeds of the Accounts and any amounts in the Cash Collateral Account that are not applied to the Obligations pursuant to Section 6.3(c) above (including amounts otherwise required to be transferred to Borrower's operating account with Bank) as a reserve to be applied to any Obligations regardless of whether such Obligations are then due and payable.

(e) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(f) **Verifications; Confirmations; Credit Quality; Notifications.** Bank may, from time to time, (i) verify and confirm directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank's security interest in such Account and/or (ii) conduct a credit check of any Account Debtor to approve any such Account Debtor's credit. In addition, Bank may notify Account Debtors to make payments in respect of Accounts directly to Bank.

(g) **No Liability.** Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 Remittance of Proceeds. Except as otherwise provided in Section 6.3(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations (a) prior to an Event of Default, pursuant to the terms of Section 6.3(c) hereof, and (b) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out, obsolete or fully-depreciated Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of Three Hundred Thousand Dollars (\$300,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 6.4 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 Taxes; Pensions. Timely file, and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.9 hereof and taxes with respect to which the amount does not exceed the amount set forth in Section 5.9 hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 Access to Collateral; Books and Records. At reasonable times, on three (3) Business Days' notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits shall be conducted no more often than once every twelve (12) months (or more frequently as Bank in its reasonable discretion determines that conditions warrant) unless an Event of Default has occurred and is continuing in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and audits shall be conducted at Borrower's expense and the charge therefor shall be One Thousand Dollars (\$1,000) per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to or reschedules the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies) Borrower shall pay Bank a fee of One Thousand Dollars (\$1,000) plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.7 Insurance.

(a) Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are reasonably satisfactory to Bank. All property policies shall have a lender's loss payable endorsement showing Bank as the sole lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(b) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to One Hundred Thousand Dollars (\$100,000) in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations.

(c) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 6.7 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank twenty (20) days prior written notice (ten (10) days for cancellation as a result of non-payment of premium) before any such policy or policies shall be materially altered or canceled. If Borrower fails to obtain insurance as required under this Section 6.7 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.7, and take any action under the policies Bank deems prudent.

6.8 Accounts.

(a) Maintain its and all of its Subsidiaries' Cash Collateral Accounts (subject to the terms and conditions set forth in Section 6.3(c)), and Domestic Investments with Bank and Bank's Affiliates in the United States, which accounts shall represent at least eighty-five percent (85%) of the dollar value of Borrower's and such Subsidiaries' Domestic Investments at all financial institutions. For purpose of clarity, if at any time Borrower does not maintain any Domestic Investments, such failure shall not violate the requirement set forth above.

(b) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank ten (10) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

6.9 Financial Covenants.

(a) Adjusted Quick Ratio. Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of equal to or greater than 1.30 to 1.00. Additionally, the component of Quick Assets which makes up Borrower's unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

(b) EBITDA. Achieve, measured as of the last day of each fiscal quarter during the following periods, EBITDA of at least (loss not worse than) the following amounts:

Period	Minimum EBITDA (maximum loss)
Trailing three (3) month period ending September 30, 2017	\$500,000
Trailing six (6) month period ending December 31, 2017	(\$3,000,000)
Trailing nine (9) month period ending March 31, 2018	(\$6,000,000)
Trailing twelve (12) month period ending June 30, 2018	(\$5,000,000)
Trailing twelve (12) month period ending September 30, 2018	(\$4,000,000)
Trailing twelve (12) month period ending December 31, 2018	(\$2,000,000)
Trailing twelve (12) month period ending March 31, 2019	\$1.00
June 30, 2019 and thereafter	Bank and Borrower shall use reasonable efforts to mutually agree in good faith upon reasonable minimum EBITDA numbers consistent with past practices based on Borrower's projections approved by the Board delivered pursuant to Section 6.2(f); provided failure to so agree on or before March 31 of such fiscal year shall be an immediate Event of Default

6.10 Protection of Intellectual Property Rights.

(a) (i) Use all commercially reasonable efforts necessary to protect, defend and maintain the validity and enforceability of its Intellectual Property; (ii) promptly advise Bank in writing of material infringements or any other event that could reasonably be expected to materially and adversely affect the value of its Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) Provide written notice to Bank within ten (10) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such commercially reasonable steps as Bank requests to attempt to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future if such Restricted License would be material to Borrower's business, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.11 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.12 Online Banking.

(a) Utilize Bank's online banking platform for all matters reasonably requested by Bank which shall include, without limitation (and without request by Bank for the following matters), uploading information pertaining to Accounts and Account Debtors, requesting approval for exceptions, requesting Credit Extensions, and uploading financial statements and other reports required to be delivered by this Agreement (including, without limitation, those described in Section 6.2 of this Agreement).

(b) Comply with the terms of the "Banking Terms and Conditions" and ensure that all persons utilizing the online banking platform are duly authorized to do so by an Administrator. Bank shall be entitled to assume the authenticity, accuracy and completeness on any information, instruction or request for a Credit Extension submitted via the online banking platform and to further assume that any submissions or requests made via the online banking platform have been duly authorized by an Administrator.

6.13 Formation or Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 7.3 and 7.7 hereof, at the time that Borrower or any Guarantor forms any direct or indirect Subsidiary, acquires any direct or indirect Subsidiary after the Effective Date or if in Bank's reasonable credit judgment with respect to any Subsidiary existing on the Effective Date, Borrower and such Guarantor shall (a) cause such Subsidiary to provide to Bank a joinder to this Agreement to become a co-borrower, together with such appropriate financing statements and/or Control Agreements, all in form and substance reasonably satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance reasonably satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance reasonably satisfactory to Bank, including one or more opinions of counsel reasonably satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above; provided however that in no event shall Borrower or any Guarantor be required to comply with any of the foregoing in respect of a Subsidiary (including without limitation, Upwork Escrow Inc.) that is subject to regulation of any internet escrow, regulator, money transmission regulator, trust company regulator or similar Governmental Authority, including without limitation the State of California's Department of Business Oversight to the extent compliance would not be permitted by such regulation. Any document, agreement, or instrument executed or issued pursuant to this Section 6.13 shall be a Loan Document.

6.14 Further Assurances. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Bank, within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that would reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (each, a "**Permitted Transfer**") (a) of Inventory in the ordinary course of business; (b) of worn-out, fully-depreciated or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock of Borrower permitted under Section 7.2 of this Agreement; (e) consisting of Borrower's use or transfer of money or Cash Equivalents in the ordinary course of its business for the payment of ordinary course business expenses in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; and (f) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business.

7.2 Changes in Business, Management, Control, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; (c) fail to provide notice to Bank of any Key Person departing from or ceasing to be employed by Borrower within five (5) days after such Key Person's departure from Borrower; or (d) permit or suffer any Change in Control.

Borrower shall not, without at least thirty (30) days prior written notice to Bank: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Two Hundred Fifty Thousand Dollars (\$250,000) in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Two Hundred Fifty Thousand Dollars (\$250,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of Two Hundred Fifty Thousand Dollars (\$250,000) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then Borrower will first receive the written consent of Bank, and such bailee shall execute and deliver a bailee agreement in form and substance reasonably satisfactory to Bank. Any notices provided to Bank pursuant to this Section 7.2 shall be deemed to update the information provided by Borrower in the Perfection Certificate.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person (including, without limitation, by the formation of any Subsidiary), other than Permitted Acquisitions. Borrower or a Subsidiary may (i) merge or consolidate into another Subsidiary or into Borrower; provided that the Borrower or Guarantor is the surviving entity if such merger of consolidation includes a Borrower or Guarantor or (ii) acquire all or substantially all of the capital stock or property of another Subsidiary or into Borrower; provided that the Borrower or Guarantor is the surviving entity if stock acquisition includes a Borrower or Guarantor.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any Intellectual Property of Borrower or any Subsidiary, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.8(b) hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, provided that Borrower may (i) convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) pay dividends solely in common stock, (iii) repurchase the stock of directors, employees or consultants pursuant to employee stock purchase plans, restricted stock agreements, rights or first refusal or other similar agreements so long as an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase, provided that the aggregate amount of all such repurchases does not exceed One Hundred Thousand Dollars (\$100,000) per fiscal year, or (iv) repurchase the stock of existing investors of Borrower other than pursuant to

employee stock purchase plans, restricted stock agreements, rights of first refusal or other similar agreements in an aggregate amount not to exceed Ten Million Dollars (\$10,000,000) in the aggregate during the term of this Agreement so long as (x) an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase, (y) immediately prior to such repurchase, Borrower is EBITDA positive on a trailing twelve (12) month basis, and (z) immediately after giving effect to any such repurchase, Borrower has cash of at least Twenty Five Million Dollars (\$25,000,000); or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for (i) sales of equity securities in bona fide venture financing transactions so long as such transaction doesn't result in a Change of Control, (ii) the incurrence of Subordinated Debt, (iii) Investments permitted under sub-clauses (f) and (g) of the definition of Permitted Investments, (iv) commercially reasonable and customary compensation arrangements approved by the Board of Directors of Borrower, (v) transactions which are contemplated, described in, or permitted by Sections 7.4 or 7.7 and (vi) other transactions that are in the ordinary course of Borrower's business or as otherwise permitted by this Agreement, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation would reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension when due, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date or the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default. Borrower (a) fails or neglects to perform any obligation in Section 6 of this Agreement or violates any covenant in Section 7 of this Agreement or (b) fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents and as to any default (other than those specified in clause (a)) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, grace and cure periods provided under this Section 8.2 shall not apply, among other things, to financial covenants or any other covenants that are required to be satisfied, completed or tested by a date certain or any covenants set forth in clause (a);

8.3 Investor Abandonment. There is a lack of Investor Support;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under the control of Borrower (including a Subsidiary), or (ii) a notice of lien or levy is filed against any of Borrower's assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within fifteen (15) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any fifteen (15) day cure period; or

(b) (i) any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting all or any material part of its business;

8.5 Insolvency. (a) Borrower or any of its Subsidiaries is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and is not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is, under any agreement to which Borrower or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of Seven Hundred Fifty Thousand Dollars (\$750,000); or (b) any breach or default by Borrower or Guarantor, the result of which would reasonably be expected to have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least Five Hundred Thousand Dollars (\$500,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower by any Governmental Authority, and the same are not, within fifteen (15) days after the entry, assessment or issuance thereof, discharged, satisfied, or paid, or after execution thereof, stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the satisfaction, payment, discharge, stay, or bonding of such fine, penalty, judgment, order or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. Any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

8.10 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.6, 8.7, or 8.8 of this Agreement occurs with respect to any Guarantor, (d) the death, liquidation, winding up, or termination of existence of any Guarantor; or (e) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral; or

8.11 Governmental Approvals. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could reasonably be expected to result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) causes, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any Governmental Approval in any other jurisdiction.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposit cash with Bank in an amount equal to at least (A) one hundred percent (100%) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit denominated in Dollars remaining undrawn, and (B) one hundred five percent (105%) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit denominated in a Foreign Currency remaining undrawn (plus, in each case, all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its reasonable business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts or require cash collateralization satisfactory to Bank with respect thereof;

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing Borrower money of Bank's security interest in such funds. Borrower shall collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the Account Debtor, with proper endorsements for deposit;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a “hold” on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower’s Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof);

(l) require the Borrower to (and Borrower shall) cause Upwork Escrow Inc. to transfer cash and cash equivalents (each as defined under GAAP) held in accounts of Upwork Escrow Inc. to accounts of the Borrower held at Bank in an amount not to exceed 90% of Upwork Escrow Inc.’s aggregate cash and cash equivalent balances within 5 days of such request; provided, however, that Borrower shall not be required to make any transfers which would result in a violation of applicable laws, including, without limitation, laws pertaining to internet escrow agents.

