

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-38678

UPWORK INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)
2625 Augustine Drive, Suite 601
Santa Clara, California
(Address of principal executive offices)

46-4337682
(I.R.S. Employer Identification No.)

95054
(Zip Code)

(650) 316-7500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value per share	UPWK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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 Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input 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 pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2020, there were 122,073,553 shares of the registrant's common stock outstanding.

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Unless otherwise expressly stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q (this "Quarterly Report" or "report") to "Upwork," "Company," "our," "us," and "we" and similar references refer to Upwork Inc. and its wholly-owned subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Quarterly Report, other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, potential growth or growth prospects, future research and development, sales and marketing and general and administrative expenses, our objectives for future operations, and potential impacts of the COVID-19 pandemic, or expectations regarding actions we may take in response to the pandemic, are forward-looking statements. Words such as “believes,” “may,” “will,” “estimates,” “potential,” “continues,” “anticipates,” “intends,” “expects,” “could,” “would,” “projects,” “plans,” “targets,” and variations of such words and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections as of the date of this filing about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Quarterly Report and the impact of the COVID-19 pandemic. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report and in other documents we file from time to time with the Securities and Exchange Commission (the “SEC”) that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us 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 future events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. In addition, the forward-looking statements in this Quarterly Report are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this Quarterly Report or to conform statements to actual results or revised expectations, except as required by law.

You should read this Quarterly Report and the documents that we reference herein and have filed with the SEC as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

UPWORK INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 88,436	\$ 48,392
Marketable securities	67,051	85,481
Funds held in escrow, including funds in transit	128,131	108,721
Trade and client receivables – net of allowance of \$1,648 and \$2,215 as of September 30, 2020 and December 31, 2019, respectively	39,853	30,156
Prepaid expenses and other current assets	8,487	7,885
Total current assets	331,958	280,635
Property and equipment, net	27,680	21,454
Goodwill	118,219	118,219
Intangible assets, net	1,334	3,335
Operating lease asset	20,662	21,908
Other assets, noncurrent	1,784	829
Total assets	\$ 501,637	\$ 446,380
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,708	\$ 652
Escrow funds payable	128,131	108,721
Debt, current	7,576	7,584
Accrued expenses and other current liabilities	28,766	18,342
Deferred revenue	15,892	13,799
Total current liabilities	186,073	149,098
Debt, noncurrent	5,021	10,699
Operating lease liability, noncurrent	21,693	21,186
Other liabilities, noncurrent	7,276	5,973
Total liabilities	220,063	186,956
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, \$0.0001 par value; 490,000,000 shares authorized as of September 30, 2020 and December 31, 2019; 121,775,309 and 113,604,398 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	12	11
Additional paid-in capital	477,311	431,370
Accumulated deficit	(195,749)	(171,957)
Total stockholders' equity	281,574	259,424
Total liabilities and stockholders' equity	\$ 501,637	\$ 446,380

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 96,748	\$ 78,015	\$ 267,475	\$ 220,274
Cost of revenue	26,596	22,494	75,489	65,207
Gross profit	70,152	55,521	191,986	155,067
Operating expenses				
Research and development	20,833	16,209	60,728	47,705
Sales and marketing	33,577	25,322	98,695	70,319
General and administrative	18,047	16,468	52,973	46,193
Provision for transaction losses	724	1,214	2,654	2,706
Total operating expenses	73,181	59,213	215,050	166,923
Loss from operations	(3,029)	(3,692)	(23,064)	(11,856)
Interest expense	152	317	640	1,047
Other (income) expense, net	(452)	(462)	31	(1,773)
Loss before income taxes	(2,729)	(3,547)	(23,735)	(11,130)
Income tax provision	(18)	—	(57)	(28)
Net loss	\$ (2,747)	\$ (3,547)	\$ (23,792)	\$ (11,158)
Net loss per share, basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.20)	\$ (0.10)
Weighted-average shares used to compute net loss per share, basic and diluted	120,681	111,163	117,121	108,844

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

Three Months Ended September 30, 2020

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances as of June 30, 2020	119,267,694	\$ 12	\$ 463,133	\$ (193,002)	\$ 270,143
Issuance of common stock upon exercise of stock options	2,096,934	—	7,333	—	7,333
Stock-based compensation expense	—	—	6,734	—	6,734
Issuance of common stock for settlement of RSUs	410,681	—	—	—	—
Tides Foundation common stock warrant expense and other	—	—	111	—	111
Net loss	—	—	—	(2,747)	(2,747)
Balances as of September 30, 2020	121,775,309	\$ 12	\$ 477,311	\$ (195,749)	\$ 281,574

Three Months Ended September 30, 2019

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances as of June 30, 2019	110,708,530	\$ 11	\$ 407,876	\$ (162,909)	\$ 244,978
Issuance of common stock upon exercise of stock options	1,122,763	—	3,795	—	3,795
Stock-based compensation expense	—	—	3,998	—	3,998
Issuance of common stock for settlement of RSUs	68,200	—	—	—	—
Net loss	—	—	—	(3,547)	(3,547)
Balances as of September 30, 2019	111,899,493	\$ 11	\$ 415,669	\$ (166,456)	\$ 249,224

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Nine Months Ended September 30, 2020					
Balances as of December 31, 2019	113,604,398	\$ 11	\$ 431,370	\$ (171,957)	\$ 259,424
Issuance of common stock upon exercise of stock options	6,744,484	1	23,342	—	23,343
Stock-based compensation expense	—	—	18,927	—	18,927
Issuance of common stock for settlement of RSUs	1,162,183	—	—	—	—
Tides Foundation common stock warrant expense and other	—	—	1,011	—	1,011
Issuance of common stock in connection with employee stock purchase plan	264,244	—	2,661	—	2,661
Net loss	—	—	—	(23,792)	(23,792)
Balances as of September 30, 2020	121,775,309	\$ 12	\$ 477,311	\$ (195,749)	\$ 281,574

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Nine Months Ended September 30, 2019					
Balances as of December 31, 2018	106,454,321	\$ 11	\$ 387,233	\$ (143,499)	\$ 243,745
Cumulative effect adjustment from adoption of new accounting pronouncement	—	—	—	(11,799)	(11,799)
Issuance of common stock upon exercise of stock options and common stock warrants	5,041,302	—	14,145	—	14,145
Stock-based compensation expense	—	—	10,714	—	10,714
Issuance of common stock for settlement of RSUs	123,562	—	—	—	—
Issuance of common stock in connection with employee stock purchase plan	280,308	—	3,577	—	3,577
Net loss	—	—	—	(11,158)	(11,158)
Balances as of September 30, 2019	111,899,493	\$ 11	\$ 415,669	\$ (166,456)	\$ 249,224

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (23,792)	\$ (11,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for transaction losses	2,654	2,078
Depreciation and amortization	7,444	4,498
Amortization of debt issuance costs	43	39
Amortization of discount on purchases of marketable securities	(311)	(948)
Amortization of operating lease asset	2,927	3,059
Tides Foundation common stock warrant expense	564	439
Stock-based compensation expense	19,527	10,858
Changes in operating assets and liabilities:		
Trade and client receivables	(12,490)	(7,103)
Prepaid expenses and other assets	(284)	(1,407)
Operating lease liability	(1,420)	(979)
Accounts payable	5,087	697
Accrued expenses and other liabilities	10,448	(799)
Deferred revenue	3,015	2,727
Net cash provided by operating activities	<u>13,412</u>	<u>2,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(70,215)	(131,950)
Proceeds from maturities of marketable securities	89,000	72,500
Purchases of property and equipment	(6,210)	(10,230)
Internal-use software and platform development costs	(5,567)	(4,054)
Net cash provided by (used in) investing activities	<u>7,008</u>	<u>(73,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in escrow funds payable	19,409	16,407
Proceeds from exercises of stock options and common stock warrants	23,343	13,974
Proceeds from borrowings on debt	18,000	50,000
Repayment of debt	(23,729)	(53,786)
Proceeds from employee stock purchase plan	2,661	3,577
Net cash provided by financing activities	<u>39,684</u>	<u>30,172</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	60,104	(41,561)
Cash, cash equivalents, and restricted cash—beginning of period	159,603	230,067
Cash, cash equivalents, and restricted cash—end of period	<u>\$ 219,707</u>	<u>\$ 188,506</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 640	\$ 1,027
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:		
Property and equipment purchased but not yet paid	\$ 395	\$ 905

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1—Description of Business

Upwork Inc. (the “Company” or “Upwork”) operates a work marketplace that connects businesses (“clients”) with independent talent (“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 (the “Elance-oDesk Combination”) of Elance, Inc. (“Elance”) and oDesk Corporation (“oDesk”). The Company changed its name to Elance-oDesk, Inc. 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 currently headquartered in Santa Clara, California.

Unless otherwise expressly stated or the context otherwise requires, the terms “Upwork” and the “Company” in these notes to the condensed consolidated financial statements refer to Upwork and its wholly-owned subsidiaries.

Note 2—Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 (the “Annual Report”), filed with the SEC on March 2, 2020.

The condensed consolidated balance sheet as of December 31, 2019 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by U.S. GAAP.

The condensed consolidated financial statements include the accounts of Upwork Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, changes in stockholders’ equity and cash flows for the interim periods, but do not purport to be indicative of the results of operations or financial condition to be anticipated for the full year ending December 31, 2020.

Use of Estimates

The preparation of the condensed 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; standalone selling price of material rights and the period of time over which to defer and recognize the consideration allocated to the material rights; 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.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Impacts of Recently Adopted Accounting Pronouncements on 2019 Interim Reporting

On December 31, 2019, the Company adopted Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“Topic 606”), ASU No. 2016-02, Leases (“Topic 842”), and ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“Topic 230”) effective as of January 1, 2019. As a result, interim results for reporting periods beginning on or after January 1, 2019 will differ from amounts previously reported on the Company’s quarterly reports on Form 10-Q. The following table summarizes the impacts of adopting these standards on the Company’s previously issued condensed consolidated statements of operations for

the three and nine months ended September 30, 2019 and condensed consolidated statement of cash flows for the nine months ended September 30, 2019 (in thousands):

	Balances, Previously Issued	Topic 606	Topic 842 ⁽¹⁾	Topic 230	Balances, as Reported
Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 2019					
Revenue	\$ 78,786	\$ (771)	\$ —	\$ —	\$ 78,015
Operating expense—General and administrative	16,519	—	(51)	—	16,468
Net loss	(2,827)	(771)	51	—	(3,547)
Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2019					
Revenue	\$ 221,966	\$ (1,692)	\$ —	\$ —	\$ 220,274
Operating expense—General and administrative	46,309	—	(116)	—	46,193
Net loss	(9,582)	(1,692)	116	—	(11,158)
Net loss per share, basic and diluted	(0.09)	(0.01)	—	—	(0.10)
Condensed Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2019					
Operating activities					
Net loss	\$ (9,582)	\$ (1,692)	\$ 116	\$ —	\$ (11,158)
Amortization of operating lease asset	—	—	3,059	—	3,059
Trade and client receivables	(11,885)	4,782	—	—	(7,103)
Prepaid expenses and other assets	(1,439)	—	32	—	(1,407)
Operating lease liability	—	—	(979)	—	(979)
Accrued expenses and other liabilities	5,814	(4,385)	(2,228)	—	(799)
Deferred revenue	1,432	1,295	—	—	2,727
Financing activities—changes in funds held in escrow, including funds in transit	(16,407)	—	—	16,407	—
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(57,968)	—	—	16,407	(41,561)
Cash, cash equivalents, and restricted cash—beginning of period	129,128	—	—	100,939	230,067
Cash, cash equivalents, and restricted cash—end of period	71,160	—	—	117,346	188,506

⁽¹⁾ Amounts include other adjustments made in conjunction with the adoption of Topic 842.

Recently Adopted Accounting Pronouncements

The significant accounting policies applied in the Company's audited consolidated financial statements, as disclosed in the Annual Report, are applied consistently in these unaudited interim condensed consolidated financial statements, except as noted below.

In June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses

are recorded. The Company adopted ASU No. 2016-13 and related updates on January 1, 2020. The adoption did not have a material impact on the Company's condensed 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. The Company adopted ASU No. 2017-04 on January 1, 2020. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. The Company adopted ASU No. 2018-13 on January 1, 2020. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU No. 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal-use software license. The Company adopted ASU No. 2018-15 on January 1, 2020 using the prospective adoption method. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

The Company has reviewed all other accounting pronouncements issued during the nine months ended September 30, 2020 and concluded they were either not applicable or not expected to have a material impact on the Company's condensed consolidated financial statements.

Note 3—Revenue

Disaggregation of Revenue

See “Note 9—Segment and Geographical Information” for the Company’s revenue disaggregated by type of service and geographic area.

Remaining Performance Obligations

As of September 30, 2020, the Company had approximately \$20.0 million of remaining performance obligations. The Company’s remaining performance obligations consist of transaction price that has been allocated to unexercised material rights related to the Company’s arrangements with freelancers subject to tiered service fees, subscriptions, memberships, “Connects” (virtual tokens that allow freelancers to bid on projects on the Company’s platform), and certain incentive payments made to the Company by payment processors. As of September 30, 2020, the Company expects to recognize approximately \$15.9 million over the next 12 months, with the remaining balance recognized thereafter.

The Company has applied the practical expedients and exemptions and does not disclose the value of remaining performance obligations for: (i) contracts with an original expected length of one year or less; and (ii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation under the series guidance.

Contract Balances

The following table provides information about the balances of the Company’s trade and client receivables, net of allowance and contract liabilities included in deferred revenue and other liabilities, noncurrent (in thousands):

	September 30, 2020	December 31, 2019
Trade and client receivables, net of allowance	\$ 39,853	\$ 30,156
Contract liabilities		
Deferred revenue	15,892	13,799
Deferred revenue (component of other liabilities, noncurrent)	4,074	3,153

During the three and nine months ended September 30, 2020, changes in the contract liabilities balances were a result of normal business activity, deferral of revenue related to arrangements with freelancers subject to tiered service fees and related allocation of transaction price to material rights, and a change in estimate related to the period of time over which to recognize the consideration allocated to the material rights.

Revenue recognized during the three and nine months ended September 30, 2020 that was included in deferred revenue as of June 30, 2020 and December 31, 2019 was \$5.2 million and \$10.9 million, respectively. Revenue recognized during the three and nine months ended September 30, 2019 that was included in deferred revenue as of June 30, 2019 and January 1, 2019 was \$3.9 million and \$9.3 million, respectively.

Note 4—Fair Value Measurements

The Company defines fair value as the exchange price that would be received from the 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 liabilities.

The Company’s financial instruments that are carried at fair value consist of Level I and Level II assets as of September 30, 2020 and December 31, 2019. The following tables set forth the fair value of the Company’s financial assets measured at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

	September 30, 2020			
	Level I	Level II	Level III	Total
Cash equivalents—money market funds	\$ 73,457	\$ —	\$ —	\$ 73,457
Marketable securities				
Commercial paper	—	47,947	—	47,947
Treasury bills	4,497	—	—	4,497
U.S. government securities	14,607	—	—	14,607
Total financial assets	<u>\$ 92,561</u>	<u>\$ 47,947</u>	<u>\$ —</u>	<u>\$ 140,508</u>

	December 31, 2019			
	Level I	Level II	Level III	Total
Cash equivalents—money market funds	\$ 35,286	\$ —	\$ —	\$ 35,286
Marketable securities				
Commercial paper	—	50,794	—	50,794
U.S. government securities	34,687	—	—	34,687
Total financial assets	<u>\$ 69,973</u>	<u>\$ 50,794</u>	<u>\$ —</u>	<u>\$ 120,767</u>

For each of the three and nine months ended September 30, 2020 and 2019, the gross unrealized gains and losses on the Company’s marketable securities were immaterial. As of September 30, 2020 and 2019, the Company considered any decreases in market value to be temporary in nature and did not consider any of the Company’s marketable securities to be other-than-temporarily impaired. As such, the Company did not record any impairment charges with respect to its marketable securities during each of the three and nine months ended September 30, 2020 and 2019.