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact to: (a) exercisable following the occurrence of an Event of Default, (i) sign Borrower’s name on any invoice or bill of lading for any Account or drafts against Account Debtors; (ii) demand, collect, sue, and give releases to any Account Debtor for monies due, settle and adjust disputes and claims about the Accounts directly with Account Debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Bank’s or Borrower’s name, as Bank chooses); (iii) make, settle, and adjust all claims under Borrower’s insurance policies; (iv) pay, contest or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (v) transfer the Collateral into the name of Bank or a third party as the Code permits; and (vi) receive, open and dispose of mail addressed to Borrower; and (b) regardless of whether an Event of Default has occurred, (i) endorse Borrower’s name on any checks, payment instruments, or other forms of payment or security; and (ii) notify all Account Debtors to pay Bank directly. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower’s name on any documents necessary to perfect or continue the perfection of Bank’s security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and the Loan Documents have been terminated. Bank’s foregoing appointment as Borrower’s attorney in fact, and all of Bank’s rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and the Loan Documents have been terminated.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.7 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank’s waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Bank shall have the right to apply in any order any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Bank shall pay any surplus to Borrower by credit to the Designated Deposit Account or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

9.8 Borrower Liability. Any Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints each other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Credit Extension, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives (a) any suretyship defenses available to it under the Code or any other applicable law, including, without limitation, the benefit of California Civil Code Section 2815 permitting revocation as to future transactions and the benefit of California Civil Code Sections 1432, 2809, 2810, 2819, 2839, 2845, 2847, 2848, 2849, 2850, and 2899 and 3433, and (b) any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 9.8 shall be null and void. If any payment is made to a Borrower in contravention of this Section 9.8, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Bank or Borrower may change its mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: c/o Upwork Inc.
441 Logue Avenue
Mountain View, CA 94043
Attn: GENERAL COUNSEL'S OFFICE
Email: legalnotices@upwork.com

with a copy (which shall not constitute notice) to: FENWICK & WEST LLP
Attn: Samuel Angus, Esq.
555 California St., 12th Floor
San Francisco, CA 94104
Telephone: (415)875-2300
Email: sangus@fenwick.com

If to Bank: Silicon Valley Bank
555 Mission Street
San Francisco, CA 94105
Attn: Sean Thompson
Fax:
Email: sthompson@svb.com

with a copy (which shall not constitute notice) to: Riemer & Braunstein LLP
3 Center Plaza
Boston, MA 02108
Attn: Charles W. Stavros, Esq.
Fax: (617) 880-3456
Email: cstavros@riemerlaw.com

11 CHOICE OF LAW, VENUE, AND JURY TRIAL WAIVER

Except as otherwise expressly provided in any of the Loan Documents, California law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure Sections 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure Section 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

This Section 11 shall survive the termination of this Agreement.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date; Survival. This Agreement and Bank's Lien on the Collateral shall terminate when all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been paid in full in cash and Bank has

no commitment to make any Credit Extensions under this Agreement. All covenants, representations and warranties made in this Agreement shall continue in full force until this Agreement has terminated pursuant to its terms and all Obligations have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, and any other obligations which, by their terms, are to survive the termination of this Agreement, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 4.1 of this Agreement), this Agreement may be terminated prior to the Revolving Line Maturity Date and the Term Loan Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding this Agreement's termination.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an "**Indemnified Person**") harmless against: (i) all obligations, demands, claims, and liabilities (collectively, "**Claims**") claimed or asserted by any third party in connection with the transactions contemplated by the Loan Documents; and (ii) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequential to, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except in each case for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct.

This Section 12.3 shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.7 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 Confidentiality. In handling any confidential information, including financial information and other non-public information, Bank shall (i) hold such information in strict confidence and exercise the same degree of care that it exercises for its own proprietary information, and in no event less than reasonable care, (ii) not use any such information for any purpose other than in connection with this Agreement, (iii) not disclose any such information to any third parties; provided, however, that disclosure of such information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, that any prospective transferee or purchaser shall have entered into an agreement containing provisions substantially the same as those in this Section 12.9); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use anonymous forms of confidential information for aggregate datasets, for analyses or reporting, and for any other uses not expressly prohibited in writing by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.10 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.12 Right of Setoff. Borrower hereby grants to Bank a Lien and a right of setoff as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a subsidiary of Bank) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may setoff the same or any part thereof and apply the same to any liability or Obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.13 Captions. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.14 Construction of Agreement. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.15 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.16 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13 DEFINITIONS

13.1 Definitions. As used in the Loan Documents, the word “shall” is mandatory, the word “may” is permissive, the word “or” is not exclusive, the words “includes” and “including” are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative. As used in this Agreement, the following capitalized terms have the following meanings:

“**Account**” is, as to any Person, any “**account**” of such Person as “**account**” is defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to such Person.

“**Account Debtor**” is any “**account debtor**” as defined in the Code with such additions to such term as may hereafter be made.

“**Acquisition**” means the purchase or other acquisition (whether by merger, consolidation or otherwise) by Borrower of all or substantially all of the assets, stock or other equity interests of a Person.

“**Adjusted Net Revenue**” means the sum of Borrower’s (a) revenue as regularly computed and reported to the Board, minus (b) cost-of-sales associated with Borrower’s Enterprise Managed Services, each determined according to GAAP.

“**Adjusted Quick Ratio**” means, for any date of determination, the ratio of (a) Quick Assets, to (b) the sum of (i) the principal amount of Term Loans outstanding and Advances plus (ii) Borrower’s accounts payable determined according to GAAP.

“**Administrator**” is an individual that is named (a) as an “Administrator” in the “SVB Online Services” form completed by Borrower with the authority to determine who will be authorized to use SVB Online Services (as defined in the “Banking Terms and Conditions”) on behalf of Borrower; and (b) as an Authorized Signer of Borrower in an approval by the Board.

“**Advance**” or “**Advances**” means a revolving credit loan (or revolving credit loans) under the Revolving Line.

“**Affiliate**” is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person’s managers and members. For purposes of the definition of Eligible Accounts, Affiliate shall include a Specified Affiliate.

“**Agreement**” is defined in the preamble hereof.

“**Authorized Signer**” is any individual listed in Borrower’s Borrowing Resolution who is authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of Borrower.

“**Availability Amount**” is (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base, minus (b) the aggregate Dollar Equivalent amount of all outstanding Letters of Credit issued by Bank (including drawn but unreimbursed Letters of Credit) plus an amount equal to the Letter of Credit Reserve, minus (c) any amounts used for Cash Management Services, and minus (d) the outstanding principal balance of any Advances. For purposes of clarification, the aggregate amount of Letters of Credit referred to in clause (b) and amounts used for Cash Management Services in clause (c) shall not reduce the Availability Amount to the extent secured by cash collateral pursuant to Section 4.1.

“**Bank**” is defined in the preamble hereof.

“**Bank Entities**” is defined in Section 12.9.

“**Bank Expenses**” are all reasonable out-of-pocket audit fees and expenses, costs, and expenses (including reasonable attorneys’ fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

“**Bank Services**” are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank’s various agreements related thereto (each, a “**Bank Services Agreement**”) and shall include, without limitation, any Letters of Credit pursuant to Section 2.4 and Cash Management Services pursuant to Section 2.3.

“**Bank Services Agreement**” is defined in the definition of Bank Services.

“**Board**” is Borrower’s board of directors.

“**Borrower**” is defined in the preamble hereof.

“**Borrower’s Books**” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“**Borrowing Base**” is (a) the Non-Formula Amount, plus (b) eighty-five percent (85%) of Eligible Accounts, as determined by Bank from Borrower’s most recent Borrowing Base Statement (and as may subsequently be updated by Bank based upon information received by Bank including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Statement); provided, however, that Bank has the right to decrease the foregoing percentage in its reasonable business judgment to mitigate the impact of events or conditions which have adversely affected the value of the Collateral after providing written notice to Borrower at least five (5) Business Days in advance of such decrease.

“**Borrowing Base Statement**” is that certain report of the value of certain Collateral in the form specified by Bank to Borrower from time to time.

“**Borrowing Resolutions**” are, with respect to any Person, those resolutions adopted by such Person’s board of directors (and, if required under the terms of such Person’s Operating Documents, stockholders) and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that set forth as a part of or attached as an exhibit to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

“**Business Day**” is any day that is not a Saturday, Sunday or a day on which Bank is closed, except that if any determination of a “Business Day” shall relate to an FX Contract, the term “Business Day” shall mean an FX Business Day.

“**Cash Collateral Account**” is defined in Section 6.3(c).

“**Cash Equivalents**” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having a rating of at least “investment grade” or “A” by Moody’s or any successor rating agency; (c) Bank’s certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

“**Cash Management Services**” is defined in Section 2.3.

“**Change in Control**” means (a) at any time, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) shall become the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of 50.0% or more of the ordinary voting power for the election of directors of Borrower (determined on a fully diluted basis) other than by the sale of Borrower’s equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction; or (b) at any time, Borrower shall cease to own and control, of record and beneficially, directly or indirectly, one hundred percent (100%) of each class of outstanding capital stock of each Subsidiary of Borrower free and clear of all Liens (except Liens created by this Agreement or as otherwise permitted in this Agreement or if such Liens are required to be created in order to comply with applicable law).

“**Claims**” is defined in Section 12.3.

“**Code**” is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of New York; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank’s Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of New York, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

“**Collateral**” is any and all properties, rights and assets of Borrower described on Exhibit A.

“**Collateral Account**” is any Deposit Account, Securities Account, or Commodity Account.

“**Commodity Account**” is any “commodity account” as defined in the Code with such additions to such term as may hereafter be made.

“**Compliance Statement**” is that certain certificate in the form attached hereto as Exhibit B.

“**Contingent Obligation**” is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but “Contingent Obligation” does not

include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

“**Control Agreement**” is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

“**Copyrights**” are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

“**Credit Extension**” is any Advance, any Overadvance, Letter of Credit, FX Contract, amount utilized for Cash Management Services, Term Loan, or any other extension of credit by Bank for Borrower’s benefit.

“**Currency**” is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

“**Default Rate**” is defined in Section 2.7(b).

“**Deferred Revenue**” is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue in accordance with GAAP.

“**Deposit Account**” is any “**deposit account**” as defined in the Code with such additions to such term as may hereafter be made.