As of September 30, 2020 and December 31, 2019, the Company had debt obligations outstanding of \$12.6 million and \$18.3 million, respectively, under the Company's Loan and Security Agreement, as amended (the "Loan Agreement"). As of September 30, 2020, the carrying value approximated fair value as borrowings under the Loan Agreement bore interest at variable rates, and the Company believes its credit risk quality is consistent with when the debt was originated. The Company considered the balances outstanding under the Loan Agreement to be Level II liabilities as of September 30, 2020 and December 31, 2019. See "Note 7—Debt."

Note 5—Balance Sheet Components***Cash and Cash Equivalents, Restricted Cash, and Funds Held In Escrow, Including Funds In Transit***

The following table reconciles cash and cash equivalents, restricted cash, and funds held in escrow that are restricted as reported in the condensed consolidated balance sheets to the total of the same amounts shown in the condensed consolidated statements of cash flows as of September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 88,436	\$ 48,392
Restricted cash	3,140	2,490
Funds held in escrow, including funds in transit	128,131	108,721
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statement of cash flows	<u>\$ 219,707</u>	<u>\$ 159,603</u>

Property and Equipment, Net

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

	September 30, 2020	December 31, 2019
Computer equipment and software	\$ 4,780	\$ 3,613
Internal-use software and platform development	18,282	12,726
Leasehold improvements	14,612	10,576
Office furniture and fixtures	3,354	2,454
Total property and equipment	41,028	29,369
Less: accumulated depreciation	(13,348)	(7,915)
Property and equipment, net	<u>\$ 27,680</u>	<u>\$ 21,454</u>

For the three months ended September 30, 2020 and 2019, depreciation expense related to property and equipment was \$1.0 million and \$0.7 million, respectively. For the nine months ended September 30, 2020 and 2019, depreciation expense related to property and equipment was \$2.5 million and \$2.1 million, respectively.

For the three months ended September 30, 2020 and 2019, the Company capitalized \$2.3 million and \$2.0 million of internal-use software and platform development costs, respectively. For the nine months ended September 30, 2020 and 2019, the Company capitalized \$5.6 million and \$4.5 million of internal-use software and platform development costs, respectively.

For the three months ended September 30, 2020 and 2019, amortization expense related to the capitalized internal-use software and platform development costs was \$1.0 million and \$0.3 million, respectively. For the nine months ended September 30, 2020 and 2019, amortization expense related to capitalized internal-use software and platform development costs was \$3.0 million and \$0.4 million, respectively.

Intangible Assets, Net

All of the Company's identifiable intangible assets were acquired in March 2014 from the Elance-oDesk Combination. For each of the three months ended September 30, 2020 and 2019, amortization expense of intangible assets was \$0.7 million. For each of the nine months ended September 30, 2020 and 2019, amortization expense of intangible assets was \$2.0 million.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Accrued compensation and related benefits	\$ 11,804	\$ 5,344
Accrued freelancer costs	967	622
Accrued indirect taxes	2,670	2,401
Accrued vendor expenses	8,826	5,485
Accrued payment processing fees	961	832
Operating lease liability, current	2,969	3,214
Other	569	444
Total accrued expenses and other current liabilities	<u>\$ 28,766</u>	<u>\$ 18,342</u>

Operating Leases

On January 1, 2020, the Company commenced an operating lease of one additional floor in its Chicago, Illinois office. As a result, the Company recognized a \$1.7 million operating lease asset and \$1.7 million operating lease liability on January 1, 2020, which are included in operating lease asset and operating lease liability, noncurrent, respectively, on the condensed consolidated balance sheet as of September 30, 2020. The lease has an initial term of five years with the option to renew for an additional five years at the end of the initial lease term. Total minimum lease payments under the initial term are \$2.1 million. For the initial measurement of the present value of the lease payments associated with this lease, the Company used its incremental borrowing rate, which is a collateralized rate and approximates the rate at which the Company could borrow, on a secured basis for a similar term, an amount equal to its lease payments in a similar economic environment.

The Company includes lease payments associated with renewal options in its operating lease asset and liability only when it becomes reasonably certain that the Company will exercise the renewal option. The Company has not included renewal options for any of its operating leases in its determination of lease liabilities as of September 30, 2020.

Note 6—Commitments and Contingencies

Letters of Credit

In conjunction with the operating lease agreements, as of September 30, 2020 and December 31, 2019, the Company had three irrevocable letters of credit outstanding in the aggregate amounts of \$1.0 million and \$0.8 million, respectively. No amounts had been drawn against these letters of credit as of September 30, 2020 and December 31, 2019.

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.

As of September 30, 2020 and December 31, 2019, 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 reasonably be expected to 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 these dates 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 clients, business partners, vendors, and other parties, including, but not limited to, losses arising out of the Company's breach of such agreements, claims related to potential data or information security breaches, intellectual property infringement claims made by third parties, and other liabilities relating to or arising from the Company's products and services or its acts or omissions. 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. 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.

Note 7—Debt

The following table presents the carrying value of the Company's debt obligations as of September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020	December 31, 2019
First Term Loan—18 months of interest-only payments ended in March 2019 followed by 36 equal monthly installments of principal plus interest, maturing March 2022; interest at prime plus 0.25% per annum	\$ 7,500	\$ 11,250
Second Term Loan—17 months of interest-only payments ended in March 2019 followed by 42 equal monthly installments of principal plus interest, maturing September 2022; interest at prime plus 0.25% per annum	5,142	7,071
Total debt	12,642	18,321
Less: unamortized debt discount issuance costs	(45)	(38)
Balance	12,597	18,283
Debt, current	(7,576)	(7,584)
Debt, noncurrent	\$ 5,021	\$ 10,699
Weighted-average interest rate	5.20 %	6.93 %

Under the Loan Agreement, the aggregate amount of the facility is up to \$49.0 million, consisting of a term loan in the original principal amount of \$15.0 million (the "First Term Loan"), a term loan in the original principal amount of \$9.0 million (the "Second Term Loan" and, together with the First Term Loan, the "Term Loans"), and a revolving line of credit, which permits borrowings of up to \$25.0 million subject to customary conditions. In August 2020, the Company entered into an amendment to the Loan Agreement that, among other things, extended the maturity date of the revolving line of credit from September 2020 to September 2022 and eliminated a formula-based restriction that prohibited the Company from borrowing funds under the revolving line of credit in an amount that exceeded a specified percentage of eligible trade and client accounts receivable. 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 Loan Agreement also requires that the Company maintain an adjusted quick ratio of 1.75. The Loan Agreement also includes a restrictive covenant on dividend payments other than dividends paid solely in common stock. The Company was in compliance with its covenants under the Loan Agreement as of September 30, 2020 and December 31, 2019.

Pursuant to the terms of the Loan Agreement, the Company commenced repayment on the Term Loans in April 2019. During the three and nine months ended September 30, 2020, the Company repaid \$1.3 million and \$3.8 million related to the First Term Loan, respectively, and \$0.6 million and \$1.9 million related to the Second Term Loan, respectively. During the three and nine months ended September 30, 2019, the Company repaid \$1.3 million and \$2.5 million related to the First Term Loan, respectively, and \$0.6 million and \$1.3 million related to the Second Term Loan, respectively.

Note 8—Net Loss per Share

The following table sets forth the computation of the Company's basic and diluted net loss per share for the periods presented (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss	\$ (2,747)	\$ (3,547)	\$ (23,792)	\$ (11,158)
Denominator:				
Weighted-average shares used to compute net loss per share, basic and diluted	120,680,797	111,163,396	117,120,815	108,844,495
Net loss per share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.20)</u>	<u>\$ (0.10)</u>

The following potentially dilutive shares were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	As of September 30,	
	2020	2019
Options to purchase common stock	7,744,337	16,596,305
Common stock issuable upon exercise of common stock warrants	450,000	500,000
Common stock issuable upon vesting of restricted stock units	5,983,872	1,471,876
Common stock issuable in connection with employee stock purchase plan	898,426	730,217
Total	<u>15,076,635</u>	<u>19,298,398</u>

Note 9—Segment and Geographical Information

The Company 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 for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Marketplace	\$ 88,040	\$ 69,912	\$ 241,286	\$ 196,095
Managed services	8,708	8,103	26,189	24,179
Total revenue	<u>\$ 96,748</u>	<u>\$ 78,015</u>	<u>\$ 267,475</u>	<u>\$ 220,274</u>

The Company generates its revenue from freelancers and clients. The following table sets forth total revenue by geographic area based on the billing address of its freelancers and clients for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Freelancers				
United States	\$ 15,832	\$ 12,870	\$ 44,129	\$ 36,999
India	8,796	7,046	24,148	20,444
Philippines	5,995	5,077	16,436	14,488
Rest of world	28,120	22,876	78,308	66,714
Total freelancers	58,743	47,869	163,021	138,645
Clients				
United States	28,861	23,502	76,174	62,607
Rest of world	9,144	6,644	28,280	19,022
Total clients	38,005	30,146	104,454	81,629
Total revenue	<u>\$ 96,748</u>	<u>\$ 78,015</u>	<u>\$ 267,475</u>	<u>\$ 220,274</u>

Substantially all of the Company's long-lived assets were located in the United States as of September 30, 2020 and December 31, 2019.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Risk Factors” and the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, as well as assumptions that may never materialize or that may be proven incorrect. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the sections titled “Special Note Regarding Forward-Looking Statements” and “Risk Factors,” and in other parts of this Quarterly Report.

Overview

We operate the world’s largest work marketplace that connects businesses with independent talent, as measured by gross services volume (“GSV”). GSV represents the total amount that clients spend on our marketplace offerings and our managed services offering as well as additional fees we charge to both clients and freelancers for other services. Freelancers are an increasingly sought-after, critical, and expanding segment of the global workforce. 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 100 companies. With users in over 180 countries, our platform enabled \$0.7 billion and \$0.5 billion of GSV for the three months ended September 30, 2020 and 2019, respectively, and \$1.8 billion and \$1.5 billion of GSV for the nine months ended September 30, 2020 and 2019, respectively. For purposes of determining countries where we enable GSV, we include both the countries in which the clients that paid for the applicable services are located, as well as the countries in which the freelancers that provided those services are located.

We generate a majority of our revenue from fees charged to freelancers. We also generate revenue through fees charged to clients for transacting payments through our platform and fees for premium offerings, foreign currency exchange fees, purchases of “Connects” (virtual tokens that allow freelancers to bid on projects on our platform), and Upwork Payroll service fees. 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.

With our unique, remote-based business model, the COVID-19 pandemic has not impacted our clients’ access to highly-skilled independent professionals on our platform to complete short- and long-term projects. In the third quarter, we continued to identify opportunities to prioritize our advertising and marketing efforts in order to reach those new and existing clients seeking to engage with remote freelancers due to the COVID-19 pandemic and as companies shift to a remote work model. As a result, for the three months ended September 30, 2020 and 2019, we generated total revenue of \$96.7 million and \$78.0 million, respectively, representing a period-over-period increase of 24%. For the nine months ended September 30, 2020 and 2019, we generated total revenue of \$267.5 million and \$220.3 million, respectively, representing a period-over-period increase of 21%.

For the three months ended September 30, 2020, we generated a net loss of \$2.7 million and adjusted EBITDA of \$6.7 million, compared to a net loss of \$3.5 million and adjusted EBITDA of \$2.0 million for the three months ended September 30, 2019. For the nine months ended September 30, 2020, we generated a net loss of \$23.8 million and adjusted EBITDA of \$4.5 million, compared to a net loss of \$11.2 million and adjusted EBITDA of \$3.9 million for the nine months ended September 30, 2019. Our adjusted EBITDA of \$4.5 million during the nine months ended September 30, 2020 was impacted by a \$1.6 million expense that we incurred related to our changes in organizational structure to better align with our business strategies and streamline the delivery of our end-to-end user experiences, as well as marketing expense of \$4.4 million related to brand awareness and performance marketing. Adjusted EBITDA is a financial measure that is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). See the section titled “Key Financial and Operational Metrics—Non-GAAP Financial Measures” below for a definition of adjusted EBITDA and information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure prepared under U.S. GAAP.

Impact of the COVID-19 Pandemic on Our Business

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic, which continues to spread throughout the United States and the world, and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, shelter-in-place orders, and business limitations and shutdowns. To support the health and well-being of our employees, clients, partners, and communities, nearly all of our employees are currently working remotely. With our unique, remote-based business model, the COVID-19 pandemic has not impacted our clients' access to highly-skilled independent professionals on our platform to complete short- and long-term projects.

Although the COVID-19 pandemic did not have a material adverse impact on our financial results for the three and nine months ended September 30, 2020, the rapidly changing market and macroeconomic conditions caused by the COVID-19 pandemic has impacted the businesses of many of our clients. We derive a substantial portion of our GSV and revenue from small- and medium-sized businesses, and the pandemic and related effects have altered, and continue to alter, demand for our products and services from these clients, although we expect that macroeconomic conditions have and may continue to affect spend from clients of all sizes.

We began seeing the impact of the pandemic on our results at the end of the first quarter, when we experienced a reduction in the growth rates of GSV and revenue. This trend continued into the beginning of the second quarter, driven by spend contraction by many of our clients, as the COVID-19 pandemic continued to disrupt their businesses. These trends stabilized in the second half of the second quarter, and then improved in the third quarter, contributing to an increase in the growth rates of GSV and revenue in the third quarter. Beginning in the second half of the second quarter, we also began to see an increase in client acquisition driven by an acceleration in the shift toward remote work, due in part to the COVID-19 pandemic and the execution of our strategic initiatives. This increase in client acquisition continued to accelerate in the third quarter and drove an increase in freelancer billings, which, in turn, drove an increase in marketplace revenue.

In light of the COVID-19 pandemic and the global macroeconomic downturn and their effect on client spend on our platform, we continue to identify opportunities to prioritize our advertising and marketing efforts in order to reach those new and existing clients seeking to engage with remote freelancers due to the COVID-19 pandemic and as companies shift to a remote work model. We are continuously evaluating the nature and extent to which the ongoing COVID-19 pandemic will continue to have on our business, operating results, and financial condition.

While we have not incurred significant disruptions to our business thus far from the COVID-19 pandemic, at this time, we are unable to fully assess the aggregate impact it will have on our business due to various uncertainties, which include, but are not limited to, the duration of the pandemic, its affect on the economy, its impact to the businesses of our clients, actions that may be taken by governmental authorities related to the pandemic, and other factors identified in Part II, Item 1A "Risk Factors" in this Quarterly Report, including the risk factor titled "Our business has experienced, and may continue to experience, an adverse impact from the ongoing COVID-19 pandemic."

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. Our key metrics were as follows as of or for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
GSV	\$ 654,538	\$ 532,812	\$ 1,795,982	\$ 1,538,191
Marketplace revenue	\$ 88,040	\$ 69,912	\$ 241,286	\$ 196,095
Marketplace take rate	13.6 %	13.3 %	13.6 %	13.0 %
Net loss	\$ (2,747)	\$ (3,547)	\$ (23,792)	\$ (11,158)
Adjusted EBITDA ⁽¹⁾	\$ 6,673	\$ 1,973	\$ 4,471	\$ 3,939

⁽¹⁾ Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP. See “Key Financial and Operational Metrics—Non-GAAP Financial Measures” below for a definition of adjusted EBITDA and for information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure prepared under U.S. GAAP.

	As of September 30,	
	2020	2019
	<i>(in thousands, except percentages)</i>	
Core clients	138.9	120.5
Client spend retention	100 %	104 %

As discussed below with respect to each key metric, 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, and management uses these metrics to track our performance. GSV represents the total amount that clients spend on our marketplace offerings and our managed services offering, as well as additional fees we charge to both clients and freelancers for other services. We believe that GSV is an important metric, as it represents the overall amount of business transacted through our platform, which in turn is a key driver of our financial results. We believe our marketplace revenue, which represents a majority of our revenue, will grow as GSV grows, although they could grow at different rates. We evaluate the correlation between marketplace revenue and GSV by measuring marketplace take rate, which is calculated as marketplace revenue divided by marketplace GSV. We use the number of core clients to track the number of clients that we consider are actively using our platform, and this metric in any given period drives both GSV and client spend retention. Similarly, client spend retention impacts the growth rate of GSV. In light of the COVID-19 pandemic, rapidly changing market and macroeconomic conditions continue to impact the businesses of many of our clients, which may lead to downward pressure on the number of core clients, client spend retention, GSV, and marketplace revenue. For information on how we define core clients and how we calculate client spend retention and marketplace take rate, see “—Core Clients,” “—Client Spend Retention,” and “—Marketplace Take Rate,” respectively, below. For a discussion of limitations in the measurement of our key financial and operational metrics, see “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect the performance of our business, are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business” in Part II, Item 1A of this Quarterly Report.

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 on our platform during the 12 months preceding the date of measurement. We believe

that aggregate spend of at least \$5,000 indicates that the client is actively using our platform. Historically, these core clients have been more likely to continue using our platform, although we saw a contraction in spend from many core clients during the first half of the second quarter that we believe is a result of the COVID-19 pandemic's impact on the businesses of these clients. This trend stabilized in the second half of the second quarter, and then improved in the third quarter, as spend from clients increased due to a greater need for remote work resulting from the COVID-19 pandemic. Additionally, we saw an increase in core client acquisitions, as we have seen new clients come to our platform due in part to the increase in remote work resulting from the COVID-19 pandemic and the execution of our strategic initiatives. We continue to see businesses of all sizes use our platform in a recurring way for larger, more complex projects, and we expect the number of core clients to continue to increase over time. We have added between approximately 4,000 and 6,000 core clients per quarter over the last two years. We expect to add approximately 5,000 core clients per quarter in the coming quarters, but the number of core clients could vary quarter by quarter depending, in part, on the extent to which the COVID-19 pandemic and any resulting macroeconomic downturn impacts our business, the businesses of our clients, and other factors identified in Part II, Item 1A "Risk Factors" in this Quarterly Report, including the risk factor titled "Our business has experienced, and may continue to experience, an adverse impact from the ongoing COVID-19 pandemic." We believe that the number of core clients is an indicator of our growth and the overall health of our business because core clients are a primary driver of GSV and, therefore, marketplace revenue.

Gross Services Volume

GSV includes both client spend and additional fees charged for other services. Client spend, which we define as the total amount that clients spend on both our marketplace offerings and our managed services offering, is the primary component of GSV. GSV also includes additional fees charged to both clients and freelancers for other services, such as freelancer memberships, purchases of Connects, freelancer withdrawals, and foreign currency exchange.

GSV is an important metric because it represents the amount of business transacted through our platform. 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 a discussion of how we measure and evaluate the correlation between marketplace revenue and GSV, see "—Marketplace Take Rate" below. Growth in the number of core clients and increased client spend retention are the primary drivers of GSV growth, and we expect the client spend retention trends discussed in "—Client Spend Retention," below, to affect the rate at which GSV grows. We derive a substantial portion of our GSV and revenue from small- and medium-sized businesses. In light of the COVID-19 pandemic, rapidly changing market and macroeconomic conditions continue to impact the businesses of many of our clients, which may lead to downward pressure on client spend on our platform and, in turn, GSV. This downward pressure has been offset by an increase in spend from clients as well as increased client acquisitions, as we have seen new clients come to our platform due to an acceleration in the shift toward remote work, due in part to the COVID-19 pandemic and the execution of our strategic initiatives. We expect our GSV to fluctuate between periods due to a number of factors, including the current COVID-19 pandemic and its impact on our clients' businesses, the volume of projects that are posted by clients on our platform, the characteristics of those projects, such as size, duration, and pricing, and the availability and qualifications of freelancers to complete those projects.

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. We believe that client spend retention is an 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.

Long-term and recurring use by freelancers and clients are the primary drivers of growth in our marketplace and give us increased revenue visibility. While continued use of our platform by freelancers is a factor that impacts our ability to attract and retain clients, for most categories of services on our platform, we currently have a significant surplus of freelancers in relation to the number of clients actively engaging freelancers. This surplus has increased as

a result of the COVID-19 pandemic, as we have experienced an increase in the number of independent professionals applying to join our platform. As a result of this surplus, 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 a primary driver of our key metrics and operating results. For these reasons, we do not calculate or consider freelancer retention metrics in evaluating our business.

As of September 30, 2020, client spend retention was 100%, down from 104% as of September 30, 2019. We believe that this decline in client spend retention is due in part to the impact of the rapidly changing market and macroeconomic conditions caused by the COVID-19 pandemic, which has impacted the businesses of many of our clients, resulting in a contraction in spend from some of these clients in the nine months ended September 30, 2020. Additionally, client spend retention has declined—from its historically highest levels in 2018 and the first quarter of 2019—following an acceleration in client spend retention that occurred subsequent to the launch of our U.S.-to-U.S. domestic marketplace offering in the second half of 2017, which initiated a substantial increase in the average hourly earnings rate of freelancers. These hourly rates stabilized over the course of 2019, causing the reduction in retention rate. Moreover, following the launch of our U.S.-to-U.S. domestic marketplace offering, an increasing proportion of U.S. clients are engaging primarily U.S. freelancers. We are observing that U.S. clients that engage solely U.S. freelancers post higher-budget projects and pay higher rates initially but, to date, have exhibited lower client spend retention than the rest of our clients. As we acquire more large enterprise, global account, and mid-market clients in current and future periods, we expect them to continue to make positive contributions to our client spend retention in future years. However, client spend retention will be challenged by the reduction in recurring client spend as a result of the COVID-19 pandemic. For these and other reasons, client spend retention will continue to vary from period to period due to client size and spending behavior, among other factors, including the impact of the ongoing COVID-19 pandemic, the related governmental restrictions intended to prevent its spread, and the resulting macroeconomic downturn on the businesses and spending behavior of our clients.

Marketplace Revenue

Marketplace revenue, which represents the majority of our revenue, consists of revenue derived from our Upwork Basic, Plus, Business, and Enterprise offerings, and our 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, and to a lesser extent, payment processing and administration fees charged to clients. We also generate marketplace revenue from fees for premium offerings, freelancer membership fees, Connects purchases, and other services, such as foreign currency exchange fees and Upwork Payroll service fees.

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. We expect our marketplace revenue growth rates to continue to vary from period to period due to a variety of other factors such as the impact of the COVID-19 pandemic and any resulting macroeconomic impact on the businesses and spending behavior of our current and prospective clients; the number of Sundays (i.e., the day we bill and recognize revenue for the majority of our freelancer service fees each week) in any given quarter, or the number of Mondays (i.e., the day we bill and recognize revenue for a substantial portion of our client fees each week), in any given quarter; the lapping of significant launches of new products, pricing changes, and other monetization efforts; the performance of client spend retention; and the ability of the recent and continued investment in our enterprise sales team to accelerate the acquisition of, and achieve increased spend from, Upwork Enterprise clients, and the timing of those results. In the second and third quarters of 2020, we saw an increase in client acquisition that was driven by an acceleration in the shift toward remote work, due in part to the COVID-19 pandemic and the execution of our strategic initiatives. This increase in client acquisition continued to accelerate in the third quarter and drove an increase in freelancer billings, which, in turn, drove an increase in marketplace revenue.

Marketplace Take Rate

Marketplace take rate measures the correlation between marketplace revenue and GSV and is calculated by dividing marketplace revenue by marketplace GSV. Marketplace take rate is an important metric because it is the key indicator of how well we monetize spend on our platform from our Upwork Basic, Plus, Business, and Enterprise offerings, and other premium offerings. We expect our marketplace take rate to vary from period to period as marketplace revenue and GSV vary as a result of a variety of factors, such as the number of Sundays (i.e., the day we bill and recognize revenue for the majority of our freelancer service fees each week) in any given quarter, or the number of Mondays (i.e., the day we bill and recognize revenue for a substantial portion of our client fees each week), in any given quarter; pricing changes; the ability of the recent and continued investment in our enterprise sales team to accelerate the acquisition of, and achieve increased spend from, our Upwork Enterprise clients and the timing of those results; and ongoing efforts to improve processes on our platform, including, but not limited to, project proposals and purchases of Connects. In the nine months ended September 30, 2020, our marketplace take rate increased primarily as a result of an influx of new clients, which caused freelancers to bill at higher rates of our tiered service fee structure.

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, income tax (benefit) provision, and, if applicable, other non-cash transactions. Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Loss	\$ (2,747)	\$ (3,547)	\$ (23,792)	\$ (11,158)
Add back (deduct):				
Stock-based compensation expense	6,856	3,932	19,527	10,858
Depreciation and amortization	2,658	1,671	7,444	4,498
Interest expense	152	317	640	1,047
Other (income) expense, net	(452)	(462)	31	(1,773)
Income tax provision	18	—	57	28
Tides Foundation common stock warrant expense	188	62	564	439
Adjusted EBITDA	\$ 6,673	\$ 1,973	\$ 4,471	\$ 3,939

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, income tax (benefit) provision, and, if applicable, other non-cash transactions 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 U.S. GAAP results.

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.

Components of Our Results of Operations

Revenue

Marketplace Revenue. Marketplace revenue is generated from our Upwork Basic, Plus, Business, and Enterprise offerings, and other premium offerings. Under these marketplace offerings, 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 and, to a lesser extent, payment processing and administration fees paid by clients.

We recently decided that it was not cost-effective to continue to commit sales and other resources to support our Upwork Business offering for new clients. We do not expect this decision to have a material impact on our marketplace revenue, as we will service those clients that we had previously targeted with our Upwork Business offering with our other marketplace offerings, such as Upwork Basic and Plus.

<h3>Basic</h3> <p>The essentials to start hiring, today.</p>	<h3>Plus</h3> <p>For teams looking to stand out to quality talent and scale hiring fast.</p>	<h3>Business</h3> <p>For businesses looking for a flexible talent solution that scales with them.</p>	<h3>Enterprise</h3> <p>For companies looking for a solution that fits into their talent program.</p>
<ul style="list-style-type: none"> ✓ Verified freelancer work history and reviews on Upwork ✓ Unlimited proposals from freelancers ✓ Built-in collaboration tools and easy payments 	<p>Everything in Basic, and:</p> <ul style="list-style-type: none"> ✓ Dedicated account managers to help you find and hire quality talent fast ✓ Project tracking and collaboration tools for teams ✓ Tailored search results featuring Top Rated and Rising Talent 	<p>Everything in Plus, and:</p> <ul style="list-style-type: none"> ✓ Consolidated billing and invoicing with net 30 pay ✓ Dedicated team of advisors to get you hiring faster and more successfully ✓ Detailed reporting with company insights and trends 	<p>Everything in Business, and:</p> <ul style="list-style-type: none"> ✓ Custom configurable contracting and onboarding process ✓ Worker classification compliance services ✓ Project-based solutions and dedicated account executive
<p>Client fee: 3% of freelancer billing to client</p> <p>Freelancer fee: 20% of the first \$500, 10% for the next \$9,500, and 5% for any amount over \$10,000 billed to client</p>	<p>Client fees: Approximately \$50 monthly subscription charge; plus 3% of freelancer billing to client (Fee waived if client pays via ACH)</p> <p>Freelancer fee: 20% of the first \$500, 10% for the next \$9,500, and 5% for any amount over \$10,000 billed to client</p>	<p>Client fees: Approximately \$850 monthly subscription charge; plus 10% of freelancer billing to client</p> <p>Freelancer fee: 10% of billing to client, waived if freelancer was brought to the platform by the client due to preexisting relationship ("BYO" program)</p>	<p>Client fees: Individualized monthly subscription charge; plus 10% of freelancer billing to client (20% if client is using Compliance offering)</p> <p>Freelancer fee: 10% of billing to client, waived if freelancer was brought to the platform by the client due to preexisting relationship ("BYO" program)</p>

Although the COVID-19 pandemic did not have a material adverse impact on our financial results for the three and nine months ended September 30, 2020, the rapidly changing market and macroeconomic conditions caused by the COVID-19 pandemic have disrupted the business of many of our clients, which resulted in a reduction in spend on our platform from some of those affected clients. This trend stabilized in the second half of the second quarter, and then improved in the third quarter, as spend from clients increased due to a greater need for remote work resulting from the COVID-19 pandemic. This temporary reduction in spend was further offset by an increase in client acquisitions, as we have seen new clients come to our platform due to the increase in remote work resulting from the COVID-19 pandemic and the execution of our strategic initiatives. We are continuously evaluating the nature of and extent to which the COVID-19 pandemic will impact our business, operating results, and financial condition.

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 for clients on our behalf. The freelancers providing services in connection with our 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 clients under our managed services offering, personnel-related costs for our services and support personnel, third-party hosting fees for our use of Amazon Web Services (“AWS”), and the amortization expense associated with capitalized internal-use software and platform development costs. 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 growth on our platform. We expect third-party hosting fees to temporarily increase in 2020 as we migrate from the AWS data centers in California to the AWS data center in Oregon, as we will need to use both AWS facilities during the migration period. We plan to complete this migration in the first quarter of 2021 and believe this migration will ultimately reduce third-party hosting costs once completed.

Amounts paid to freelancers in connection with our managed services offering are tied to the volume of managed services used by our clients. 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, the mix of payment methods that our clients choose, the timing and amount of investments to expand hosting capacity, our continued investments in our services and support teams, the timing and amounts paid to freelancers in connection with our managed services offering, and the amortization expense associated with capitalized internal-use software and platform development costs. In addition, gross margin will be impacted by fluctuations in our revenue mix between marketplace revenue and managed services revenue. For example, our managed services revenue grew at a slower rate than our marketplace revenue for the three and nine months ended September 30, 2020 compared to the same period in 2019, and we anticipate this trend to continue, as we primarily focus on increasing client usage of and spend on our marketplace offerings. We expect gross margin to remain consistent throughout 2020 primarily due to the costs we will incur as a result of our migration from the AWS data centers in California to the AWS data center in Oregon.

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 for the foreseeable future, although this expense, expressed as a percentage of total revenue, may vary from period to period.