“**Designated Deposit Account**” any deposit account of Borrower maintained with Bank as chosen by Bank.

“**Dollars,**” “**dollars**” or use of the sign “\$” means only lawful money of the United States and not any other currency, regardless of whether that currency uses the “\$” sign to denote its currency or may be readily converted into lawful money of the United States.

“**Dollar Equivalent**” is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

“**Domestic Investments**” shall mean all investments determined according to GAAP, and shall exclude all cash and Cash Equivalents (including, without limitation, money market accounts and certificates of deposit that are classified as cash or Cash Equivalents on Borrower’s balance sheet).

“**Domestic Subsidiary**” means a Subsidiary organized under the laws of the United States or any state or territory thereof or the District of Columbia.

“**EBITDA**” shall mean, with respect to Borrower and its Subsidiaries on a consolidated basis for any period, (a) Net Income, plus, (b) to the extent deducted in the calculation of Net Income, (i) Interest Expense, (ii) income tax expense, (iii) depreciation expense and amortization expense, (iv) non-cash stock compensation expense, (v) other non-operating non-cash income and expenses, excluding foreign currency gains/losses, (vi) write-off or impairment of intangible assets, (vii) any costs and expenses in connection with the repayment of Indebtedness owing to Pacific Western Bank on the Effective Date, (viii) any costs and expenses in connection with the negotiation and preparation of this Agreement and the other Loan Documents, (ix) in respect of foreign currency gains/losses, (A) up to \$500,000 in the trailing three (3) month period ending September 30, 2017, (B) up to \$750,000 in the trailing six (6) month period ending December 31, 2017 and the trailing nine (9) month period ending March 31, 2018, and (C) up to \$1,000,000 thereafter, and (x) other non-cash expenses approved by Bank in writing on a case-by-case basis.

“Effective Date” is defined in the preamble hereof.

“Eligible Accounts” means Accounts owing to Borrower in connection with Borrower’s Enterprise Accounts which arise in the ordinary course of Borrower’s business that meet in all material respects all Borrower’s representations and warranties in Section 5.3, that have been, at the option of Bank, confirmed in accordance with Section 6.3(f) of this Agreement, and are due and owing from Account Debtors deemed creditworthy by Bank in its reasonable discretion. Bank reserves the right, at any time after the Effective Date, in its reasonable discretion in each instance, to either (i) adjust any of the criteria set forth below and to establish new criteria or (ii) deem any Accounts owing from a particular Account Debtor or Account Debtors to not meet the criteria to be Eligible Accounts. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

- (a) Accounts (i) for which the Account Debtor is Borrower’s Affiliate, officer, employee, investor, or agent, or (ii) that are intercompany Accounts;
- (b) Accounts that the Account Debtor has not paid within ninety (90) days of invoice date regardless of invoice payment period terms;
- (c) Accounts with credit balances over ninety (90) days from invoice date;
- (d) Accounts owing from an Account Debtor if fifty percent (50%) or more of the Accounts owing from such Account Debtor have not been paid within ninety (90) days of invoice date;
- (e) Accounts owing from an Account Debtor (i) which is a Foreign Subsidiary that is not located in the United States or (ii) whose billing address (as set forth in the applicable invoice for such Account) is not in the United States, in the case of clause (i) and (ii), other than Eligible Foreign Accounts;
- (f) Accounts billed from and/or payable to Borrower outside of the United States (sometimes called foreign invoiced accounts);
- (g) Accounts in which Bank does not have a first priority, perfected security interest under all applicable laws;
- (h) Accounts billed and/or payable in a Currency other than Dollars in an aggregate amount for all such Accounts not to exceed more than five percent (5.00%) of the Borrowing Base;
- (i) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called “contra” accounts, accounts payable, customer deposits or credit accounts);
- (j) Accounts with or in respect of accruals for marketing allowances, incentive rebates, price protection, cooperative advertising and other similar marketing credits, unless otherwise approved by Bank in writing;
- (k) Accounts owing from an Account Debtor which is a United States government entity or any department, agency, or instrumentality thereof unless Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;
- (l) Accounts with customer deposits and/or with respect to which Borrower has received an upfront payment, to the extent of such customer deposit and/or upfront payment;

(m) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a “sale guaranteed”, “sale or return”, “sale on approval”, or other terms if Account Debtor’s payment may be conditional;

(n) Accounts owing from an Account Debtor where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);

(o) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);

(p) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor’s satisfaction of Borrower’s complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);

(q) Accounts subject to trust provisions, subrogation rights of a bonding company, or a statutory trust;

(r) Accounts owing from an Account Debtor that has been invoiced for goods that have not been shipped to the Account Debtor unless Bank, Borrower, and the Account Debtor have entered into an agreement acceptable to Bank wherein the Account Debtor acknowledges that (i) it has title to and has ownership of the goods wherever located, (ii) a bona fide sale of the goods has occurred, and (iii) it owes payment for such goods in accordance with invoices from Borrower (sometimes called “bill and hold” accounts);

(s) Accounts for which the Account Debtor has not been invoiced;

(t) Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower’s business;

(u) Accounts for which Borrower has permitted Account Debtor’s payment to extend beyond ninety (90) days (including Accounts with a due date that is more than ninety (90) days from invoice date);

(v) Accounts arising from chargebacks, debit memos or other payment deductions taken by an Account Debtor;

(w) Accounts arising from product returns and/or exchanges (sometimes called “warranty” or “Return Material Authorization (RMA)” accounts);

(x) Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding (whether voluntary or involuntary), or becomes insolvent, or goes out of business;

(y) [reserved];

(z) That portion of Accounts owing from any single Account Debtor that exceeds thirty percent (30%) of all of Borrower’s Accounts, except for Johnson & Johnson and Alphabet Inc., for which such percentage is forty percent (40%), unless Bank approves a greater percentage in writing; and

(aa) Accounts for which Bank in its reasonable business judgment determines collection to be unlikely, including, without limitation, accounts represented by “refreshed” or “recycled” invoices.

“**Eligible Foreign Accounts**” are Accounts billed and collected by Borrower in the United States which are owing from an Account Debtor which has its principal place of business outside of the United States, but in each case otherwise constitute Eligible Accounts; provided, however, the aggregate amount of all Eligible Foreign Accounts included as Eligible Accounts in the calculation of the Borrowing Base shall not exceed the lesser of (a) Five Million Dollars (\$5,000,000) or (b) thirty percent (30%); for purposes of clarity and notwithstanding the provisions set forth above, the Accounts of each of Johnson & Johnson, Mozilla and Unilever shall each constitute an Eligible Foreign Account subject to the cap set forth above.

“Enterprise Accounts” means those Accounts owing to Borrower from its clients that have purchased a product that provides for net terms billing with Borrower.

“Enterprise Managed Services” means those services provided by Borrower to its clients with Enterprise Accounts, whereby Borrower is responsible for delivering the final work product to the client and uses subcontractors to create or deliver such work product.

“Equipment” is all **“equipment”** as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

“ERISA” is the Employee Retirement Income Security Act of 1974, and its regulations.

“Event of Default” is defined in Section 8.

“Exchange Act” is the Securities Exchange Act of 1934, as amended.

“Financial Statement Repository” is each of (a) Bank’s e-mail address specified in Section 10 or such other means of collecting information approved and designated by Bank after providing notice thereof to Borrower from time to time and (b) Bank’s online banking platform described in Section 6.12.

“Foreign Currency” means lawful money of a country other than the United States.

“Foreign Subsidiary” means any Subsidiary which is not a Domestic Subsidiary.

“Funding Date” is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

“FX Business Day” is any day when (a) Bank’s Foreign Exchange Department is conducting its normal business and (b) the Foreign Currency being purchased or sold by Borrower is available to Bank from the entity from which Bank shall buy or sell such Foreign Currency.

“FX Contract” is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency on a specified date.

“GAAP” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“General Intangibles” is all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

“Governmental Approval” is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

“Governmental Authority” is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“Guarantor” is any Person providing a Guaranty in favor of Bank.

“Guaranty” is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“Indebtedness” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

“Indemnified Person” is defined in Section 12.3.

“Initial Audit” is Bank’s inspection of Borrower’s Accounts, the Collateral, and Borrower’s Books, with results satisfactory to Bank in its sole and absolute discretion.

“Insolvency Proceeding” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“Intellectual Property” means, with respect to any Person, all of such Person’s right, title, and interest in and to the following:

- (a) its Copyrights, Trademarks and Patents;
- (b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how and operating manuals;
- (c) any and all source code;
- (d) any and all design rights which may be available to such Person;
- (e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and
- (f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

“Interest Expense” means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrower and its Subsidiaries, including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

“Interest Only Period” is the period of time commencing on the Effective Date through the earlier to occur of (a) March 31, 2019 or (b) the occurrence of an Event of Default.

“Inventory” is all **“inventory”** as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“Investment” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“Investor Support” means the Lead Investors have provided clear written indication (or have failed to otherwise confirm in writing (including via email) within fifteen (15) Business Days of Bank’s formal written request to the Lead Investors and Borrower) that it is their intention to not continue to fund Borrower in the amounts and timeframe necessary (when taken together with Borrower’s other financial resources) to enable Borrower to satisfy the Obligations as they become due and payable.

“Key Person” is each of Borrower’s (a) Chief Executive Officer, who is Stephane Kasriel as of the Effective Date, and (b) Chief Financial Officer, who is Brian Levey as of the Effective Date. Mr. Levey also serves as Upwork Inc.’s General Counsel and Corporate Secretary as of the Effective Date.

“Lead Investors” means each of (a) Benchmark Capital Partners V, L.P., (b) Sigma Partners 6, L.P. and its Affiliates, (c) the Stripes Group, and (d) Thomas Layton.

“Letter of Credit” means a standby letter of credit issued by Bank or another institution based upon an application, guarantee, indemnity or similar agreement on the part of Bank as set forth in Section 2.4.

“Letter of Credit Application” is defined in Section 2.4(b).

“Letter of Credit Reserve” is defined in Section 2.4(e).

“Lien” is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“Loan Documents” are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank, all as amended, restated, or otherwise modified.

“Material Adverse Change” is (a) a material impairment in the perfection or priority of Bank’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or financial condition of Borrower; and (c) a material impairment of the prospect of repayment of any portion of the Obligations.

“Monthly Financial Statements” is defined in Section 6.2(c).

“Net Income” means, as calculated on a consolidated basis for Borrower and its Subsidiaries for any period as at any date of determination, the net profit (or loss), after provision for taxes, of Borrower and its Subsidiaries for such period taken as a single accounting period in accordance with GAAP.

“Non-Formula Amount” is (a) from the Effective Date through and including December 30, 2018, Five Million Dollars (\$5,000,000), and (b) thereafter, Three Million Dollars (\$3,000,000).

“Obligations” are Borrower’s obligations to pay when due any debts, principal, interest, fees, Bank Expenses, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, all obligations relating to Bank Services and interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower’s duties under the Loan Documents.

“Operating Documents” are, for any Person, such Person’s formation documents, as certified by the Secretary of State (or equivalent agency) of such Person’s jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“Overadvance” is defined in Section 2.6.

“Patents” means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“Payment Date” is (a) with respect to the Term Loan, the first (1st) calendar day of each month and (b) with respect to Advances, the last calendar day of each month.

“Perfection Certificate” is defined in Section 5.1.

“Permitted Acquisition” or **“Permitted Acquisitions”** is any Acquisition by Borrower, provided that each of the following shall be applicable to each such Acquisition:

(a) no Event of Default shall have occurred and be continuing or would result from the consummation of the proposed Acquisition;

(b) the entity or assets acquired in such Acquisition are in the same or similar line of business as Borrower is in as of the date of such Acquisition or reasonably related thereto;

(c) [reserved];

(d) Borrower shall provide Bank with written notice of the proposed Acquisition at least five (5) Business Days prior to the anticipated closing date of the proposed Acquisition, including copies of the acquisition agreement and all other material documents relative to the proposed Acquisition (or if such acquisition agreement and other material documents are not in final form, drafts of such acquisition agreement and other material documents; provided, ~~that~~ Borrower shall deliver final forms of such acquisition agreement and other material documents promptly upon completion);

(e) the total cash consideration for all such Acquisitions does not exceed (i) Three Million Dollars (\$3,000,000) in the aggregate in any fiscal year, (ii) Five Million Dollars (\$5,000,000) in any instance if (A) prior to the consummation of such Acquisition, Borrower has positive EBITDA on a trailing twelve (12) month basis and (B) after giving effect to any such Acquisition, Borrower has cash of at least Twenty Five Million Dollars (\$25,000,000), or (iii) such greater amounts as approved by Bank on a case-by-case basis, and in each case, shall be approved by the Board;

(f) after giving effect to the consummation of such Acquisition, on a *pro forma* twelve (12) month basis, Borrower shall be in compliance with the financial covenant set forth in Section 6.9;

(g) the entity or assets acquired in such Acquisition shall not be subject to any Lien other than (x) the first-priority Liens granted in favor of Bank, if applicable and (y) Permitted Liens; and

(h) the Acquisition shall not constitute an Unfriendly Acquisition.

“Permitted Indebtedness” is:

(a) Borrower’s Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date which is shown on the Perfection Certificate;

- (c) Subordinated Debt;
- (d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;
- (e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;
- (f) Indebtedness secured by Liens permitted under clauses (a), (c) and (j) of the definition of "Permitted Liens" hereunder;
- (g) Indebtedness of any Subsidiaries to Borrower in an aggregate principal amount not to exceed Seven Hundred Fifty Thousand Dollars (\$750,000);
- (h) undrawn letters of credit issued by Bank;
- (i) unsecured Indebtedness of Borrower arising from corporate credit cards and merchant services agreements incurred in the ordinary course of business in an aggregate amount not to exceed One Million Dollars (\$1,000,000);
- (j) Indebtedness not to exceed One Million Dollars (\$1,000,000) in aggregate amount outstanding at any time under letters of credit that serve to secure real property leases for a period of sixty (60) days following the Effective Date;
- (k) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (j) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investments" are:

- (a) Investments (including, without limitation, Subsidiaries) (i) existing on the Effective Date which are shown on the Perfection Certificate or (ii) contemplated by and described in the Perfection Certificate delivered on the Effective Date;
- (b) Investments consisting of Cash Equivalents;
- (c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;
- (d) Investments consisting of deposit accounts (but only to the extent that Borrower is permitted to maintain such accounts pursuant to Section 6.8 of this Agreement) in which Bank has a first priority perfected security interest;
- (e) Investments accepted in connection with Transfers permitted by Section 7.1;
- (f) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment;
- (g) Investments (i) by Borrower in any other Borrower or any Guarantor, (ii) by the Borrower in Subsidiaries (that are not a Borrower or Guarantor) not to exceed One Million Dollars (\$1,000,000) in the aggregate in any fiscal year and (iii) by a Subsidiary (that is not a Borrower or Guarantor) in another Subsidiary or in Borrower;

(h) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business (other than as contemplated by and described in the Perfection Certificate delivered on the Effective Date), and (ii) loans to employees, officers or directors in the ordinary course of business, and in the case of both (i) and (ii) above, in an aggregate amount not to exceed Five Hundred Thousand Dollars (\$500,000) at any time;

(i) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(j) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (j) shall not apply to Investments of Borrower in any Subsidiary;

(k) Investments that constitute a Permitted Acquisition;

(l) joint ventures, strategic alliances, licensing and similar agreements, provided that any cash investments by Borrower do not exceed do not exceed Two Million Dollars (\$2,000,000) in the aggregate in any fiscal year; and

(m) other Investments not otherwise permitted by Section 7.7 not exceeding Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate outstanding at any time.

“Permitted Liens” are:

(a) Liens existing on the Effective Date which are shown on the Perfection Certificate or arising under this Agreement or the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on Borrower’s Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens and capital leases (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than Seven Hundred Fifty Thousand Dollars (\$750,000) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens of carriers, mechanics, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Seven Hundred Fifty Thousand Dollars (\$750,000) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers’ compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) leases or subleases of real property granted in the ordinary course of Borrower’s business (or, if referring to another Person, in the ordinary course of such Person’s business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower’s business (or, if referring to another Person, in the ordinary course of such Person’s business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(g) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business;

(h) deposits to secure the performance of bids, trade contracts (other than for borrowed money), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business (other than for indebtedness or any Liens arising under ERISA) in an aggregate amount not to exceed Seven Hundred Fifty Thousand Dollars (\$750,000) at any time;

(i) Liens on cash deposit or letters of credit to secure Borrower's obligations to landlords in connection with real estate leases in an aggregate amount not exceed One Million Dollars (\$1,000,000) at any time;

(j) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7;

(k) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions, provided that (i) Bank has a first priority perfected security interest in the amounts held in such deposit and/or securities accounts (ii) such accounts are permitted to be maintained pursuant to Section 6.8 of this Agreement; and

(l) Liens incurred in the extension, renewal or refinancing of the Indebtedness secured by Liens described in (a) through (k), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

"Person" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"Prime Rate" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement; and provided further that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Quick Assets" is, on any date of determination, the sum of (a) the aggregate amount of unrestricted and unencumbered cash held at such time by Borrower in Deposit Accounts maintained with Bank, plus (b) the aggregate amount of unrestricted and unencumbered cash held at such time by Borrower in Deposit Accounts maintained at financial institutions other than Bank subject to Control Agreements in favor of Bank, plus (c) the aggregate amount of cash and Cash Equivalents held at such time by Upwork Escrow Inc., plus (d) Borrower's accounts receivable determined according to GAAP, minus (e) Borrower's accrued hourly billing liabilities determined according to GAAP.

"Registered Organization" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"Requirement of Law" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserves" means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its reasonable judgment, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its good faith business judgment, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies

of Accounts), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank's reasonable belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank reasonably determines constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

"Responsible Officer" is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

"Restricted License" is any license or other agreement which is material to the conduct of Borrower's business with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could reasonably be expected to interfere with Bank's right to sell any Collateral.

"Revenue Trigger Event" means the delivery to Bank of evidence reasonably satisfactory to Bank demonstrating that Borrower has achieved Adjusted Net Revenue of at least Forty Nine Million Dollars (\$49,000,000) for any trailing three (3) month period on or before June 30, 2018.

"Revolving Line" is an aggregate principal amount equal to Fifteen Million Dollars (\$15,000,000); provided, however, upon the occurrence of the Revenue Trigger Event, **"Revolving Line"** shall mean an aggregate principal amount equal to Twenty Five Million Dollars (\$25,000,000).

"Revolving Line Maturity Date" is March 19, 2020.

"SEC" shall mean the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

"Securities Account" is any **"securities account"** as defined in the Code with such additions to such term as may hereafter be made.

"Specified Affiliate" is any Person (a) more than ten percent (10.0%) of whose aggregate issued and outstanding equity or ownership securities or interests, voting, non-voting or both, are owned or held directly or indirectly, beneficially or of record, by Borrower, and/or (ii) whose equity or ownership securities or interests representing more than ten percent (10.0%) of such Person's total outstanding combined voting power are owned or held directly or indirectly, beneficially or of record, by Borrower.

"Subordinated Debt" is indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

"Subsidiary" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

"Term Loan" is defined in Section 2.5(a) of this Agreement.

"Term Loan Maturity Date" is the earlier to occur of (a) the occurrence and continuance of an Event of Default or (b) three (3) years after the expiration of the Interest Only Period.

“**Trademarks**” means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

“**Transfer**” is defined in Section 7.1.

“**Unfriendly Acquisition**” is any Acquisition that has not, at the time of the first public announcement of an offer relating thereto, been approved by the board of directors (or other legally governing body) of the Person to be acquired.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

UPWORK INC.

By /s/ Brian Levey

Name: Brian Levey

Title: Chief Financial Officer, General Counsel and Secretary

ELANCE, INC.

By /s/ Junko Swain

Name: Junko Swain

Title: Treasurer

UPWORK GLOBAL INC.

By /s/ Brian Levey

Name: Brian Levey

Title: Chief Financial Officer, General Counsel and Secretary

UPWORK TALENT GROUP INC.

By /s/ Junko Swain

Name: Junko Swain

Title: Treasurer

BANK:

SILICON VALLEY BANK

By /s/ Sean Thompson

Name: Sean Thompson

Title: Vice President

Signature Page to Loan and Security Agreement

EXHIBIT A - COLLATERAL DESCRIPTION

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (a) more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Foreign Subsidiary which shares entitle the holder thereof to vote for directors or any other matter, provided that the Collateral shall include one hundred percent (100%) of the issued and outstanding non-voting capital stock of such Subsidiary; (b) all shares of capital stock of Upwork Escrow Inc. for which Elance, Inc. is the beneficial owner which are pledged to the California Department of Business Oversight; (c) consents, authorizations, approvals, orders, licenses, franchises, permits, certificates, accreditations, registrations, filings or notice (collectively, "Governmental Approvals") issued by or from any governmental or regulatory authority if granting a security interest or Lien thereon is prohibited or would expose Borrower to the risk of termination, revocation or any similar result with respect to such Governmental Approval; provided, however, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Bank (d) any interest of Borrower as a lessee or sublessee under a real property lease; (e) rights held under a license or other contract that are not assignable by their terms without the consent of the licensor thereof (but only to the extent such restriction on assignment is enforceable under applicable law); provided, however, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Bank.; (f) any interest of Borrower as a lessee under an equipment lease if Borrower is prohibited by the terms of such lease from granting a security interest in such lease or under which such an assignment or lien would cause a default to occur under such lease; provided, however, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Bank; or (f) any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property.

Pursuant to the terms of a certain negative pledge arrangement with Bank, Borrower has agreed not to encumber any of its Intellectual Property without Bank's prior written consent.

EXHIBIT B
COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK
FROM: UPWORK INC., ELANCE, INC., UPWORK GLOBAL INC.,
and UPWORK TALENT GROUP INC.