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. We continue to invest in our sales and marketing capabilities and in light of the COVID-19 pandemic are focused on increasing our investment in brand awareness and marketing campaigns. We expect this expense to increase in absolute dollars in future periods, although this expense expressed as a percentage of total revenue may vary from period-to-period.

General and Administrative. General and administrative expense consists primarily of personnel-related costs for our executive, finance, legal, human resources, corporate development, and operations functions; outside consulting, legal, and accounting services; and insurance. We expect to continue to invest in corporate infrastructure and to incur additional expenses associated with operating as a public company, including increased legal and accounting costs, investor relations costs, insurance premiums, and compliance costs. Additionally, in light of the COVID-19 pandemic and the governmental restrictions intended to prevent its spread, we are evaluating our needs for our current office space, and any reductions to our office space may impact the recoverability of our operating lease

asset, which could result in impairment charges being recognized in general and administrative expense. As a result, we expect general and administrative expense to increase in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary from period to period.

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. We expect provisions for transaction losses to increase proportionally as GSV grows. As a result, we expect provision for transaction losses to increase in absolute dollars in future periods, although expressed as a percentage of total revenue, this expense may vary from period to period.

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 interest income that we earn from our deposits in money market funds and investments in marketable securities.

Results of Operations

The following table sets forth our condensed consolidated results of operations for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Marketplace	\$ 88,040	\$ 69,912	\$ 241,286	\$ 196,095
Managed services	8,708	8,103	26,189	24,179
Total revenue	96,748	78,015	267,475	220,274
Cost of revenue ⁽¹⁾	26,596	22,494	75,489	65,207
Gross profit	70,152	55,521	191,986	155,067
Operating expenses				
Research and development ⁽¹⁾	20,833	16,209	60,728	47,705
Sales and marketing ⁽¹⁾	33,577	25,322	98,695	70,319
General and administrative ⁽¹⁾	18,047	16,468	52,973	46,193
Provision for transaction losses	724	1,214	2,654	2,706
Total operating expenses	73,181	59,213	215,050	166,923
Loss from operations	(3,029)	(3,692)	(23,064)	(11,856)
Interest expense	152	317	640	1,047
Other (income) expense, net	(452)	(462)	31	(1,773)
Loss before income taxes	(2,729)	(3,547)	(23,735)	(11,130)
Income tax provision	(18)	—	(57)	(28)
Net loss	\$ (2,747)	\$ (3,547)	\$ (23,792)	\$ (11,158)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenue	\$ 203	\$ 109	\$ 579	\$ 326
Research and development	2,567	1,503	7,286	4,569
Sales and marketing	1,212	635	3,452	1,860
General and administrative	2,874	1,685	8,210	4,103
Total stock-based compensation	\$ 6,856	\$ 3,932	\$ 19,527	\$ 10,858

Comparison of the Three and Nine Months Ended September 30, 2020 and 2019

Revenue

(in thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Marketplace	\$ 88,040	\$ 69,912	\$ 18,128	26 %	\$ 241,286	\$ 196,095	\$ 45,191	23 %
Percentage of total revenue	91 %	90 %			90 %	89 %		
Managed services	\$ 8,708	\$ 8,103	605	7 %	\$ 26,189	\$ 24,179	2,010	8 %
Percentage of total revenue	9 %	10 %			10 %	11 %		
Total revenue	\$ 96,748	\$ 78,015	\$ 18,733	24 %	\$ 267,475	\$ 220,274	\$ 47,201	21 %

For the three months ended September 30, 2020, total revenue was \$96.7 million, an increase of \$18.7 million, or 24%, as compared to the same period in 2019. For the nine months ended September 30, 2020, total revenue was \$267.5 million, an increase of \$47.2 million, or 21%, as compared to the same period in 2019.

For the three months ended September 30, 2020, marketplace revenue represented 91% of total revenue and increased by \$18.1 million, or 26%, compared to the same period in 2019. For the nine months ended September 30, 2020, marketplace revenue represented 90% of total revenue and increased by \$45.2 million, or 23%, compared to the same period in 2019. Marketplace revenue increased primarily due to an increase in GSV, which grew by 23% and 17% during the three and nine months ended September 30, 2020, respectively, as compared to the same periods in 2019, and a 15% increase in the number of core clients as of September 30, 2020 compared to September 30, 2019. We believe these increases in marketplace revenue, GSV, and core clients were primarily due to investments in sales and marketing to acquire new clients and drive brand awareness, the launch of new offerings such as Upwork Plus, the recent changes made in the pricing and packaging of Connects purchases in 2019, and investments in research and development to build new product features, and we intend to continue to focus on these efforts. Additionally, marketplace revenue also increased as a result of an increase in client acquisition that was driven by an acceleration in the shift toward remote work, due in part to the COVID-19 pandemic and execution of our strategic initiatives. This increase in client acquisition, which began in the second quarter of 2020, accelerated in the third quarter and continued to drive an increase in freelancer billings, which, in turn, drove an increase in marketplace revenue. Freelancer service fees generated \$51.9 million and \$42.6 million of marketplace revenue during the three months ended September 30, 2020 and 2019, respectively. Freelancer service fees generated \$142.4 million and \$125.7 million of marketplace revenue during the nine months ended September 30, 2020 and 2019, respectively. Client payment processing and administration fees generated \$14.4 million and \$12.2 million of marketplace revenue during the three months ended September 30, 2020 and 2019, respectively. Client payment processing and administration fees generated \$39.4 million and \$32.1 million of marketplace revenue during the nine months ended September 30, 2020 and 2019, respectively.

Managed services revenue represented 9% and 10% of total revenue for the three months ended September 30, 2020 and 2019, respectively. Managed services revenue increased by \$0.6 million, or 7%, for the three months ended September 30, 2020 compared to the same period in 2019. Managed services revenue represented 10% and 11% of total revenue for the nine months ended September 30, 2020 and 2019, respectively. Managed services revenue increased by \$2.0 million, or 8%, for the nine months ended September 30, 2020 compared to the same period in 2019. Managed services revenue grew at a slower rate than our marketplace revenue in the three and nine months ended September 30, 2020 compared to the same periods in 2019, and we anticipate this trend to continue as we primarily focus on increasing client usage of and spend on our marketplace offerings.

Cost of Revenue and Gross Margin

(in thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Cost of revenue	\$ 26,596	\$ 22,494	\$ 4,102	18 %	\$ 75,489	\$ 65,207	\$ 10,282	16 %
Components of cost of revenue:								
Cost of freelancer services to deliver managed services	7,093	6,745	348	5 %	21,327	20,143	1,184	6 %
Other components of cost of revenue	19,503	15,749	3,754	24 %	54,162	45,064	9,098	20 %
Total gross margin	73 %	71 %			72 %	70 %		

For the three months ended September 30, 2020, cost of revenue increased by \$4.1 million, or 18%, compared to the same period in 2019. The increase was primarily due to a \$3.8 million, or 24%, increase in other components of cost of revenue, which was driven by an increase of \$1.9 million in payment processing fees due to an increase in client spend on our platform, \$0.8 million in third-party hosting costs, \$0.5 million in amortization of capitalized platform development costs, and \$0.6 million in personnel-related and other costs.

For the nine months ended September 30, 2020, cost of revenue increased by \$10.3 million, or 16%, compared to the same period in 2019. The increase was primarily due to a \$9.1 million, or 20%, increase in other components of cost of revenue, which was driven by an increase of \$3.7 million in payment processing fees due to an increase in client spend on our platform, \$2.3 million in third-party hosting costs, \$1.9 million in amortization of capitalized platform development costs, and \$1.1 million in personnel-related and other costs.

Research and Development

(in thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Research and development	\$ 20,833	\$ 16,209	\$ 4,624	29 %	\$ 60,728	\$ 47,705	\$ 13,023	27 %
Percentage of total revenue	22 %	21 %			23 %	22 %		

For the three months ended September 30, 2020, research and development expense increased by \$4.6 million, or 29%, as compared to the same period in 2019. The increase was primarily due to an increase in personnel-related costs of \$4.9 million, which resulted from personnel-related investments made in connection with the execution of our strategic initiatives, partially offset by the capitalization of \$0.4 million of additional internal-use software and platform development costs.

For the nine months ended September 30, 2020, research and development expense increased by \$13.0 million, or 27%, as compared to the same period in 2019. The increase was primarily due to an increase in personnel-related costs of \$13.5 million, which resulted from personnel-related investments made in connection with the execution of our strategic initiatives, partially offset by the capitalization of \$1.1 million of additional internal-use software and platform development costs.

Sales and Marketing

(in thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Sales and marketing	\$ 33,577	\$ 25,322	\$ 8,255	33 %	\$ 98,695	\$ 70,319	\$ 28,376	40 %
Percentage of total revenue	35 %	32 %			37 %	32 %		

For the three months ended September 30, 2020, sales and marketing expense increased by \$8.3 million, or 33%, as compared to the same period in 2019. This increase was primarily due to year-over-year increases of \$5.7 million in personnel-related costs to build out our enterprise sales team, including sales commissions that we expense as incurred, and \$2.3 million in marketing and advertising costs due to our ongoing digital marketing programs and our television advertising campaign.

For the nine months ended September 30, 2020, sales and marketing expense increased by \$28.4 million, or 40%, as compared to the same period in 2019. This increase was primarily due to year-over-year increases of \$15.8 million in personnel-related costs to build out our enterprise sales team, including sales commissions that we expense as incurred, \$11.4 million in marketing and advertising costs due to our ongoing digital marketing programs and our television advertising campaign, and \$1.2 million in amortization of licensed software and facilities-related and other costs resulting from ongoing business growth.

In an effort to accelerate our acquisition of Upwork Enterprise clients, we will continue to invest in our sales and marketing capabilities and, in light of the COVID-19 pandemic, are focused on increasing our investment in brand awareness and marketing campaigns.

General and Administrative

(in thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
General and administrative	\$ 18,047	\$ 16,468	\$ 1,579	10 %	\$ 52,973	\$ 46,193	\$ 6,780	15 %
Percentage of total revenue	19 %	21 %			20 %	21 %		

For the three months ended September 30, 2020, general and administrative expense increased by \$1.6 million, or 10%, as compared to the same period in 2019. This increase was primarily due to an increase of \$2.0 million in personnel-related costs, partially offset by reductions in facilities-related and other expenses of \$0.4 million.

For the nine months ended September 30, 2020, general and administrative expense increased by \$6.8 million, or 15%, as compared to the same period in 2019. This increase was primarily due to an increase of \$7.2 million in personnel-related costs, partially offset by reductions in facilities-related and other expenses of \$0.4 million.

In light of the COVID-19 pandemic and the governmental restrictions intended to prevent its spread, we are evaluating our needs for our current office space. We may determine to either close or sublease certain of our offices, either of which may impact the recoverability of our operating lease asset, which could result in impairment charges being recognized in general and administrative expense. As a result, we expect general and administrative expense to increase in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary from period to period.

Provision for Transaction Losses

(in thousands, except percentages)

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	2019	Change	2020	2019	Change		
Provision for transaction losses	\$ 724	\$ 1,214	\$ (490)	(40)%	\$ 2,654	\$ 2,706	\$ (52)	(2)%
Percentage of total revenue	1 %	2 %		1 %	1 %			

For the three months ended September 30, 2020, provision for transaction losses decreased by \$0.5 million, or 40%, as compared to the same period in 2019, and represented approximately 1% of revenue, as compared to 2% of revenue in the same period in 2019. For the nine months ended September 30, 2020, provision for transaction losses decreased by \$0.1 million, or 2%, as compared to the same period in 2019, and represented approximately 1% of revenue for each period. We expect provisions for transaction losses to be between 1% and 2% of revenue and to increase proportionally as GSV grows; however, as a result of the COVID-19 pandemic, provision for transaction losses may increase as a percentage of revenue, although we did not experience this trend in the nine months ended September 30, 2020.

Interest Expense and Other (Income) Expense, Net

(in thousands, except percentages)

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	2019	Change	2020	2019	Change		
Interest expense	\$ 152	\$ 317	\$ (165)	(52)%	\$ 640	\$ 1,047	\$ (407)	(39)%
Other (income) expense, net	(452)	(462)	10	(2)%	31	(1,773)	1,804	(102)%

For the three and nine months ended September 30, 2020, interest expense decreased by \$0.2 million and \$0.4 million, respectively, as compared to the same periods in 2019 due to lower balances outstanding on the Term Loans.

For each of the three months ended September 30, 2020 and 2019, other income, net was \$0.5 million. For the nine months ended September 30, 2020, other expense, net was \$0.1 million, as compared to other income, net of \$1.8 million for the same period in 2019, which was primarily driven by lower investment income received from marketable securities of \$1.1 million, as well as additional foreign currency exchange losses of \$0.7 million from higher volumes of foreign currency transactions resulting from additional foreign currencies added in the second quarter of 2019.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, and amounts available for borrowing under our Loan and Security Agreement, as amended (the "Loan Agreement") referred to below under "—Term and Revolving Loans." In August 2020, we entered into an amendment to the Loan Agreement that, among other things, extended the maturity date of the revolving line of credit from September 2020 to September 2022 and eliminated a formula-based restriction that prohibited us from borrowing funds under the revolving line of credit in an amount that exceeded a specified percentage of eligible trade and client accounts receivable. Our cash equivalents and marketable securities primarily consist of commercial paper, treasury bills, and U.S. government securities. As of September 30, 2020 and December 31, 2019, we had \$88.4 million and \$48.4 million in cash and cash equivalents, respectively. As of September 30, 2020 and December 31, 2019, we had \$67.1 million and \$85.5 million in marketable securities, respectively.

We believe our existing cash and cash equivalents, marketable securities, cash flow from operations (in periods in which we generate 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 12 months. To the extent existing cash and cash equivalents, cash from marketable securities, cash from operations (in periods in which we generate cash flow from operations), and amounts available for borrowing under the Loan Agreement are insufficient to fund our working capital requirements, or should we require additional cash for other purposes, we will 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 and economic interests of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we will be subject to additional debt service requirements 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 also be unfavorable to our equity investors. There can be no assurances that we will be able to raise additional capital on terms we deem acceptable, or at all. The inability to raise additional capital as and when required would have an adverse effect, which could be material, on our results of operations, financial condition and ability to achieve our business objectives.

We also believe that our principal sources of liquidity will allow us to manage the impact of the COVID-19 pandemic on our business operations for the foreseeable future, which could include reductions in revenue and delays in payments from users, as further described below in “Risk Factors—Our business has experienced, and may continue to experience, an adverse impact from the ongoing COVID-19 pandemic” in Part II, Item 1A in this Quarterly Report. The challenges posed by the COVID-19 pandemic on our business are expected to continue to evolve. Consequently, we will continue to evaluate our financial position in light of future developments, particularly those relating to the COVID-19 pandemic.

Escrow Funding Requirements

As a licensed internet escrow agent, we offer escrow services to users of our platform and, as such, we are required to hold our users’ escrowed cash and in-transit cash in trust as an asset and record a corresponding liability for escrow funds held on behalf of freelancers and clients on our balance sheet. We expect the balances of our funds held in escrow, including funds held in transit, and the related liability to grow as GSV grows and may vary from period to period. Escrow regulations require us to fund the trust with our operating cash to cover shortages due to the timing of cash receipts from clients for completed hourly billings. As of September 30, 2020 and December 31, 2019, funds held in escrow were \$128.1 million and \$108.7 million, respectively. 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 satisfy escrow funding requirements.