Date: _____

Under the terms and conditions of the Loan and Security Agreement between Upwork Inc., Elance, Inc., Upwork Global Inc., and Upwork Talent Group Inc. (each and together, jointly and severally, "**Borrower**") and Bank (the "**Agreement**"), Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements with Compliance Statement	Monthly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 10 days after filing with SEC	Yes No
A/R & A/P Agings	Monthly within 30 days	Yes No
Borrowing Base Statement	Monthly within 30 days	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
Recurring revenue cohort report	Quarterly within 30 days	Yes No

The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Minimum Adjusted Quick Ratio	1.30:1.00	:1.00	Yes No
Minimum EBITDA	*	\$	Yes No

* See Section 6.9(b)

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

I. Adjusted Quick Ratio (Section 6.9(a))

Required: Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of equal to or greater than 1.30 to 1.00. Additionally, the component of Quick Assets which makes up Borrower's unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

Actual:

A.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with Bank	\$ _____
B.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with financial institutions other than Bank subject to a Control Agreement in favor of Bank	\$ _____
C.	Aggregate value of cash and Cash Equivalents of Upwork Escrow Inc.	\$ _____
D.	Aggregate value of the accounts receivable of Borrower determined according to GAAP	\$ _____
E.	Aggregate value of the accrued hourly billing liabilities of Borrower determined according to GAAP	\$ _____
F.	Quick Assets (line A plus line B plus line C plus line D minus line E)	\$ _____
G.	Aggregate value of principal amount of Term Loans outstanding and Advances	\$ _____
H.	Aggregate value of Borrower's accounts payable determined according to GAAP	\$ _____
I.	The sum of lines G and H	\$ _____
J.	Adjusted Quick Ratio (line F divided by line I)	:1.00

Is line J equal to or greater than 1.30:1:00?

_____ No, not in compliance

_____ Yes, in compliance

Is line A equal to or greater than \$10,000,000?

_____ No, not in compliance

_____ Yes, in compliance

II. EBITDA (Section 6.9(b))

Required: Achieve, measured as of the last day of each fiscal quarter during the following periods, EBITDA of at least (loss not worse than) the following amounts:

Period	Minimum EBITDA (maximum loss)
Trailing three (3) month period ending September 30, 2017	\$500,000
Trailing six (6) month period ending December 31, 2017	(\$3,000,000)
Trailing nine (9) month period ending March 31, 2018	(\$6,000,000)
Trailing twelve (12) month period ending June 30, 2018	(\$5,000,000)
Trailing twelve (12) month period ending September 30, 2018	(\$4,000,000)
Trailing twelve (12) month period ending December 31, 2018	(\$2,000,000)
Trailing twelve (12) month period ending March 31, 2019	\$1.00
June 30, 2019 and thereafter	Bank and Borrower shall use reasonable efforts to mutually agree in good faith upon reasonable minimum EBITDA numbers consistent with past practices based on Borrower's projections approved by the Board delivered pursuant to Section 6.2(f); provided failure to so agree on or before March 31 of such fiscal year shall be an immediate Event of Default

Actual:

A.	Net Income	\$ _____
B.	To the extent included in the determination of Net Income	
	1. Interest Expense	\$ _____
	2. Income tax expense	\$ _____
	3. Depreciation expense	\$ _____
	4. Amortization expense	\$ _____

5.	Non-cash stock compensation expense	\$ _____
6.	Other non-operating non-cash income and expenses, excluding foreign currency gains/losses	\$ _____
7.	Write-off or impairment of intangible assets	\$ _____
8.	Costs and expenses in connection with the repayment of Indebtedness owing to Pacific Western Bank on the Effective Date	\$ _____
9.	Costs and expenses in connection with the negotiation and preparation of the Loan Agreement and the other Loan Documents	\$ _____
10.	In respect of foreign currency gains/losses, (A) up to \$500,000 in the trailing three (3) month period ending September 30, 2017, (B) up to \$750,000 in the trailing six (6) month period ending December 31, 2017 and the trailing nine (9) month period ending March 31, 2018, and (C) up to \$1,000,000 thereafter	\$ _____
11.	Other non-cash expenses approved by Bank in writing on a case-by-case basis	\$ _____
12.	Sum of lines B.1 through B.12	\$ _____
C.	EBITDA (line A plus line B.12)	\$ _____

Is line C at least (loss not worse than) \$ _____?

_____ No, not in compliance

_____ Yes, in compliance

EXHIBIT C
POST-CLOSING CONTROL AGREEMENTS

<u>Institution Name</u>	<u>Institution Address</u>	<u>Account Number</u>	<u>Name of Account Owner</u>
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Upwork Inc.
CitiBank N.A	P.O. Box 6201, Sioux Falls, SD 57117-6201		Elance-ODesk, Inc./Upwork Inc.
Wells Fargo Bank N.A	Wells Fargo Bank, N.A. (182), PO Box 63020 San Francisco, CA 94163		Elance Inc.

**FIRST AMENDMENT
TO
LOAN AND SECURITY AGREEMENT**

This First Amendment to Loan and Security Agreement (this "**Amendment**") is entered into this 29th day of November, 2017 by and between (a) **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and (b) **UPWORK INC.**, a Delaware corporation, **ELANCE, INC.**, a Delaware corporation, **UPWORK GLOBAL INC.**, a California corporation, and **UPWORK TALENT GROUP INC.**, a Delaware corporation (each and together, jointly and severally, "**Borrower**").

RECITALS

- A.** Bank and Borrower have entered into that certain Loan and Security Agreement dated as of September 19, 2017 (as amended, and as the same may from time to time be further amended, modified, supplemented or restated, the "**Loan Agreement**").
- B.** Bank has previously extended credit to Borrower for the purposes permitted in the Loan Agreement.
- C.** Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.
- D.** Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

Amendments to Loan Agreement.

Section 2.5. Section 2.5 is amended and restated in its entirety as follows:

Section 2.5. Term Loans.

2.5.1. Term Loan A

(a) Availability. On the Effective Date, Bank made a term loan available to Borrower in the original principal amount of Fifteen Million Dollars (\$15,000,000) (the "**Term Loan A**"). After repayment, the Term Loan A (or any portion thereof) may not be reborrowed.

(b) Repayment. Commencing on the first Payment Date following the Effective Date, and continuing on each Payment Date thereafter, Borrower shall make monthly payments of interest, in arrears, on the principal amount of the Term Loan A at the rate set forth in Section 2.7(a)(ii). Commencing on the first Payment Date following the expiration of the Interest Only Period, and continuing on each Payment Date thereafter, Borrower shall repay the Term Loan A in (i) thirty-six (36) equal monthly installments of principal, plus (ii) monthly payments of accrued interest as set forth above. All outstanding principal and accrued and unpaid interest under the Term Loan A, and all other outstanding Obligations with respect to the Term Loan A, are due and payable in full on the Term Loan Maturity Date.

(c) Permitted Prepayment. Borrower shall have the option to prepay all, but not less than all, of the Term Loan A, provided Borrower (i) delivers written notice to Bank of its election to prepay the Term Loan A at least ten (10) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) the outstanding principal plus accrued and unpaid interest with respect to the Term Loan A, and (B) all other sums, if any, that shall have become due and payable with respect to the Term Loan A, including interest at the Default Rate with respect to any past due amounts.

(d) Mandatory Prepayment Upon an Acceleration. If the Term Loan A is accelerated by Bank following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest with respect to the Term Loan A, and (ii) all other sums, if any, that shall have become due and payable with respect to the Term Loan A, including interest at the Default Rate with respect to any past due amounts.

2.5.2 Term Loan B.

(a) Availability. Subject to the terms and conditions of this Agreement, on the First Amendment Effective Date, Bank shall make a term loan to Borrower in the original principal amount of Nine Million Dollars (\$9,000,000) (the “**Term Loan B**”). After repayment, the Term Loan B (or any portion thereof) may not be reborrowed.

(b) Repayment. Commencing on the first Payment Date following the Effective Date, and continuing on each Payment Date thereafter, Borrower shall make monthly payments of interest, in arrears, on the principal amount of the Term Loan B at the rate set forth in Section 2.7(a)(ii). Commencing on the first Payment Date following the expiration of the Interest Only Period, and continuing on each Payment Date thereafter, Borrower shall repay the Term Loan B in (i) forty-seven (47) (forty-two (42) if the Term Loan B Interest Only Extension Trigger is achieved) equal monthly installments of principal, plus (ii) monthly payments of accrued interest as set forth above. All outstanding principal and accrued and unpaid interest under the Term Loan B, and all other outstanding Obligations with respect to the Term Loan B, including the Final Payment, are due and payable in full on the Term Loan Maturity Date.

(c) Permitted Prepayment. Borrower shall have the option to prepay all, or any portion, of the Term Loan B, provided Borrower (i) delivers written notice to Bank of its election to prepay the Term Loan B at least ten (10) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) the outstanding principal plus accrued and unpaid interest with respect to the Term Loan B, and (B) all other sums, if any, that shall have become due and payable with respect to the Term Loan B, including the Final Payment (or the pro rata portion of the Final Payment which shall be due and payable in connection with any partial prepayment by Borrower) and any interest at the Default Rate with respect to any past due amounts. The amount prepaid in connection with any partial prepayments shall be applied to the outstanding principal remaining on a pro rata basis to reduce the remaining principal repayment schedule.

(d) Mandatory Prepayment Upon an Acceleration. If the Term Loan B is accelerated by Bank following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest with respect to the Term Loan B, and (ii) all other sums, if any, that shall have become due and payable with respect to the Term Loan B, including the Final Payment and any interest at the Default Rate with respect to any past due amounts.

Section 2.7(a)(ii). Section 2.7(a)(ii) is amended and restated in its entirety as follows:

“(ii) Term Loan. Subject to Section 2.7(b), (A) the principal amount outstanding under the Term Loan A shall accrue interest at a floating per annum rate equal to one-quarter of one percent (0.25%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.7(d) below and (B) the principal amount outstanding under the Term Loan B shall accrue interest at a floating per annum rate equal to five and one-quarter of one percent (5.25%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.7(d) below.”

Section 2.8. Section 2.8 is hereby amended by inserting the following clause (e) immediately after clause (d) thereof:

“(e) Final Payment. The Final Payment, when due hereunder.

Section 5.10. Section 5.10 is hereby amended and restated as follows:

“Borrower shall use the proceeds of (i) the Credit Extensions solely as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes and (ii) Term Loan B (together with Advances in an amount not to exceed \$10,500,000) solely for the 2017 Stock Repurchase.”

Section 7.7. Section 7.7 is hereby amended and restated as follows:

“(a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, provided that Borrower may (i) convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) pay dividends solely in common stock, (iii) repurchase the stock of directors, employees or consultants pursuant to employee stock purchase plans, restricted stock agreements, rights or first refusal or other similar agreements so long as an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase, provided that the aggregate amount of all such repurchases does not exceed One Hundred Thousand Dollars (\$100,000) per fiscal year, (iv) consummate the 2017 Stock Repurchase; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.”

Section 13 (Definitions). The following new terms and their respective definitions are inserted alphabetically in Section 13.1:

“**2017 Stock Repurchase**” is the repurchase of stock of existing investors of Borrower other than pursuant to employee stock purchase plans, restricted stock agreements, rights of first refusal or other similar agreements in an aggregate amount not to exceed Nineteen Million Five Hundred Thousand Dollars (\$19,500,000) on the First Amendment Effective Date using proceeds of the Term Loan B in addition to certain proceeds attributable to Advances, which proceeds from Advances shall not exceed \$10,500,000.

“Final Payment” is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due on the earliest to occur of (a) the Term Loan Maturity Date for the Term Loan B, or (b) the acceleration of the Term Loan B, or (c) the prepayment of the Term Loan B pursuant to Section 2.5.2(c), equal to \$101,250 (or the pro rata portion of such amount which shall be due and payable in connection with any partial prepayment by Borrower).

“First Amendment Effective Date” is November 29, 2017.

“Term Loan A” is defined in Section 2.5.1(a).

“Term Loan B” is defined in Section 2.5.2(a).

“Term Loan B Interest Only Extension Trigger” means the delivery to Bank of evidence reasonably satisfactory to Bank demonstrating that Borrower has achieved EBITDA of at least One Million Dollars (\$1,000,000) for the trailing six (6) month period ending on September 30, 2018.

Section 13 (Definitions). The following terms and their respective definitions set forth in Section 13.1 are amended in their entirety and replaced with the following:

“Adjusted Quick Ratio” means, for any date of determination, the ratio of (a) Quick Assets, to (b) the sum of (i) the principal amount of Term Loan A outstanding and Advances plus (ii) Borrower’s accounts payable determined according to GAAP; for purposes of clarity, the principal amount of Term Loan B outstanding shall not be included in the Adjusted Quick Ratio calculation.

“Credit Extension” is any Advance, any Overadvance, Letter of Credit, FX Contract, amount utilized for Cash Management Services, Term Loan A, Term Loan B or any other extension of credit by Bank for Borrower’s benefit.

“Interest Only Period” is (i) with respect to the Term Loan A, the period of time commencing on the Effective Date through the earlier to occur of (a) March 31, 2019 or (b) the occurrence of an Event of Default and (ii) with respect to the Term Loan B, the period of time commencing on the Effective Date through the earlier to occur of (a) October 31, 2018 (or March 31, 2019 if the Term Loan B Interest Only Extension Trigger is achieved) or (b) the occurrence of an Event of Default.

“Payment Date” is (a) with respect to any Term Loan, the first (1st) calendar day of each month and (b) with respect to Advances, the last calendar day of each month.

“**Term Loan**” is Term Loan A or Term Loan B, as the context may require.

“**Term Loan Maturity Date**” is (i) with respect to the Term Loan A, the earlier to occur of (a) the occurrence and continuance of an Event of Default or (b) three (3) years after the expiration of the Interest Only Period and (ii) with respect to the Term Loan B, the earlier to occur of (a) the occurrence and continuance of an Event of Default or (b) forty-seven (47) (forty-two (42) if the Term Loan B Interest Only Extension Trigger is achieved) months after the expiration of the Interest Only Period.

Exhibit B (Compliance Certificate). The Compliance Certificate is amended in its entirety and replaced with the Compliance Certificate in the form of Exhibit B attached hereto.

Limitation of Amendments.

The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date or time period, in which case they are true and correct as of such date or with respect to such time period), and (b) no Event of Default has occurred and is continuing;

Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

The organizational documents of Borrower delivered to Bank on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

Ratification of Perfection Certificate. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated as of September 19, 2017, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not materially changed, as of the date hereof except as set forth on Schedule A.

No Defenses of Borrower. Borrower hereby acknowledges and agrees that Borrower has no offsets, defenses, claims, or counterclaims against Bank with respect to the Obligations, or otherwise, and that if Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against Bank, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Borrower hereby RELEASES Bank from any liability thereunder.

Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

Effectiveness. As a condition precedent to the effectiveness of this Amendment and the Bank's obligation to make the Term Loan B and further Advances under the Revolving Line, the Bank shall have received the following documents prior to or concurrently with this Amendment, each in form and substance acceptable to Bank:

 this Amendment duly executed by each party hereto;

Borrower's payment of a fully earned, non-refundable facility fee of Ninety Thousand Dollars (\$90,000); and

Borrower's payment of documented Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Amendment), but only the amount by which such Bank Expenses exceed \$10,000.

a secretary's certificate of Borrower with respect to such Borrower's Operating Documents, incumbency, specimen signatures and resolutions authorizing the execution and delivery of this Agreement and the other Loan Documents to which it is a party;

duly executed signatures to the completed Borrowing Resolutions for Borrower;

such further documents as Bank may reasonably request to effect the purposes of this Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BORROWER:

UPWORK INC.

By /s/ Brian Levey
Name: Brian Levey
Title: General Counsel and Secretary

ELANCE, INC.

By /s/ Junko Swain
Name: Junko Swain
Title: Treasurer

UPWORK GLOBAL INC.

By /s/ Brian Levey
Name: Brian Levey
Title: General Counsel and Secretary

UPWORK TALENT GROUP INC.

By /s/ Junko Swain
Name: Junko Swain
Title: Treasurer

BANK:

SILICON VALLEY BANK

By /s/ Ashlee Kaji
Name: Ashlee Kaji
Title: Vice President

EXHIBIT B
COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK
FROM: UPWORK INC., ELANCE, INC., UPWORK GLOBAL INC.,
and UPWORK TALENT GROUP INC.

Date: _____

Under the terms and conditions of the Loan and Security Agreement between Upwork Inc., Elance, Inc., Upwork Global Inc., and Upwork Talent Group Inc. (each and together, jointly and severally, "**Borrower**") and Bank (the "**Agreement**"), Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements with Compliance Statement	Monthly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 10 days after filing with SEC	Yes No
A/R & A/P Agings	Monthly within 30 days	Yes No
Borrowing Base Statement	Monthly within 30 days	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
Recurring revenue cohort report	Quarterly within 30 days	Yes No

The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Minimum Adjusted Quick Ratio	1.30:1.00	:1.00	Yes No
Minimum EBITDA	*	\$	Yes No

* See Section 6.9(b)

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

I. Adjusted Quick Ratio (Section 6.9(a))

Required: Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of equal to or greater than 1.30 to 1.00. Additionally, the component of Quick Assets which makes up Borrower's unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

Actual:

A.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with Bank	\$ _____
B.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with financial institutions other than Bank subject to a Control Agreement in favor of Bank	\$ _____
C.	Aggregate value of cash and Cash Equivalents of Upwork Escrow Inc.	\$ _____
D.	Aggregate value of the accounts receivable of Borrower determined according to GAAP	\$ _____
E.	Aggregate value of the accrued hourly billing liabilities of Borrower determined according to GAAP	\$ _____
F.	Quick Assets (line A plus line B plus line C plus line D minus line E)	\$ _____
G.	Aggregate value of principal amount of the Term Loan A outstanding and Advances	\$ _____
H.	Aggregate value of Borrower's accounts payable determined according to GAAP	\$ _____
I.	The sum of lines G and H	\$ _____
J.	Adjusted Quick Ratio (line F divided by line I)	:1.00

Is line J equal to or greater than 1.30:1:00?

_____ No, not in compliance

_____ Yes, in compliance

Is line A equal to or greater than \$10,000,000?

_____ No, not in compliance

_____ Yes, in compliance

II. EBITDA (Section 6.9(b))

Required: Achieve, measured as of the last day of each fiscal quarter during the following periods, EBITDA of at least (loss not worse than) the following amounts:

Period	Minimum EBITDA (maximum loss)
Trailing three (3) month period ending September 30, 2017	\$500,000
Trailing six (6) month period ending December 31, 2017	(\$3,000,000)
Trailing nine (9) month period ending March 31, 2018	(\$6,000,000)
Trailing twelve (12) month period ending June 30, 2018	(\$5,000,000)
Trailing twelve (12) month period ending September 30, 2018	(\$4,000,000)
Trailing twelve (12) month period ending December 31, 2018	(\$2,000,000)
Trailing twelve (12) month period ending March 31, 2019	\$1.00
June 30, 2019 and thereafter	Bank and Borrower shall use reasonable efforts to mutually agree in good faith upon reasonable minimum EBITDA numbers consistent with past practices based on Borrower's projections approved by the Board delivered pursuant to Section 6.2(f); provided failure to so agree on or before March 31 of such fiscal year shall be an immediate Event of Default

Actual:

A.	Net Income	\$ _____
B.	To the extent included in the determination of Net Income	
	1. Interest Expense	\$ _____
	2. Income tax expense	\$ _____
	3. Depreciation expense	\$ _____
	4. Amortization expense	\$ _____
	5. Non-cash stock compensation expense	\$ _____
	6. Other non-operating non-cash income and expenses, excluding foreign currency gains/losses	\$ _____
	7. Write-off or impairment of intangible assets	\$ _____
	8. Costs and expenses in connection with the repayment of Indebtedness owing to Pacific Western Bank on the Effective Date	\$ _____
	9. Costs and expenses in connection with the negotiation and preparation of the Loan Agreement and the other Loan Documents	\$ _____
	10. In respect of foreign currency gains/losses, (A) up to \$500,000 in the trailing three (3) month period ending September 30, 2017, (B) up to \$750,000 in the trailing six (6) month period ending December 31, 2017 and the trailing nine (9) month period ending March 31, 2018, and (C) up to \$1,000,000 thereafter	\$ _____
	11. Other non-cash expenses approved by Bank in writing on a case-by-case basis	\$ _____
	12. Sum of lines B.1 through B.12	\$ _____
C.	EBITDA (line A plus line B.12)	\$ _____

Is line C at least (loss not worse than) \$ _____?

_____ No, not in compliance

_____ Yes, in compliance

Schedule A

Pursuant to Section 5 of this Amendment and Section 5.1 of that certain Loan Agreement, the following are updates to the Perfection Certificate:

1f. Upwork Inc. is registered to transact business as a foreign entity in California, Colorado, Florida, Georgia, Illinois, Oregon and Tennessee.

4b. The table in Section 4b is amended as follows:

<u>Complete street and mailing address, including county</u>	<u>Name of Company/Subsidiary</u>	<u>Equipment/Inventory/other Collateral</u>
441 Logue Avenue, Mountain View, CA 94043, Santa Clara County	Upwork Inc.	Furniture and equipment
475 Brannan Street, Suite 400 and 430, San Francisco, CA 94107, San Francisco County	Upwork Inc.	Furniture and equipment
224 N. Desplaines Street, Suite 350 and 400, Chicago, IL 60661, Cook COuntY	Upwork Inc.	Furniture and equipment
Tordenskiolds gate 3, 0160 Oslo, Norway	Elance Limited	Furniture and equipment
241 Walsh Ave, Floor 1, Suite Note, Santa Clara, CA 95051, Santa Clara County	Upwork Inc.	Servers and equipment

6a. The entry for debt owed to Pacific Western Bank in the amount of \$262,878 with a maturity date of June 30th, 2019 is deleted.