Term and Revolving Loans

Under our Loan Agreement, the aggregate amount of the facility is up to \$49.0 million, consisting of a term loan in the original principal amount of \$15.0 million (the “First Term Loan”), a term loan in the original principal amount of \$9.0 million (the “Second Term Loan” and, together with the First Term Loan, the “Term Loans”), and a revolving line of credit, which permits borrowings of up to \$25.0 million subject to customary conditions. In August 2020, we entered into an amendment to the Loan Agreement that, among other things, extended the maturity date of the revolving line of credit from September 2020 to September 2022 and eliminated a formula-based restriction that prohibited us from borrowing funds under the revolving line of credit in an amount that exceeded a specified percentage of eligible trade and client accounts receivable. The First Term Loan matures in March 2022, and the Second Term Loan and revolving line of credit mature in September 2022. All borrowings under the Loan Agreement bear interest at floating rates, and, therefore, our borrowing costs are affected by changes in market interest rates.

Our obligations under the Loan Agreement are secured by first priority liens on substantially all of our assets excluding our intellectual property (but including proceeds therefrom) and the funds and assets held by our subsidiary Upwork Escrow Inc. (“Upwork Escrow”). The Loan Agreement prohibits us from pledging our intellectual property. The Loan Agreement also includes a restriction on dividend payments, other than dividends payable solely in common stock. The Loan Agreement contains affirmative covenants, including a covenant requiring that we maintain an adjusted quick ratio, and also contains certain non-financial covenants. We were in compliance with our covenants under the Loan Agreement as of September 30, 2020 and December 31, 2019.

Pursuant to the terms of the Loan Agreement, we commenced repayment on the Term Loans in April 2019. During the three and nine months ended September 30, 2020, we repaid \$1.3 million and \$3.8 million related to the First Term Loan, respectively, and \$0.6 million and \$1.9 million related to the Second Term Loan, respectively. During the three and nine months ended September 30, 2019, we repaid \$1.3 million and \$2.5 million related to the First Term Loan, respectively, and \$0.6 million and \$1.3 million related to the Second Term Loan, respectively.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 13,412	\$ 2,001
Net cash provided by (used in) investing activities	7,008	(73,734)
Net cash provided by financing activities	39,684	30,172
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 60,104	\$ (41,561)

Operating Activities

Our largest source of cash from operating activities is revenue generated from our platform. Our primary uses of cash from operating activities are for personnel-related expenditures, marketing activities, including advertising, payment processing fees, amounts paid to freelancers to deliver services for clients under our managed services offering, 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.”

For the nine months ended September 30, 2020, net cash provided by operating activities was \$13.4 million, which resulted from a net loss of \$23.8 million, offset by non-cash charges of \$32.8 million and net cash inflows of \$4.4 million from changes in operating assets and liabilities. The change in operating assets and liabilities primarily resulted from the increase in accounts payable of \$5.1 million, which was a result of the timing of payments of invoices, and the increase in accrued expenses and other current liabilities of \$10.4 million, which was a result of additional accruals related to our ongoing marketing and brand awareness and other efforts, partially offset by a reduction in trade and client receivables of \$12.5 million. Due to fluctuations in revenue and the number of transactions on our platform, coupled with fluctuations in the timing of cash receipts from clients, our trade and client receivables will likely continue to fluctuate in the future.

For the nine months ended September 30, 2019, net cash provided by operating activities was \$2.0 million, which resulted from non-cash charges of \$20.0 million, partially offset by a net loss of \$11.2 million and net cash outflows of \$6.9 million from changes in operating assets and liabilities. The change in operating assets and liabilities primarily resulted from the increase in trade and client receivables of \$7.1 million. Due to fluctuations 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 will likely continue to fluctuate in the future.

Investing Activities

For the nine months ended September 30, 2020, net cash provided by investing activities was \$7.0 million, which was primarily a result of proceeds from maturities of marketable securities of \$89.0 million, offset by investing \$70.2 million in various marketable securities, as well as \$5.6 million of internal-use software and platform development costs that we paid during the period and purchases of property and equipment of \$6.2 million primarily for leasehold improvements and furniture related to our office lease in Chicago, Illinois.

For the nine months ended September 30, 2019, net cash used in investing activities was \$73.7 million, which was primarily a result of investing \$132.0 million in various marketable securities during the first nine months of 2019, as well as \$4.0 million of internal-use software and platform development costs that we paid during the period and purchases of property and equipment of \$10.2 million primarily for leasehold improvements and furniture related to our office leases in Santa Clara, California and Chicago, Illinois. These uses of cash were partially offset by sales of marketable securities of \$72.5 million.

Financing Activities

For the nine months ended September 30, 2020, net cash provided by financing activities was \$39.7 million, which resulted primarily from an increase in escrow funds payable of \$19.4 million, cash received from stock option exercises of \$23.3 million, and proceeds received from our employee stock purchase plan of \$2.7 million, partially offset by net repayments of borrowings on debt of \$5.7 million.

For the nine months ended September 30, 2019, net cash provided by financing activities was \$30.2 million, which resulted primarily from changes in escrow funds payable of \$16.4 million, cash received from stock option exercises of \$14.0 million and proceeds from our employee stock purchase program of \$3.6 million, partially offset by net repayments of debt of \$3.8 million.

Obligations and Other Commitments

Our principal commitments consist of obligations under our non-cancellable operating leases for office space and the Loan Agreement. The following table summarizes our contractual obligations as of September 30, 2020 (in thousands):

	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Leases ⁽¹⁾	\$ 34,519	\$ 6,396	\$ 13,271	\$ 9,490	\$ 5,362
Debt principal	12,642	7,571	5,071	—	—
Total contractual obligations	\$ 47,161	\$ 13,967	\$ 18,342	\$ 9,490	\$ 5,362

⁽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 key 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 September 30, 2020 and December 31, 2019, we had accrued liabilities related to indirect taxes based on management's best estimate of its liability, which are reflected on our condensed consolidated balance sheets. 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.

Additionally, in light of the COVID-19 pandemic and the governmental restrictions intended to prevent its spread, we are evaluating our needs for our current office space. We may determine to either close or sublease certain of our offices, either of which may impact the recoverability of our operating lease asset, which could result in impairment charges being recognized in general and administrative expense.

Off-Balance Sheet Arrangements

As of September 30, 2020, 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.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the condensed 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.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. 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, the fair values of stock-based awards, and income taxes have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Except as otherwise disclosed in “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2019 (our “Annual Report”).

Recent Accounting Pronouncements

See “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for recently issued accounting pronouncements not yet adopted as of the date of this report.

Item 3. 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 and cash equivalents have 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 \$12.6 million and \$18.3 million aggregate principal amount of borrowings outstanding under our Loan Agreement as of September 30, 2020 and December 31, 2019, respectively. 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 invoices denominated in the U.S. dollar in the following currencies: Euro, British Pound, Australian dollar, Canadian dollar, Singapore dollar, South African rand, New Zealand dollar, Polish zloty, Swiss franc, Norwegian krone, Danish krone, Swedish krona, Turkish lira, Japanese yen, and Hong Kong 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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2020. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective.

Remediation of Previously Disclosed Material Weakness in Internal Control over Financial Reporting

In the quarter ended June 30, 2020, we completed execution of our remediation plan and successfully remediated a material weakness in internal control over financial reporting related to the identification of a number of adjustments to our consolidated financial statements that resulted in a revision to previously issued financial statements as of and for the year-ended December 31, 2016. 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.

In response to the identified material weakness, management, with the oversight of the audit, risk, and compliance committee of our board of directors, hired additional accounting and finance employees with specific technical accounting and financial reporting experience necessary for a public company, including internal control over financial reporting. The execution of our remediation plan also included validation and testing of the design and operating effectiveness of certain new and enhanced internal controls in the period-end financial reporting process over a sustained period of financial reporting cycles.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. 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.

Item 1A. Risk Factors.

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report, including our condensed consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition, and growth prospects. In such an event, the market price of our common stock could decline and you could lose all or part 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, failure to maintain or grow spend of our current 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, including new large enterprise, global account, and mid-market clients, to, and retain existing users on, our platform. Moreover, if we retain users but they do not spend at the rates we expect, our growth will be negatively impacted. Achieving growth in, and retention of, our community of users may require us to increasingly engage in sophisticated, costly, and lengthy sales and marketing efforts that may not result in additional users that transact on our platform or effectively retain our current users that transact on our platform, or may not do so in a cost-effective manner. We may also modify our pricing model or other services and features to attract and retain such users. Such modifications may not have the intended effect of attracting and retaining users and may have unintended negative consequences such as a loss of users or a reduction of user activity or spend on our platform.

In particular, as discussed below in the risk factor titled “Our business has experienced, and may continue to experience, an adverse impact from the ongoing COVID-19 pandemic,” the COVID-19 pandemic and the resulting global macroeconomic downturn has adversely affected, and may continue to adversely affect, client spend on our platform. Moreover, in response to the impact of the COVID-19 pandemic, we have implemented, and may continue to implement, promotions in an effort to support those affected by the COVID-19 pandemic, and we may also implement other promotions, such as a reduction or elimination of certain fees normally charged to users, in an effort to retain users or respond to increased competitive conditions or to attract those seeking to engage freelancers for the first time, and any such changes may result in a reduction in revenue and adversely affect our business. In addition, any increase in user acquisition due in part to the shift toward remote work as a result of the COVID-19 pandemic may slow or decline once the impact of the COVID-19 pandemic is mitigated and users return to work or are otherwise no longer subject to governmental restrictions related to the COVID-19 pandemic.

If we fail to attract new users, new users fail to transact at the rates we expect, or we fail to maintain or increase activity by existing users in a cost-effective manner or at all, our revenue will grow more slowly than expected or may decline and our business will 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 advertising to prospective clients online or offline through other methods, using other online or offline platforms, signing up for online or offline third-party agencies, signing up with staffing firms, using other payment services, or finding full-time or part-time employment through an agency or directly with a business. 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.

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 directly or through an agency. For the years ended December 31, 2019 and 2018, we generated more than 10% of revenue from one client, to which we provide services through our managed services offering. Therefore, a decrease in revenue from this client could have an adverse effect on our operating results. Moreover, revenue from this client has grown at a slower rate than revenue generated from the rest of our business, and we anticipate this trend to continue, which could adversely affect our financial condition.

Beginning in the second half of 2019, we began evolving our offerings, products, brand positioning, and marketing to better address large enterprise, global account, and mid-market prospects and clients with larger, longer-term talent needs. And more recently, in the wake of the COVID-19 pandemic, we have prioritized our advertising, marketing, and certain product development efforts to reach those new and existing clients seeking to engage with remote freelancers in light of the governmental restrictions intended to prevent the spread of COVID-19. The evolution of these and other efforts, either individually or in the aggregate, may not be successful in producing sales or growing client spend from the target clients, and in the event these efforts result in the loss of or reduction in spend by other clients that is not offset by increased activity from large enterprise, global account, and mid-market clients, they may result in a temporary or long-term deceleration in GSV growth.

Users can generally decide to cease using our platform and related services 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, and in the past have chosen, to cease using our platform if they perceive that our pricing model, including associated fees, is not in line with the value they derive from our platform, or for other reasons, including cost-cutting measures or other effects of the COVID-19 pandemic. Moreover, as discussed below in the risk factor titled “Users may circumvent our platform, which could adversely impact our business,” users may circumvent the payment services on our platform and pay freelancers directly or through another service, which is likely to happen more frequently during a macroeconomic downturn, such as the one caused by the COVID-19 pandemic, as users may be more cost sensitive or reduce their spending altogether during such period. In addition, expenditures by clients may be cyclical and may reflect overall macroeconomic conditions or budgeting patterns.

Any decrease in the attractiveness of our platform, failure to retain users, or reduced spending by clients could lead to decreased activity, diminished network effects, or a drop in GSV on our platform, which could adversely affect our business, revenue, financial condition, and operating results. We expect our GSV 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, the availability and qualification of freelancers to complete client projects, and other factors.

If users stop using, or reduce their use of, 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 a history of incurring net losses, and we expect to incur net losses for the foreseeable future. For the nine months ended September 30, 2020 and the years ended December 31, 2019 and 2018, we incurred net losses of \$23.8 million, \$16.7 million, and \$19.9 million, respectively. As of September 30, 2020, we had an accumulated deficit of \$195.7 million. We have made, and expect to continue to make, significant expenditures related to the development and expansion of our business, including investing in marketing programs and activities, such as brand promotion efforts, including those designed to reach new and existing clients seeking to engage with remote freelancers in light of the COVID-19 pandemic; enhancing our Upwork Enterprise and other premium offerings; expanding our services and features; broadening and deepening the categories on our platform; promoting client engagement of those freelancers that typically optimize to deliver larger projects, including through our Upwork Payroll offering; localizing our offerings in select locations; expanding our sales force; enhancing our U.S.-to-U.S. domestic marketplace offering and our mobile product offering; expanding our sales force; and in connection with legal, accounting, and other administrative expenses related to operating as a public company. These and other 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, we may not be able to sustain the same level of growth in future periods, or at all. For example, we experienced a reduction in the growth of GSV and revenue in the second quarter of 2020, due to the effects of the COVID-19 pandemic. 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 business strategy and pricing model, which makes it difficult to evaluate our business and future prospects.

We recently evolved, and will continue to evolve, our sales, marketing, and brand positioning efforts. Recently we have expanded our focus on large enterprise, global account, mid-market, and other clients with larger, longer-term talent needs. To better serve this market segment, in recent years we have expanded our Upwork Enterprise offering and, in 2019, launched our Upwork Business offering, both of which help enterprises and other larger businesses connect with freelancers and provide these larger clients with additional products and services. We recently decided that it was not cost-effective to continue to commit sales and other resources to support our Upwork Business offering for new clients. This decision resulted in a reduction in force of approximately one-third of our sales employees in November 2020. We also continue to develop our current offerings and create and test additional premium offerings, features, and services to serve this and other market segments. Moreover, we made significant changes to our pricing model in 2016 and launched our U.S.-to-U.S. domestic marketplace offering in the second half of 2017. In 2019, we launched other pricing changes, including new paid membership types for clients, which were also recently amended, and new Connects pricing for freelancers. In addition, we regularly launch new offerings, including two recent offerings “Direct Contracts,” a service for freelancers to easily charge clients that are not registered users on Upwork’s platform, and “Project Catalog,” through which freelancers offer pre-scoped projects easily purchased via a click-and-buy experience. Not all offerings achieve market acceptance at the levels we expect and therefore may not be cost-effective to maintain. As a result, our current business strategy and pricing model have not been fully proven, we have only a limited operating history under our current business strategy and pricing model to evaluate our business and future prospects, and we continue to evolve our business strategy and related pricing, which subject us to a number of uncertainties, including our ability to plan for and model future growth and make accurate projections regarding our future performance. Our historical revenue growth should not be considered indicative of our future performance, particularly in light of the uncertainty caused by the COVID-19 pandemic and the resulting macroeconomic downturn. We have encountered, and will continue to encounter, risks, difficulties, and uncertainties frequently experienced by growing companies in rapidly changing industries, including our ability to achieve market acceptance of our platform and offerings and attract and retain users, as well as increasing competition and increasing expenses as we continue to grow our business. In addition, we have in the past, and may in the future, see unexpected or unintended effects, sometimes negative, as a result of changes to our pricing model, products and offerings, and sales, brand positioning, and marketing efforts, including a failure to attract new clients that spend on our platform or the loss of spend from existing clients. For example, since 2019, we have experienced a decline in client spend retention, which we believe was related to the launch of our U.S.-to-U.S. domestic marketplace offering in the second half of 2017 and more recently, due to the COVID-19 pandemic, as discussed in the section titled “Management’s Discussion and Analysis for Financial Condition and Results of Operations—Key Financial and Operational Metrics.” 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 challenges 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.