8. In the ordinary course of business from time to time, Borrower receives threats of litigation from its users that include indefinite amounts of damages, however, to the Borrower's knowledge, there is no threatened litigation or claims against Borrower that are reasonably expected to exceed \$50,000 in liability. In addition to the disclosures in the existing Perfection Certificate, Borrower received one complaint filed on November 13, 2017, MFA Oil Company, Janice Serpico and Tami Ensor vs. Upwork Global Inc., United States District Court for the Western District of Missouri, Central Division, Case No. 2:17-cv-4222. No specific monetary demand was stated in the complaint, but Borrower believes all claims therein have no merit.

Schedule 2(c)

Upwork's updated capitalization table as of November 21, 2017 was provided to Bank via email on November 21, 2017 and titled "11.21.17 Board Upwork Detailed Cap Reconciled.pdf"

Schedule 11

Updates:

Brian Kinion is Chief Financial Officer of Upwork Inc. and Upwork Global Inc.

Brian Levey is General Counsel and Secretary of Upwork Inc. and Upwork Global Inc. and has tendered his resignation as Chief Financial Officer of Upwork Inc. and Upwork Global Inc.

Zoe Harte is Senior Vice President, HR & Talent Innovation of Upwork Inc.

**SECOND AMENDMENT
TO
LOAN AND SECURITY AGREEMENT**

This Second Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 17th day of September, 2018 by and between (a) **SILICON VALLEY BANK**, a California corporation (“**Bank**”), and (b) **UPWORK INC.**, a Delaware corporation, **ELANCE, INC.**, a Delaware corporation, **UPWORK GLOBAL INC.**, a California corporation, and **UPWORK TALENT GROUP INC.**, a Delaware corporation (each and together, jointly and severally, “**Borrower**”).

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of September 19, 2017, as amended by that certain First Amendment to Loan and Security Agreement, dated as of November 29, 2017 (the “**First Amendment**”) (as amended, and as the same may from time to time be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

B. Bank has previously extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement.

2.1 Section 2.2. Section 2.2(b) is amended and restated in its entirety as follows:

“(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances in respect of Enterprise Accounts, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable. Outstanding Advances made in respect of

Marketplace Receivables shall be due and payable on a weekly basis, subject to a two (2) Business Day clean-up period (for example, if Advances in respect of Marketplace Receivables were funded on a Friday, such Advances in respect of Marketplace Receivables would be required to be repaid in full no later than Tuesday of the following week).”

2.2 Section 2.7(a)(ii). Section 2.7(a)(ii) is amended and restated in its entirety as follows:

“(ii) Term Loan. Subject to Section 2.7(b), (A) the principal amount outstanding under the Term Loan A shall accrue interest at a floating per annum rate equal to one-quarter of one percent (0.25%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.7(d) below and (B) the principal amount outstanding under the Term Loan B shall accrue interest at a floating per annum rate equal to five and one-quarter of one percent (5.25%) above the Prime Rate; provided, that from and after the occurrence of a Qualified IPO, the principal amount outstanding under the Term Loan B shall accrue interest at a floating per annum rate equal to one-quarter of one percent (0.25%) above the Prime Rate, which interest shall in any event be payable monthly in accordance with Section 2.7(d) below.”

2.3 Section 6.2 (Financial Statements, Reports, Certificates). Subsection (b) of Section 6.2 is amended and restated in its entirety as follows:

“(b) within thirty (30) days after the end of each month, (A) monthly accounts receivable agings for Borrower’ Enterprise Accounts, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, (C) monthly reconciliations of accounts receivable agings for Borrower’ Enterprise Accounts (aged by invoice date), and general ledger, and (D) monthly chargeback activity report, in form and substance reasonably acceptable to Bank;”

2.4 Section 6.2 (Financial Statements, Reports, Certificates). (i) subsection (j) of Section 6.2 is amended by deleting the word “and” from the end thereof; (ii) subsection (k) of Section 6.2 is amended by deleting the “.” from the end thereof and inserting “; and” in lieu thereof; and (iii) the following new subsections (l), (m) and (n) are hereby inserted immediately following subsection (k) thereof:

“(l) prior to and in connection with each request for an Advance in respect of Marketplace Receivables, a Marketplace Receivables Report;

(m) on the tenth Business Day following an Advance in respect of Marketplace Receivables, a report, in form and substance reasonably acceptable to Bank, detailing Marketplace Receivables collection activity that was record by Upwork Escrow Inc. during the week immediately following the week in which such Advance took place;

(n) until the occurrence of a Qualified IPO, prompt written notice of any changes to the beneficial ownership information set forth in items 2(d) and 2(e) of each Perfection Certificate. Borrower understands and acknowledges that Bank relies on true, accurate and up-to-date beneficial ownership information to meet Bank’s regulatory obligations to obtain, verify and record information about the beneficial owners of its legal entity customers.”

2.5 Section 6.3(c). Section 6.3(c) is amended and restated in its entirety as follows:

“(c) Collections.

(i) Enterprise Accounts. Borrower shall use commercially reasonable efforts to (i) within one (1) year after the Effective Date, establish payment and billing system functionality necessary to utilize the Cash Collateral Account (as defined below) and (ii) promptly following the establishment thereof, direct Account Debtors to deliver or transmit all proceeds of Enterprise Accounts into a lockbox account, or via electronic deposit capture into a “blocked account” as specified by Bank (either such account, the “**Cash Collateral Account**”). Subject to the foregoing requirement, upon the occurrence and during the continuance of an Event of Default, Borrower shall, once Borrower has established payment and billing system functionality necessary to utilize the Cash Collateral Accounts, use commercially reasonable efforts to immediately deliver all payments on and proceeds of Enterprise Accounts to the Cash Collateral Account. Subject to Bank’s right to maintain a reserve pursuant to Section 6.3(d), all amounts received in the Cash Collateral Account shall be transferred on a daily basis to Borrower’s operating account with Bank (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to transfer such amounts). Following the establishment thereof, Borrower hereby authorizes Bank to transfer to the Cash Collateral Account any amounts that Bank reasonably determines are proceeds of the Enterprise Accounts (provided that Bank is under no obligation to do so and this allowance shall in no event relieve Borrower of its obligations hereunder).

(ii) Marketplace Receivables. All collections of Marketplace Receivables that are transferred to the Borrower’s operational account(s) at Wells Fargo Bank, N.A. (cash and Cash Equivalents) shall be, subject to the two (2) Business Day clean-up period described in Section 2.2(b), promptly, and in any event within two (2) Business Days, transferred to an operational account of Borrower maintained at Bank.”

2.6 Section 6.9. Section 6.9(b) is amended and restated in its entirety as follows:

“(b) EBITDA. Achieve, measured as of the last day of each fiscal quarter, on a trailing twelve (12) month basis (unless otherwise indicated) during the following periods, EBITDA of at least (loss not worse than) the following amounts:

Period Ending	Minimum EBITDA (maximum loss)
Trailing nine (9) month period ending March 31, 2018	(\$6,000,000)
June 30, 2018	(\$5,000,000)
September 30, 2018	(\$4,000,000)
December 31, 2018	(\$2,000,000)
March 31, 2019	\$1.00
June 30, 2019	\$250,000
September 30, 2019	\$500,000
December 31, 2019	\$1,000,000
March 31, 2020 and thereafter	Bank and Borrower shall use reasonable efforts to mutually agree in good faith upon reasonable minimum EBITDA numbers consistent with past practices based on Borrower’s projections approved by the Board delivered pursuant to Section 6.2(f); provided failure to so agree on or before March 31 of such fiscal year shall be an immediate Event of Default; and provided further that the minimum EBITDA for any period shall in any event be not less than One Dollar (\$1.00)”

2.7 Section 13. The following new terms and their respective definitions are inserted alphabetically in Section 13.1:

“**Marketplace Receivables**” means the aggregate dollar value of gross service volume (“**GSV**”) acceptable to Bank, in its reasonable discretion, for freelancers’ earnings that have been recorded on Borrower’s platform on Friday for the Monday through Thursday period of that week. Bank acknowledges GSV will not have been invoiced to Account Debtors until Sunday and the hours recorded in respect of such Marketplace Receivables may change prior to the actual invoice closes on the following Sunday.

“**Marketplace Receivables Report**” is an *ad hoc* report, in form and substance reasonably acceptable to Bank, generated from the Upwork operational system that is used for a periodic review of key metrics, it being acknowledged that the data in such operational system is not static and, therefore, the numbers and information in such *ad hoc* report will differ in subsequent *ad hoc* reports.

“**Qualified IPO**” means the closing of a firm commitment underwritten public offering by Upwork of shares of its common stock pursuant to a registration statement under the Securities Act of 1933, as amended, which results in aggregate cash proceeds to the Borrower of at least Fifty Million Dollars (\$50,000,000.00) (net of costs and expenses including, without limitation, underwriting fees and expenses and other legal, accounting and miscellaneous fees disclosed in Part II, Item 13 (*Other Expenses of Issuance and Distribution*) of the S-1 filed in connection with such public offering).

“**Second Amendment Effective Date**” is September 17, 2018.

“**Upwork**” is Upwork Inc., a Delaware corporation and a Borrower.

2.8 Section 13. The following terms and their respective definitions set forth in Section 13.1 are amended in their entirety and replaced with the following:

“**Adjusted Quick Ratio**” means, for any date of determination, the ratio of (a) Quick Assets (which shall in any event include unrestricted cash at Bank of not less than Ten Million Dollars (\$10,000,000.00), to (b) the sum of (i) the principal amount of Term Loan A outstanding plus (ii) the principal amount of outstanding Advances plus (iii) Borrower’s accounts payable determined according to GAAP; for purposes of clarity, the principal amount of Term Loan B outstanding shall not be included in the Adjusted Quick Ratio calculation; provided, that, from and after the occurrence of a Qualified IPO, the Adjusted Quick Ratio shall be defined as follows: “**Adjusted Quick Ratio**” means, for any date of determination, the ratio of (a) Quick Assets (which shall in any event include unrestricted cash at Bank of not less than Ten Million Dollars (\$10,000,000.00), to (b) the sum of (i) the principal amount of Term Loan A outstanding plus (ii) the principal amount of outstanding Advances plus (iii) the principal amount of Term Loan B outstanding plus (iv) Borrower’s accounts payable determined according to GAAP.

“**Borrowing Base**” is (a) the Non-Formula Amount, plus (b) eighty-five percent (85%) of Eligible Accounts, plus (c) the lesser of (i) eighty percent (80%) of Marketplace Receivables and (ii) Fifteen Million Dollars (\$15,000,000.00), in each case as reasonably determined by Bank from Borrower’s most recent Borrowing Base Statement (and as may subsequently be updated by Bank based upon information received by Bank including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Statement); provided, however, that Bank has the right to decrease the foregoing amounts and/or percentages in its reasonable business judgment to mitigate the impact of events or conditions which have adversely affected the value of the Collateral after providing written notice to Borrower at least five (5) Business Days in advance of such decrease.