Because we derive the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Basic, Plus, and Enterprise offerings, our inability to generate revenue from our marketplace offerings would adversely affect our business operations, financial results, and growth prospects.

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 Basic, Plus, and Enterprise offerings. As such, market acceptance of our marketplace offerings is critical to our continued success, and any failure of our platform or specific offerings to meet users’ expectations with respect to user experience or the failure of specific features to be effective in attracting and retaining users, such as onboarding, search, project bidding, or

matching features, could have a negative impact on our business. 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, client spending patterns, freelancer activity levels, macroeconomic effects, such as those resulting from the COVID-19 pandemic, and the other risks identified herein. Moreover, as a result of the macroeconomic downturn caused by the COVID-19 pandemic, we may experience an increase in the number of users requesting a reduction of our fees and an increase in transaction losses due to declined payment methods and chargebacks. If we are unable to continue to meet user demands, to expand the categories of services offered on our platform, or to achieve and maintain more widespread market acceptance of our marketplace offerings, our business operations, financial results, and growth prospects 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 product and service introductions and enhancements, changing user demands, and evolving industry standards. The 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 increasingly highly competitive industry. The success of any enhancements or improvements to, or new features of, 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, overall demand and market acceptance, and resulting user activity that is consistent with the intent of such products or services. We cannot be sure that we will succeed, on a timely or cost-effective basis, in developing, marketing, and delivering 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. Any enhancements or new features to our platform or any new products and services may not achieve, and if the past certain features and offerings have not achieved, market acceptance, been cost-effective, or produced the intended effect. Moreover, even if we are able to release new products and services, or launch enhancements and new features, if the impact of those efforts fails to meet or exceed the expectations of investors or securities analysts, the trading price of our common stock could be negatively impacted. In the past, we have experienced unintended negative effects, including reduced client spend retention, diminished fill rates, and user dissatisfaction from certain modifications to our products, services, and features. For example, since 2019, we have experienced a decline in client spend retention which we believe was related to the launch of our U.S.-to-U.S. domestic marketplace offering in the second half of 2017 and more recently, due to the COVID-19 pandemic, as discussed in the section titled "Management's Discussion and Analysis for Financial Condition and Results of Operations—Key Financial and Operational Metrics."

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 or prospective 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, may not be properly integrated with new and existing technologies on our platform or third-party partners' technologies, may not achieve the broad market acceptance necessary to generate sufficient revenue, or may adversely impact existing client spend and user growth and retention. 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 that choose to use competing products or services. This could result in a temporary or permanent decrease in revenue 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, particularly during a macroeconomic downturn such as the one caused by the COVID-19 pandemic. Additionally, we have a limited operating history under our current business strategy and pricing model, and we make pricing, product, and other changes from time to time, all of which make 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, difficulties, and uncertainties frequently encountered by companies in highly competitive and 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:

- ongoing uncertainty and impact on the global economy and spending by large, medium and small companies relating to the COVID-19 pandemic, availability of qualified freelancers, and uncertainty regarding the timing and nature of any future economic recovery, as discussed further below;
- our ability to generate significant revenue from our Upwork Basic, Plus, and Enterprise offerings, and our other premium offerings;
- our ability to attract, retain and grow small- and medium-sized business clients;
- 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, including in each case as a result of the implementation of macroeconomic or other external factors, new pricing or the introduction of new or modified products or services on our platform, such as the changes made in the pricing and packaging of Connects purchases in 2019, and any pricing or other changes made in response to the COVID-19 pandemic;
- 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;
- our ability to maintain and grow our community of users, including our ability to acquire large enterprise, global account, and mid-market clients with larger, longer-term talent needs and qualified freelancers;
- the success of our marketing and brand positioning efforts;
- the productivity and effectiveness of our sales force;
- the length and complexity of our sales cycles;
- our ability to attract and retain freelancers that provide the types and quality of services sought by clients on our platform, particularly freelancers that provide services for which client demand exceeds supply on our platform;
- the demand for and types and quality of skills and services that are offered on our platform by freelancers;
- our ability to introduce new products and services or enhance existing products and services without adversely affecting our existing revenue;
- our ability to generate significant revenue from new products and services;
- fluctuations in gross margin and managed services revenue due to our recognition of the entire GSV from our managed services offering as revenue, including the amounts paid to freelancers;
- the disbursement methods chosen by freelancers;
- the number of users circumventing our platform and our fees, which could increase during economic downturns, such as the current macroeconomic downturn resulting from the COVID-19 pandemic;
- fluctuations in the prices that freelancers charge clients on our platform;
- changes to our pricing model, including associated fees, and any resulting change to how we recognize revenue, or change in the number of projects that get posted or completed on our platform;
- spending patterns and project bidding behavior of freelancers with respect to the products and services available to them on our platform, such as membership fees and Connects purchases;
- our ability to respond to competitive developments, including new and emerging competitors, pricing changes, and the introduction of new products and services by our competitors;

- litigation, regulatory investigations or enforcement actions, and adverse judgments, settlements, or other litigation-related costs;
- data security or privacy breaches or incidents and associated remediation costs and reputational harm;
- seasonal spending patterns by clients or work patterns by freelancers and seasonality in the labor market, as well as the number of business days, the number of Mondays (i.e., the day we bill and recognize revenue for a substantial portion of our client fees each week), or the number of Sundays (i.e., the day we bill and recognize revenue for the majority of our freelancer service fees each week) in any given quarter, as well as local, national, or international holidays;
- changes in the mix of products and services that our enterprise clients or other users demand;
- changes in the common law, or in the statutory, legislative, or regulatory environment, such as with respect to privacy, data security, wage and hour regulations, worker classification (including classification of independent contractors or similar workers and classification of employees as exempt or non-exempt), internet regulation, payment processing, global trade, or tax obligations;
- fluctuations in the mix of payment provider costs and the revenue generated from payment providers;
- the impact of sales, use, and other tax laws and regulations in jurisdictions in which we have users, including the requirement in certain jurisdictions to collect indirect taxes on user fees, to withhold and remit taxes related to income or earnings, or to pay any such taxes or resulting penalties as a result of our failure to comply with such requirements;
- 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;
- revenue recognition fluctuations for arrangements subject to our tiered pricing model for freelancer service fees;
- the episodic nature of freelance work generally or changes to demand for freelance work due to political or regulatory changes or uncertainty;
- the impact of public health pandemics, especially the COVID-19 pandemic, or other global or regional events or conditions;
- fluctuations in transaction losses;
- fluctuations in trade and client receivables due to the timing of cash receipts from clients and the number of transactions on our platform;
- increases in, and timing of, operating expenses that we may incur to grow and expand our operations and to remain competitive, such as advertising and other marketing expenses, including those associated with evolving our brand positioning;
- the impact of new laws and regulations, or changes in interpretation of existing laws and regulations, on the products and services offered on our platform;
- the cost and time needed to develop and upgrade our platform to incorporate new technologies;
- the impact of outages of our platform and associated reputational harm;
- potential costs to attract, onboard, retain, and motivate qualified talent to perform services for us;
- the impact of reductions in our workforce, including claims against us from departing employees or others;
- any impairment charges on our operating lease asset being recognized as a general and administrative expense due to a reduction to our office space and our potential sublease of such office space at a rental rate that is less than our rent expense for such office space, or any termination fees we may incur as a result of our termination of the operating lease for such office space;

- costs related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- 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;
- 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;
- operating lease expenses and other real estate expenses;
- lease termination fees or rent expense that is in excess of sublease income for a particular office space;
- non-cash accounting charges such as stock-based compensation expense and depreciation and amortization;
- losses and expenses from indemnification, dispute assistance, and similar contractual obligations we owe to clients; and
- expenses incurred in connection with The Upwork Foundation initiative.

The impact of one or more of the foregoing and other factors may cause our operating results and performance metrics to vary significantly. As such, we believe that quarter-to-quarter comparisons of our operating results and performance metrics 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, the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

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. 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 and positioning of our brand, products, and our business model depends on, among other things, the effectiveness of our marketing efforts and brand messaging, our ability to provide a reliable, trustworthy, and useful platform and products at competitive prices, the perceived value of our platform and products, and our ability to provide quality support. In order to reach the brand awareness and acceptance levels of some of our competitors, we will need to continuously invest in marketing programs that may not be successful in achieving meaningful awareness and acceptance levels, particularly during early phases of expansion into newer customer awareness segments. Further, brand promotion activities may not resonate with existing or potential users or yield increased revenue, including any brand promotion efforts in response to the COVID-19 pandemic, 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, we invested heavily in advertising in the United States in 2019 and 2020 to increase our brand awareness, and it is not certain that these investments have had or will have sufficient positive impact on our brand to be cost effective. We have also recently evolved our marketing and brand positioning efforts to expand our focus on large enterprise, global account, mid-market, and other clients, with larger, longer-term talent and contracting needs and may not be successful in achieving the brand awareness and acceptance levels with this market segment, in a cost-effective manner, or without harming other areas of our business.

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 are not always successful in registering, maintaining, opposing cancellation actions, and preventing misappropriation of our own marks and other intellectual property or preventing registration of confusingly similar marks, or we may choose for business reasons to not take such actions, and we may suffer dilution, loss of reputation, genericization, 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 feedback on their experience on our platform or our failure to adequately address any concerns could negatively impact the willingness of them or prospective users to use our platform. For example, the recent changes made in the pricing and packaging of Connects purchases has and may continue to result in user dissatisfaction and negatively impact fill rates. If we fail to promote and maintain our brand successfully, address user concerns, 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.

Our business has experienced, and may continue to experience, an adverse impact from the ongoing COVID-19 pandemic.

The COVID-19 pandemic has adversely impacted our business and has resulted in reductions in demand for our products and services by some of our clients, including our small- and medium-sized business clients, which have been most impacted by the resulting macroeconomic downturn and from which we derive a substantial portion of our GSV and revenue. If these clients continue to reduce their spending or cease operations entirely, the COVID-19 pandemic may have a material adverse effect on our business, financial condition, results of operations, and cash flows. The extent to which the ongoing COVID-19 pandemic will continue to adversely affect our business, financial condition, results of operations, and cash flow will depend on future developments, which are highly uncertain and cannot reasonably be predicted with confidence at this time, including the duration, spread, and severity of the outbreak, or the occurrence of additional “waves” of the outbreak; government responses to the pandemic and potential restrictions on our business and the businesses of our users; the impact of the pandemic on the U.S. and global economies and demand for our offerings; how quickly and to what extent normal economic and operating conditions resume; and the reaction of users and potential users to these developments, among others, and nearly all aspects of our business could be adversely affected. The potential impacts of such developments include, but are not limited to:

- reduced client demand for freelancer services through our platform, resulting in lower GSV and lower revenue;
- reduced client spend on our products and services;
- diminished ability to acquire new clients, particularly large enterprise, global account, and mid-market clients;
- increased costs or reduced revenue as a result of marketing and promotional efforts to reach and support those affected by the COVID-19 pandemic;
- longer sales cycles due to slower decision-making, reduced budgets, or delays in planned work by existing and potential clients;
- decline in demand on our platform following relaxation or lifting of governmental restrictions intended to prevent the spread of COVID-19;
- increased obligations to satisfy our escrow funding requirements with our own funds or by drawing on our line of credit as a result of more frequent declines of client payment methods or increased client-issued chargebacks, which would negatively impact our cash flows and may result in higher credit card processing fees and higher interest payments under our Loan Agreement;
- increased risk of fraud or other illegal activity conducted by bad actors seeking to take advantage of our users or us due to the uncertainty around the COVID-19 pandemic;
- reduced GSV and revenue as a result of increased user circumvention of our platform;
- reduced availability of key personnel to conduct important business activities, such as providing support to users and developing new products or offerings;
- the diversion of resources and attention of our management and workforce away from important ongoing initiatives, including the introduction of new, or modifications to existing, offerings and products, as well as long-term strategic investments and business objectives;
- impacts on payment partners, disbursement partners, or other critical third-party partners may cause delays in processing payments to freelancers or other important functions of our platform, result in an increase in payment transaction costs, loss of revenue, or cause a decline in quality or availability of services, negatively affect our reputation or user activity on our platform, or increase our operating costs;

- delayed or missed client payments to us or freelancers on our platform, which may also result in increased transaction losses, numbers of disputes with users, and costs as we seek to compel payment, which we may not be able to recover;
- reduced spend by clients or availability of freelancers located in areas or regions more affected by the COVID-19 pandemic;
- reduced ability to attract, train, integrate, and retain highly-skilled personnel;
- reduced GSV and revenue as a result of freelancers reducing the fees they charge to clients due to an excess number of freelancers joining our platform;
- difficulty in business planning and forecasting due to significant uncertainty in the impact of the COVID-19 pandemic on all aspects of our business and on our clients and freelancers and other business partners;
- significant disruption of global financial markets, which may impact our ability to access capital now or in the future or make capital available only on terms less favorable to us;
- reduced sublease income as a result of our sublease tenants being unable or unwilling to make the rental payments set forth in their respective sublease agreement;
- any impairment charges on our operating lease asset being recognized as a general and administrative expense due to a reduction to our office space and our potential sublease of such office space at a rental rate that is less than our rent expense for such office space, or any termination fees we may incur as a result of our termination of the operating lease for such office space;
- impairments to our goodwill or other long-term assets if their carrying value exceeds their fair value;
- reduced ability to maintain our financial reporting systems and internal control over financial reporting, including our ability to ensure timely compliance with disclosure requirements under the Securities Exchange Act of 1934; and
- de-globalization, which may result in clients being less willing to connect with non-U.S. users of our platform.

Although the COVID-19 pandemic did not have a material adverse impact on our financial results for the first three quarters of 2020, the rapidly changing market and macroeconomic conditions caused by the COVID-19 pandemic have impacted the business of many of our clients, which resulted in a reduction in spend on our platform for some of those affected clients. There can be no assurance that the positive impacts from the COVID-19 pandemic, such as increased client acquisitions and increased client spend retention, will continue to offset those parts of our business that have been adversely impacted. Many of these risk factors are unpredictable and outside of our control, and any of these factors could amplify the other risks and uncertainties described elsewhere in this Quarterly Report. It is uncertain what impact that the various legislative and other government responses being undertaken in the United States and other countries in which our users are located will have on the economy, our industry, our partners, our users, and our company. In connection with the COVID-19 pandemic, we have also implemented measures to protect the health of our workforce, including by requiring most of our employees to work remotely for an indefinite period of time; to the extent offices reopen, our efforts to comply with applicable health guidelines may not prove sufficient to protect the health of our employees and other visitors to our offices. This and other policies may negatively impact the health and safety of our employees, impact workforce productivity, increase the risk of data security breaches and other privacy and security incidents, and may cause other disruptions to our business. There can be no assurance that these measures will be effective, however, or that we can adopt them without adversely affecting our business operations. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of the macroeconomic downturn that has occurred as a result and is likely to continue in the future. Furthermore, any increase in client acquisition due to the shift toward remote work as a result of the COVID-19 pandemic may slow or decline once the impact of the COVID-19 pandemic is mitigated and users are no longer subject to government restrictions intended to prevent the spread of COVID-19.

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

We and our users are subject to a wide variety of foreign and domestic laws. Laws, regulations, and standards governing issues that may affect us, such as worker classification, employment, worker health, 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, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of the internet, mobile, 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, discrimination and harassment, 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, unfair competition, terms of service, website accessibility, background checks (such as the Fair Credit Reporting Act, 15 U.S.C. § 1681), escheatment, and federal contracting may also be adopted, implemented, or interpreted to apply to us and other online services marketplaces or our users. Likewise, these laws affect our users, and their application, or uncertainty around their application, may affect demand for our marketplace.

New laws, regulations and orders enacted in response to the COVID-19 pandemic or the resulting macroeconomic downturn may also affect our business in ways that we did not anticipate, and existing laws and regulations may be interpreted and enforced differently than they have in the past in response to the COVID-19 pandemic. These laws may change rapidly and compliance may be costly to us. For example, the governmental restrictions intended to prevent the spread of COVID-19 currently enacted in many jurisdictions may result in a loss of productivity of our workforce and an increase in data security breaches and other privacy and security incidents, among other things. On the other hand, a loosening of these restrictions as certain geographic areas begin to reopen may result in a decline in user activity on our platform.

As our platform's geographic scope expands and as we expand the categories of services offered on our platform, regulatory agencies or courts may claim that we, or our users, are subject to additional requirements, or are prohibited from conducting our business, or conducting business with us, in or with certain jurisdictions, either generally or with respect to certain services, or that we are otherwise required to change our business practices. It is also possible that certain provisions in agreements with our users or service providers, or between freelancers and clients, or the fees we charge, may be found to be unenforceable or not compliant with applicable law.

The level of regulatory scrutiny on larger companies, technology companies in general, and companies engaged in dealings with independent contractors, payments, or personal information in particular has increased significantly recently and may continue to do so. Legislators may enact new laws or regulatory agencies may promulgate new rules or regulations that are adverse to our business or the interests of our users, 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 or the interests of our users. Such legislative or regulatory scrutiny or action may create or enhance different or conflicting obligations on us from one jurisdiction to another.

New approaches to policy-making and legislation may also produce unintended harms for our business, which may impact our ability to operate our business in the manner in which we are accustomed. For example, there has been increased focus on worker classification and independent contractor regulations which led in part to the adoption of legislation in California, and it is possible that other jurisdictions will implement similar laws and regulations, as discussed in the risk factor titled "There may be adverse tax, legal, and other consequences if the contractor classification or employment status of freelancers that use our platform is challenged." These laws and regulations may have a far-reaching impact, including on the independent professionals that use our platform and their clients. Any of these regulations could negatively impact our users, including perceptions regarding their use of our platform, or have a material adverse effect on the demand for freelancers on our platform or on the manner in which we are able to operate 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. We may be harmed if we are found to be subject to new or existing laws and regulations or if those laws are interpreted and applied to us in a manner that harms our business or is inconsistent with the application of U.S. laws, including those concerning worker classification, independent contractors, employment, payments, whistleblowing and worker confidentiality obligations, laws related to the COVID-19 pandemic, intellectual property, consumer protection, taxation, privacy, data security, benefits, unionizing and collective action, arbitration agreements and class action waiver provisions, unfair competition, terms of service, website accessibility, background checks, and escheatment. In addition, contractual provisions that are designed to protect and mitigate against risks, including terms of service, services agreements, arbitration and class action waiver provisions, disclaimers of warranties, limitations of liabilities, releases of claims, 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 or in a cost-effective manner, or if these laws and regulations are found to apply to our users or cause a decline in demand for freelancer services, our business, operating results, and financial condition could be adversely affected.

Our success, or perceived success, and increased visibility may also drive some third parties that view our business model to be a threat, or otherwise problematic, to raise concerns about our business model to local policymakers and regulators. These third parties 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 have, or may 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.

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

The market segment 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 competitors as well as new products and services. The level of competition within, and the frequency and likelihood of new competitors entering, such market segment may intensify further due to the COVID-19 pandemic and the resulting increase in remote work, macroeconomic downturn, and increased unemployment rates. We compete with a number of online and offline platforms and services domestically and internationally to attract and retain users and expand our share of user spend. 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, Allegis Group, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr, Guru, 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 and GitHub (each owned 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, such as Workday;
- 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, social media platforms, such as Facebook, and businesses that operate driving, delivery, and other commoditized marketplaces, such as Uber Technologies, have entered or may decide to enter into our market segment. Some of these companies have launched or may launch, or have acquired or may acquire companies or assets that offer products and services that directly compete with our platform. For example, LinkedIn launched ProFinder in 2016 and Open for Business in 2019, both of which are services to connect LinkedIn members with one another for freelance service relationships, and recently announced that it intends to create a series of online vertical marketplaces addressing specific skill categories. Many of these established internet companies and other competitors are considerably larger than we are and have considerably greater financial and other resources than we do.

Internationally, we compete against online and offline channels and products and services in most countries. 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 and currencies that we do not offer. As our business grows internationally and we expand and grow our services offerings, 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 staffing businesses, personal and professional networks, classified ads, and recruiters.

We also compete with companies that utilize emerging technologies, such as blockchain, artificial intelligence, augmented reality, and machine learning. These competitors may offer products and services that may, among other things, provide automated alternatives to the services that freelancers provide on our platform, use machine learning algorithms to connect businesses with service providers more effectively than we do, or otherwise change the way that businesses engage or pay service providers so as to make our platform less attractive to users. 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 or services, or new entrants, succeed.

Many of our current and potential competitors, both online and offline, enjoy substantial competitive advantages, such as greater name recognition and more prominent brand reputation; pre-existing relationships with desirable clients; longer operating histories; greater financial, technical, and other resources; more users; and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. Some of our current and potential competitors have recently undertaken, or may in the future undertake, an initial public offering or another equity or convertible debt issuance, which could improve their competitive position due to enhanced brand recognition and additional working capital. These companies may use these advantages to offer products and services similar to ours at a lower price, develop different or superior 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 and quickly 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.

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 our existing or prospective users. These developments could limit our ability to obtain revenue from existing and new users. For all of these reasons, we may not be able to compete successfully against our current and future competitors. If we are unable to compete successfully against current and future competitors, our business, operating results, and financial condition would be adversely impacted.

Because a substantial portion of the services offered by freelancers and sought by clients on our platform is information technology services, a decline in freelancers offering information technology services or the market for information technology service providers on our platform could adversely affect our business.

A significant portion of the services offered by freelancers and sought by clients on our platform relates to information technology. If, for any reason, the market for information technology services declines, including as a result of a macroeconomic downturn such as the one caused by the COVID-19 pandemic, increased use of artificial

intelligence, automation, insufficient number of freelancers on our platform performing information technology services, or otherwise, or if the need for these services slows, if talent is not available on our platform or willing to perform these services or businesses satisfy their needs for these services through alternative means, including through use of our competitors' products, the growth in the number of users on our platform may slow or decline and as a result our revenue and business may be adversely impacted.

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, including the macroeconomic downturn caused by the COVID-19 pandemic and the resulting increase in unemployment rates, more limited availability of credit, a reduction in business confidence and activity, decreased government spending, economic and political uncertainty, financial turmoil affecting the banking system or financial markets, trade wars and higher tariffs, 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. In addition, small- and medium-sized businesses have been disproportionately impacted by the macroeconomic downturn resulting from the COVID-19 pandemic and have reduced their spend on our platform. These adverse conditions have resulted, and may continue to result, in reductions in revenue, increased operating expenses, 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 as businesses utilize more full-time employees relative to their use of independent contractors. We cannot predict the timing, strength, or duration of any economic slowdown, including the macroeconomic downturn caused by the COVID-19 pandemic, or any subsequent recovery generally. If the conditions in the general economy continue to deteriorate as a result of the COVID-19 pandemic or otherwise, our business, financial condition, and operating results could continue to 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, and we believe from time to time do, circumvent our platform and engage with or pay each other through other means to avoid the fees that we charge on our platform. Circumvention by users of our platform is also likely to have increased and may continue to increase in response to a macroeconomic downturn, such as the macroeconomic downturn resulting from the COVID-19 pandemic, as users may be more cost-sensitive with respect to our fees. In addition, enhancements and changes we make with respect to our products, services, and features may unintentionally cause, and may have unintentionally caused in the past, users to circumvent our platform. Moreover, the changes we make to decrease circumvention by users have in the past and could inadvertently result in user dissatisfaction, increased user circumvention, and a decline in user activity on our platform. The loss of revenue associated with circumvention of our platform may have an adverse impact on our business, cash flows, operating results, and financial condition. In addition, our efforts to reduce circumvention may be costly or disruptive to implement, fail to have the intended effect or have an adverse effect on our brand or user experience, cause users to cease using our platform, reduce the attractiveness of our platform, divert the attention of management, or otherwise harm our business.

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 user authentication and fraud detection measures are not effective, our platform may be perceived as not being secure, our reputation may be harmed, and 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 or fraudulent use of another's identity, payment information, or other information; misrepresentation of the user's identity or skills, including using accounts that they have purchased, sold, or leased; and acquisition or use of credit or debit card details and bank account information. These types of illegal activities may increase in the event of a macroeconomic downturn, such as the downturn resulting from the COVID-19 pandemic, as bad actors seek to take increasing advantage of us or our users. This conduct on our site could result in any of the following, each of which could adversely impact our business:

- 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, bribery, breaches of security, leakage of data, piracy or misuse of software and other copyrighted or trademarked content, and other misconduct;
- 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 return the funds at issue and 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 Financial Protection and Innovation (the “DFPI”) may require us to hold larger cash reserves;
- we may be subject to additional risk and liability exposure, including for negligence, fraud, or other claims, if employees or third-party service providers, including freelancers that provide services to us, misappropriate our banking or other information or user information for their own gain or facilitate the fraudulent use of such information;
- users that are subjected or exposed to the unlawful, fraudulent, or improper conduct of other users or other third parties, or law enforcement or administrative agencies, may seek to hold us responsible for the conduct of users, may lose confidence in our platform, decrease or cease use of our platform, seek to obtain damages and costs, publicize their experience, 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 freelancers misstate their qualifications or location, provide misinformation about their skills, identity, or otherwise, 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 adversely impacting our business as a result of the occurrence of any of the above.

Despite measures we have taken to detect, prevent, and mitigate these risks, we do not have control over users of our platform and cannot ensure that any of our measures will stop or minimize the use of our platform for, or to further, illegal or improper purposes. We have received in the past, and are likely to continue to receive in the future, increased complaints and inquiries from clients, freelancers, and other third parties, including law enforcement, administrative agencies, and the press, concerning misuse of our platform and wrongful conduct of other users, especially as a result of increased fraudulent activity related to the COVID-19 pandemic. 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 attention and resources of our management and adversely affect our business and operating results.

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

Our sales efforts are increasingly targeted at large enterprise, global account, and mid-market 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. During the COVID-19 pandemic, some existing and potential clients, particularly mid-market clients, have failed to respond to our sales

outreach, slowed down decision-making, delayed planned work on our platform, and sought to negotiate pricing and other terms that are less favorable to us. This has led, and may continue to lead, to diminished productivity and effectiveness of our sales force, longer sales cycles, and otherwise negatively impacting our sales efforts. Restrictions in place to prevent the spread of the COVID-19 coronavirus restrict our ability to travel and negotiate in person, which may also negatively impact our sales efforts. In addition, large enterprise, global account, and mid-market clients may require greater functionality and scalability that can lead to delays in sales or difficulties in growing client spend. We are often required to spend time and resources to better familiarize potential large enterprise, global account, and mid-market clients with the value propositions of our platform generally. Despite our efforts in familiarizing potential large enterprise, global account, and mid-market clients with the benefits of our platform, these potential clients may decide not to use our platform if, among other reasons, they do not feel that their procurement or compliance needs are or will be met. In addition, sales opportunities with large enterprise, global account, and mid-market companies 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 an agreement with a client to use our platform, the agreement may not be on pricing or other terms that are favorable to us. Moreover, a significant portion of the fees we typically receive from clients is contingent on the level of spend by the client. If a client negotiates pricing terms that are less favorable to us, does not engage freelancers on our platform, or uses freelancers for few projects or projects of low 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 matters for larger enterprise, global account, and mid-market clients, or to other terms that are less favorable to us in order to secure a client's business or increase its spend, as discussed further in the risk factors titled "There may be adverse tax, legal, and other consequences if the contractor classification or employment status of freelancers that use our platform is challenged." All these factors can add further risk and expenses to business conducted with these clients even after a successful sale.

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 our terms of service. Some clients opt to classify freelancers as employees for certain work, while many freelancers are classified as independent contractors.

We offer an optional service to our Upwork Enterprise and premium clients, through which service 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 our agreement with the client, 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 and contract with one another with confidence they will receive the value for which they pay. 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. Moreover, material business changes to one or more of our third-party staffing providers could lead to increased costs for clients or us, a reduced profit margin, a diminished user experience, or the inability to offer the staffing provider services in one or more jurisdictions. We also use our platform to find, classify, and engage freelancers to provide services for us and for our managed services offering. In general, any time a court or administrative agency determines that we or our clients that use our platform have misclassified a freelancer as an independent contractor, we or our users could incur tax and other liabilities for failing to properly withhold or pay taxes on the freelancer's compensation as well as potential wage and hour and other liabilities depending on the circumstances and jurisdiction. We may be subject to administrative inquiries and audits concerning the taxation and classification of our workers and the users of our platform. We cannot be certain that any insurance coverage that we have or may obtain 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. For example, in California, we are aware of the state supreme court's 2018 decision in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles*, as well as Assembly Bill 5 ("AB 5"), which went into effect January 1, 2020 and which has the stated purpose of codifying the Dynamex holding. Together, they change the standard in California for determining worker classification and are widely viewed as expanding the scope of the definition of employee for most purposes under California law. Given the enactment of AB 5, there is little guidance from the courts or the regulatory authorities charged with its enforcement and there is a significant degree of uncertainty regarding its application. In addition, AB 5 has been the subject of widespread national discussion and it is possible that other jurisdictions, including New York, Washington, Illinois and other states, may enact similar laws. Additionally, initiatives such as California's Proposition 22 (2020) or other potential legislation could alter the legislative and regulatory landscape regarding how states, municipalities and the federal government may choose to regulate independent contractors broadly and specific sectors as well, which may affect how our users run their businesses depending on their locale. As a result, there is significant uncertainty regarding what the worker classification regulatory landscape will look like in future years, and compliance with any new legislation or regulations may be costly to us and expose us to litigation, fines, and penalties. In addition, any developments or changes in the regulatory environment impacting worker classification and independent contractors may reduce the demand for independent contractors more generally in one or more jurisdictions and have an adverse effect on our business, operating results, and financial condition.

A misclassification determination, allegation, claim, or audit creates potential exposure for users and for us, including but not limited to reputational harm and 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 contributions, and workers' compensation and unemployment insurance; 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, injunctive relief, or settlement. These types of claims have become more frequent in light of deteriorating macroeconomic conditions as a result of the COVID-19 pandemic, more prone to agency error in light of overwhelmed agencies, more commonly submitted on a fraudulent basis, and more difficult to oppose due to COVID-19 related delays. Claims naming our company may also have become and may continue to be more prevalent in light of legislative and regulatory responses to the COVID-19 pandemic, such as the Pandemic Unemployment Assistance ("PUA") program and state programs implementing PUA. Such an allegation, claim, or 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, any limitations or obligations that we include in our contracts with clients to limit our exposure to claims could be determined to be unenforceable, could be costly to enforce or ineffective, or may otherwise prove inadequate.