“**Non-Formula Amount**” is Three Million Dollars (\$3,000,000.00).

“**Revolving Line**” is an aggregate principal amount equal to Twenty Five Million Dollars (\$25,000,000).

“**Revolving Line Maturity Date**” is September 17, 2020.

2.9 Section 13. The following terms and their respective definitions set forth in Section 13.1 are deleted in their entirety:

“**Adjusted Net Revenue**” means the sum of Borrower’s (a) revenue as regularly computed and reported to the Board, minus (b) cost-of-sales associated with Borrower’s Enterprise Managed Services, each determined according to GAAP.

“**Revenue Trigger Event**” means the delivery to Bank of evidence reasonably satisfactory to Bank demonstrating that Borrower has achieved Adjusted Net Revenue of at least Forty Nine Million Dollars (\$49,000,000) for any trailing three (3) month period on or before June 30, 2018.

2.10 Exhibit B (Compliance Certificate). The Compliance Certificate is amended in its entirety and replaced with the Compliance Certificate in the form of Exhibit B attached hereto.

3. SVB Mastercard Program. On or before the date that is sixty (60) days after the Second Amendment Effective Date, Borrower agrees to open SVB Mastercard accounts with Bank, and use such cards as their primary business credit cards, so long as Bank can provide sufficient technology to support Borrower’s current and proposed internal reporting requirements, to include a certain data format to be sent directly to the Upwork Concur system, it being agreed and understood that in the event SVB cannot provide such technology and data format, Borrower shall have no obligation hereunder to open SVB Mastercard accounts, nor to use Bank as its primary business credit card provider.

4. Limitation of Amendments.

4.1 The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

4.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

5. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

5.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date or time period, in which case they are true and correct as of such date or with respect to such time period), and (b) no Event of Default has occurred and is continuing;

5.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

5.3 The current organizational documents of Borrower have been delivered to Bank on or prior to the date of this Amendment and remain true, accurate and complete, have not been amended, supplemented or restated and are and continue to be in full force and effect (or, if amended, supplemented and/or restated, have been delivered to Bank in connection with the execution of this Amendment);

5.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

5.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

5.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

5.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

6. Ratification of Perfection Certificate. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated as of September 19, 2017, as supplemented by the additional disclosures made in connection with the First Amendment, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate, as supplemented, have not materially changed, as of the date hereof, except as set forth on Schedule A.

7. No Defenses of Borrower. Borrower hereby acknowledges and agrees that Borrower has no offsets, defenses, claims, or counterclaims against Bank with respect to the Obligations, or otherwise, and that if Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against Bank existing or arising through and including the date of execution of this Amendment, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Borrower hereby RELEASES Bank from any liability thereunder.

8. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

9. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

10. Effectiveness. As a condition precedent to the effectiveness of this Amendment and the Bank's obligation to make further Advances under the Revolving Line, the Bank shall have received the following documents prior to or concurrently with this Amendment, each in form and substance acceptable to Bank:

10.1 this Amendment duly executed by each party hereto;

10.2 Borrower's payment of a fully earned, non-refundable amendment fee of Fifty Thousand Dollars (\$50,000); and

10.3 Borrower's payment of documented Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Amendment).

10.4 a secretary's certificate of Borrower with respect to such Borrower's Operating Documents, incumbency, specimen signatures and resolutions authorizing the execution and delivery of this Agreement and the other Loan Documents to which it is a party;

10.5 duly executed signatures to the completed Borrowing Resolutions for Borrower;

10.6 evidence reasonably satisfactory to Bank that the insurance policies and endorsements required by Section 6.7 of the Loan Agreement are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank;

10.7 certified copies, dated as of a recent date, of financing statement searches, as Bank may reasonably request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the execution of this Amendment, will be terminated or released;

10.8 such further documents as Bank may reasonably request to effect the purposes of this Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

The undersigned hereby certifies, to the best of his or her knowledge, that the information set out in the Perfection Certificate is true, complete and correct.

BORROWER:

UPWORK INC.

By /s/ Brian Levey
Name: **Brian Levey**
Title: **Chief Business Affairs and Legal Officer & Secretary**

UPWORK GLOBAL INC.

By /s/ Brian Levey
Name: **Brian Levey**
Title: **Chief Business Affairs and Legal Officer & Secretary**

BANK:

SILICON VALLEY BANK

By /s/ Sean Thompson
Name: **Sean Thompson**
Title: **Director**

ELANCE, INC.

By /s/ Junko Swain
Name: **Junko Swain**
Title: **Treasurer**

UPWORK TALENT GROUP INC.

By /s/ Junko Swain
Name: **Junko Swain**
Title: **Treasurer**

EXHIBIT B
COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK
FROM: UPWORK INC., ELANCE, INC., UPWORK GLOBAL INC., and UPWORK TALENT GROUP INC.

Date: _____

Under the terms and conditions of the Loan and Security Agreement between Upwork Inc., Elance, Inc., Upwork Global Inc., and Upwork Talent Group Inc. (each and together, jointly and severally, "**Borrower**") and Bank (the "**Agreement**"), Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>	
Monthly financial statements with Compliance Statement	Monthly within 30 days	Yes	No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes	No
10-Q, 10-K and 8-K	Within 10 days after filing with SEC	Yes	No
A/R & A/P Agings, chargeback activity report	Monthly within 30 days	Yes	No
Borrowing Base Statement	Monthly within 30 days	Yes	No
Board approved projections	FYE within 60 days and as amended/updated	Yes	No
Recurring revenue cohort report	Quarterly within 30 days	Yes	No
Marketplace Receivables Report	prior to and in connection with each request for an Advance in respect of Marketplace Receivables, a Marketplace Receivables Report	Yes	No
Upwork Escrow Inc. transactions report	on the tenth Business Day following an Advance in respect of Marketplace Receivables, a report, in form and substance reasonably acceptable to Bank, detailing Marketplace Receivables collection activity that was record by Upwork Escrow Inc. during the week immediately following the week in which such Advance took place	Yes	No

The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")

Financial Covenant

Maintain as indicated:

	<u>Required</u>	<u>Actual</u>	<u>Complies</u>	
Minimum Adjusted Quick Ratio	1.30:1.00	:1.00	Yes	No
Minimum EBITDA	*	\$	Yes	No

* See Section 6.9(b)

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

I. Adjusted Quick Ratio (Section 6.9(a))

Required: Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of equal to or greater than 1.30 to 1.00. Additionally, the component of Quick Assets which makes up Borrower’s unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

Actual: Prior to the occurrence of a Qualified IPO:

A. Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with Bank	\$ _____
B. Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with financial institutions other than Bank subject to a Control Agreement in favor of Bank	\$ _____
C. Aggregate value of cash and Cash Equivalents of Upwork Escrow Inc.	\$ _____
D. Aggregate value of the accounts receivable of Borrower determined according to GAAP	\$ _____
E. Aggregate value of the accrued hourly billing liabilities of Borrower determined according to GAAP	\$ _____
F. Quick Assets (line A plus line B plus line C plus line D minus line E)	\$ _____
G. Aggregate value of principal amount of the Term Loan A outstanding and Advances	\$ _____
H. Aggregate value of Borrower’s accounts payable determined according to GAAP	\$ _____
I. The sum of lines G and H	\$ _____
J. Adjusted Quick Ratio (line F divided by line I)	:1.00

Is line J equal to or greater than 1.30:1.00?

No, not in compliance Yes, in compliance

Is line A equal to or greater than \$10,000,000?

No, not in compliance Yes, in compliance

Actual: After to the occurrence of a Qualified IPO:

A. Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with Bank	\$
B. Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with financial institutions other than Bank subject to a Control Agreement in favor of Bank	\$
C. Aggregate value of cash and Cash Equivalents of Upwork Escrow Inc.	\$
D. Aggregate value of the accounts receivable of Borrower determined according to GAAP	\$
E. Aggregate value of the accrued hourly billing liabilities of Borrower determined according to GAAP	\$
F. Quick Assets (line A plus line B plus line C plus line D minus line E)	\$
G. Aggregate value of principal amount of the Term Loan A outstanding and outstanding Advances and Term Loan B outstanding	\$
H. Aggregate value of Borrower's accounts payable determined according to GAAP	\$
I. The sum of lines G and H	\$
J. Adjusted Quick Ratio (line F divided by line I)	:1.00

Is line J equal to or greater than 1.30:1:00?

No, not in compliance

Yes, in compliance

Is line A equal to or greater than \$10,000,000?

No, not in compliance

Yes, in compliance

II. **EBITDA** (Section 6.9(b))

11. Required: Achieve, measured as of the last day of each fiscal quarter, on a trailing twelve (12) month basis (unless otherwise indicated) during the following periods, EBITDA of at least (loss not worse than) the following amounts:

Period Ending	Minimum EBITDA (maximum loss)
Trailing nine (9) month period ending March 31, 2018	(\$6,000,000)
June 30, 2018	(\$5,000,000)
September 30, 2018	(\$4,000,000)
December 31, 2018	(\$2,000,000)
March 31, 2019	\$1.00
June 30, 2019	\$250,000
September 30, 2019	\$500,000
December 31, 2019	\$1,000,000
March 31, 2020 and thereafter	

Bank and Borrower shall use reasonable efforts to mutually agree in good faith upon reasonable minimum EBITDA numbers consistent with past practices based on Borrower's projections approved by the Board delivered pursuant to Section 6.2(f); provided failure to so agree on or before March 31 of such fiscal year shall be an immediate Event of Default; and provided further that the minimum EBITDA for any period shall in any event be not less than One Dollar (\$1.00)"

Actual:

A. Net Income	\$
B. To the extent included in the determination of Net Income	
1. Interest Expense	\$
2. Income tax expense	\$
3. Depreciation expense	\$
4. Amortization expense	\$
5. Non-cash stock compensation expense	\$
6. Other non-operating non-cash income and expenses, excluding foreign currency gains/losses	\$
7. Write-off or impairment of intangible assets	\$
8. Costs and expenses in connection with the repayment of Indebtedness owing to Pacific Western Bank on the Effective Date	\$
9. Costs and expenses in connection with the negotiation and preparation of the Loan Agreement and the other Loan Documents	\$
10. In respect of foreign currency gains/losses, (A) up to \$500,000 in the trailing three (3) month period ending September 30, 2017, (B) up to \$750,000 in the trailing six (6) month period ending December 31, 2017 and the trailing nine (9) month period ending March 31, 2018, and (C) up to \$1,000,000 thereafter	\$
11. Other non-cash expenses approved by Bank in writing on a case-by-case basis	\$
12. Sum of lines B.1 through B.12	\$
C. EBITDA (line A plus line B.12)	\$

Is line C at least (loss not worse than) \$_____?

___ No, not in compliance

___ Yes, in compliance

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-1 of Upwork Inc. of our report dated June 4, 2018 relating to the financial statements, which appears in this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
San Jose, California
September 21, 2018