Changes to our pricing model could adversely affect our business.

We implemented a significant change to our pricing model in 2016, which, for a period of time following the pricing change, contributed to GSV growing at a faster rate than revenue. From time to time we have made, and will continue to make, other changes, including in 2019 when we launched new paid membership types for clients and new Connects pricing for freelancers and we anticipate further changes to Connects pricing and policies in the future in an effort to improve fill rates on our platform, which may have a negative impact on our revenue. From time to time, we will make further changes to our pricing model due to a variety of reasons, including potentially in response to the COVID-19 pandemic, due to changes to the market for our products and services or our business

strategy, as new competitors enter our market segment, as we introduce or refine our offerings, and as competitors introduce new products and services. Changes to any components of our pricing model, such as the recent changes made in the pricing and packaging of Connects purchases, have and may continue to, among other things, result in user dissatisfaction, lead to a loss of users on our platform, result in a change to the way we recognize revenue, reduce the amount of revenue we generate as a percentage of GSV, reduce the rate or size of projects that get posted or completed on our platform, negatively impact fill rates, or otherwise negatively impact our operating results, financial condition, and cash flows.

If we or our third-party partners experience a security breach, other hacking or phishing attack, ransomware or other malware attack, or other privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, 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 costs, fines, or 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 and vendors 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. Our systems, and the systems of our vendors and third-party partners, may be vulnerable to privacy or security incidents, such as, computer viruses and other malicious software, physical or electronic break-ins, or vulnerabilities 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. Any such privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our, our personnel's, 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, enforcement actions, other potential liability, and reputational harm. 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. Additionally, ransomware or other malware, viruses, social engineering (including business email compromise and related wire-transfer fraud), and general hacking in our industry have become more prevalent and more complex. Bad actors often use uncertainty caused by a crisis, such as the COVID-19 pandemic, to try to take advantage of us, our users, and our vendors by using social engineering and other methods to persuade their victims to make fraudulent payments, or to download viruses, ransomware, or other malware into computer systems and networks. 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 vendors and third-party partners may be unable to anticipate these techniques or to implement adequate preventative measures, despite our efforts to implement and maintain a robust information security program. If we or our vendors or third-party partners experience an actual or perceived breach or privacy or security incident, public perception of the effectiveness of our security measures and brand could be harmed, and we could lose users and business. Data security breaches and other privacy and security incidents may also result from non-technical means, such as, for example, actions taken by employees or contractors, such as freelancers that we engage on our platform to perform services for us.

Any compromise of our security or the security of our vendors or third-party partners could result in a violation of applicable privacy and other laws, regulatory or other governmental investigations, enforcement actions, litigation, and legal and financial exposure, including potential contractual liability. We may also need to expend significant resources to protect against, and to address issues created by, security breaches and other privacy and security incidents. While we maintain cyber liability insurance, these liabilities may exceed the amounts covered by our insurance; further, we cannot be certain that our insurance 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. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures. In addition, significant unavailability of our platform due to security breaches and other privacy and security incidents could cause users to decrease their use of or cease using our platform. Any of these effects could adversely impact our business.

Depending on the nature of the information compromised, in the event of a security breach or other privacy or security incident, we may also have obligations to notify affected individuals and regulators about the incident, and we may need to provide some form of remedy, such as a subscription to credit monitoring services, pay significant fines to one or more regulators, or pay compensation in connection with a class-action settlement (including under the new private right of action under the California Consumer Privacy Act of 2018 (the “CCPA”). Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises our, our users’, our employees’, our contractors’, or other confidential, proprietary, or personal information.

Changes in laws or regulations relating to privacy or the protection, collection, storage, processing, transfer, or use of personal information, 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 these laws and regulations is 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 legal and contractual obligations to third parties related to privacy, data protection, and information security. 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 the data of our users, employees, contractors, or others, or their interpretation or enforcement, 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, including in response to the COVID-19 pandemic, 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 in a cost-effective manner, or at all, 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 privacy, data protection, and information security that are proposed and enacted in various jurisdictions. For example, European legislators adopted the General Data Protection Regulation (the “GDPR”), which became effective in May 2018 and superseded existing European Union (“EU”) data protection legislation, imposes more stringent EU data protection requirements, and provides for significant penalties for noncompliance. The GDPR created new compliance obligations applicable to our business, users, vendors, and third-party partners, which expose us to increased 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. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR has been and will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices, and there is a risk that we may be subject to governmental investigations or enforcement actions, fines and penalties, claims, litigation, and reputational harm in connection with any European activities.

Moreover, on July 16, 2020, the Court of Justice of the European Union (the “CJEU”) declared the EU-U.S. Privacy Shield to be an invalid mechanism for transferring personal information from the EU to the United States. In addition, while the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal information transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. The use of standard contractual clauses for the transfer of personal information specifically to the United States remains under review by a number of European data protection supervisory authorities. German and Irish supervisory authorities have indicated that the standard contractual clauses alone provide inadequate protection for EU-US data transfers. On August 10, 2020, the U.S. Department of Commerce and the European Commission announced new discussions to evaluate the potential for an enhanced EU-U.S. Privacy Shield framework to comply

with the July 16 judgment of the CJEU. The CJEU's decision (and certain regulatory guidance issued in its wake) and recent statements by EU supervisory authorities have led to uncertainty regarding the legality of EU-U.S. data flows in general and those conducted under the Privacy Shield in particular. The CJEU's decision may continue to create new compliance obligations applicable to our business, users, vendors, and third-party partners, which could cause us to change our business practices. As further guidance is issued by European authorities, the full rights and responsibilities resulting from the CJEU's decision may continue to change.

As supervisory authorities continue to issue further guidance on personal information, we could suffer additional costs, complaints, or regulatory investigations or fines, and if we are otherwise unable to transfer personal information between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

Further, in connection with its process of leaving the EU, the United Kingdom has enacted the Data Protection Act 2018 (the "Data Protection Act") that is substantially consistent with the GDPR. From the beginning of 2021 (when the transitional period following Brexit expires), we will have to continue to comply with the GDPR and also the Data Protection Act, with each regime having the ability to fine up to the greater of €20 million (£17 million) or 4% of global turnover. The relationship between the United Kingdom and the EU remains uncertain, for example, how data transfers between the United Kingdom and the EU and other jurisdictions will be treated and the role of the United Kingdom's supervisory authority. These changes will lead to additional costs as we try to ensure compliance with new privacy legislation and will increase our overall risk exposure.

Additionally, in June 2018, California passed the CCPA, which provides new privacy rights for consumers and new operational requirements for companies. The CCPA became effective on January 1, 2020 and enforcement began on July 1, 2020, along with related regulations which came into force on August 14, 2020. Fines for noncompliance may be up to \$7,500 per violation without limitations. Additionally, on November 3, 2020 Californians passed a ballot initiative called the California Privacy Rights Act (the "CPRA") which extends the CCPA and imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. The costs of compliance with, and other burdens imposed by, the GDPR, CCPA, and CPRA may limit the use and adoption of our products and services and could have an adverse impact on our business. Because the GDPR, the UK's Data Protection Act, the CCPA, and the CPRA are in force or recently passed, 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, and our interpretations of these laws and efforts to comply with the rules and regulations of these laws may be deemed invalid. Additionally, the CCPA has prompted a number of proposals for new federal and state-level privacy legislation, such as in Nevada, Virginia, New Hampshire, and other jurisdictions. If passed, these new laws could add additional complexity, impact our business strategies, increase our potential liability, increase our compliance costs, and adversely affect our business.

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users, employees, contractors, 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 the data of our users, employees, contractors, and others 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 disrupt the conduct of our business, increase our liability, increase our costs and risks, and adversely affect our business.

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 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, such as 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, we have received in the past, and may continue to receive, notices from jurisdictions claiming that we or our users are required to comply with their laws. Laws outside of the United States regulating the internet, payments, escrow, data protection, data residency, privacy, taxation, terms of service, website accessibility, consumer protection, intellectual property ownership, services intermediaries, payment intermediaries, labor and employment, wage and hour, worker classification, worker health, 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 product 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 which could lead to additional compliance costs 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 users, including freelancers that provide services to us, are resident and being subject to their laws and regulatory requirements, including those concerning taxation;
- new or changed regulatory requirements;
- varying worker classification standards, regulations, and approaches to enforcement;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- the imposition of taxes on transactions between us and our users or among our users, or the imposition of liability on us for the failure to collect and remit taxes owed by our users;
- compliance with U.S. and foreign laws and regulations regarding privacy, data protection, information security, and the collection, storing, retention, sharing, use, processing, transfer, disclosure, and protection of personal information and other content;
- the cost and 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, worker classification, and taxation on income or earnings, including the obligation to withhold and remit taxes), consumer and data protection, privacy, network security, encryption, data residency, and taxes, as well as securing expertise in local law and related practices;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, changes to existing trade arrangements between various countries, and other trade barriers or protection measures;
- regional or global public health crises, such as the COVID-19 pandemic;

- economic weakness or currency-related challenges or crises;
- fluctuations in foreign currency exchange rates;
- costs of localizing services, including adding the ability for clients to pay in local currencies;
- lack of acceptance of localized services or of services generally because they are not localized;
- difficulties in, and costs of, staffing, managing, and operating international operations or support functions;
- weaker intellectual property protection;
- organizing or similar activity by workers, local unions, works councils, or other labor organizations;
- our ability to adapt to business practices and client requirements in different cultures;
- corporate or state-sponsored espionage or cyberterrorism;
- macroeconomic and political conditions in certain foreign jurisdictions; and
- geopolitical instability and security risks, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity 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, that our interpretations are or will remain correct, or that all of our employees, contractors, partners, users, and agents will comply. Any violations could result in enforcement actions or other proceedings, 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 and in a cost-effective manner, our business, operating results, and financial condition could be adversely affected.

If we are unable to maintain our payment partner relationships on favorable terms, or at all, or if our payment partners cease providing services to us, 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 us with corporate banking services, escrow trust accounts, clearing, processing, and settlement functions for the funding of all transactions on our platform, and we do not always have duplication in vendors in the event one relationship is terminated for any reason. 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 at all, or we are unable to enter into new agreements with new payment partners on favorable terms, or at all, our ability to disburse funds and our revenue and business may be adversely affected. This could occur for a number of reasons, including the following:

- our payment processors may be unable or unwilling to perform the services we require of them, such as processing payments to freelancers in a timely manner, including in a manner that is satisfactory to us as it relates to compliance with U.S. federal, state, and international laws and regulatory requirements;
- we may choose to cease doing business with our payment partners for a number of reasons, including due to allegations of fraud or other impropriety by them or their third-party partners;
- our payment partners may be subject to investigation, regulatory enforcement, or other proceedings that result in their inability or unwillingness to provide services to us or our unwillingness to continue to partner with them;
- our payment partners could, and, in some cases, have notified us in the past that they would, increase the rates that they charge us or our users, especially in light of changes in those payment partners'

interpretation and enforcement of their rules, increased declines of client payment methods or increased client-issued chargebacks due to the COVID-19 pandemic;

- our payment partners may be unable to effectively accommodate changing service needs, such as those which could result from rapid growth or higher volume or those which relate to local jurisdictions;
- 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, especially in light of the COVID-19 pandemic, 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.

For example, in June 2020, Wirecard AG, a prepaid card issuer used by one of our payment partners to issue prepaid cards to our users, filed for insolvency and was ordered by the UK Financial Conduct Authority to cease all licensed activity. As a result, our non-U.S. users who previously chose to withdraw their funds to a prepaid card could not access their funds for several days. The order was eventually lifted, allowing those customers to access their funds. This incident or any similar future incident concerning our payment partners or their respective vendors could cause our customers to lose trust in our platform and could have an adverse impact on our business.

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

Our platform enables our users to manage important aspects of their businesses, and any errors, defects, or disruptions in our platform, or other performance problems with our platform or infrastructure, including disruptions caused by the COVID-19 pandemic or responses to the pandemic, could harm our brand and reputation and may damage the businesses of users. As the usage of our platform grows, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to operate our platform. It is possible that we may fail to continue to effectively scale and grow our technical infrastructure to accommodate these increased demands, which may adversely affect our user experience. We also rely 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. For example, for a short period of time in May 2019, due to an inadvertent error by a regulatory agency in Bangladesh, users in Bangladesh were unable to access our website and other websites that included “-rk.com” in their website addresses. Also, certain jurisdictions, such as India and Pakistan, have in the past voluntarily shut down the internet in response to civil unrest and, in the event any such governmental action were to take place again, it would adversely affect user activity on our platform throughout the duration of such shut down. 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, or the inadequacy of our efforts to adequately prevent or timely remedy errors or defects, 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, claims by users for losses sustained by them, or investigation and corrective action taken by the DFPI or other regulatory agencies. 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.

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

In order to increase our revenue from our premium offerings and achieve and sustain profitability, we must improve the effectiveness and efficiency of our sales force and generate additional revenue from new and existing users. For

example, we have only recently begun generating revenue from our Upwork Business offering in addition to our other premium offerings. Given that it is a relatively new offering, we recently completed an evaluation of the efficiency, productivity, and effectiveness of our sales force at generating revenue from our Upwork Business offering, as well as our other premium offerings. As part of this evaluation, we have recently undertaken a reduction in force of approximately one-third of our sales employees in an effort to drive efficiencies in our sales organization, as discussed in the risk factor titled “Litigation could have a material adverse impact on our operating results and financial condition.” There can be no assurance that these measures will increase the productivity or efficiency of our sales force.

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. It is difficult to find sales personnel with the specific skills and technical knowledge needed to sell our Upwork Enterprise, and other premium offerings. We may be unable to hire or retain a sufficient number of qualified sales personnel. Furthermore, hiring sales personnel, particularly in new markets, requires additional costs that we may not recover if the sales personnel fail to achieve full productivity. Even if we are able to hire qualified personnel, doing so may be costly and lengthy, as new sales personnel require significant training and can take a number of months to achieve full productivity. In addition, new sales personnel do not always achieve productivity milestones within the timelines that we have projected, negatively impacting our ability to achieve our long-term financial projections associated with such personnel. Not all of our recent hires and planned hires have or will become productive as quickly as we expect and when 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. The productivity of our sales force has also been diminished by the effects of the COVID-19 pandemic and governmental restrictions intended to prevent its spread, as large enterprise, global account, and mid-market clients have been less responsive to our sales efforts. If our sales personnel are not successful in obtaining new business or increasing sales to our existing user base, our business and results of operations will be adversely affected.

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 online 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, whether any expansion will be long-term or temporary, the entry of products and services that are competitive to ours, the success of existing competitive products and services, or technological, macroeconomic, legal, regulatory, or other developments that will impact the overall demand for freelancer services. Furthermore, many businesses may be unwilling to engage freelancers for a variety of reasons, including perceived negative connotations with outsourcing work, quality of work, or privacy or data security concerns or the rapidly evolving regulations that may impact the demand for independent contractor services more generally, as discussed further in the risk factor titled “There may be adverse tax, legal, and other consequences if the contractor classification or employment status of freelancers that use our platform is challenged.” 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.

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 business, revenue and profits, and financial condition could be adversely affected.

We have experienced growth in a relatively short period of time. For example, our total revenue for the nine months ended September 30, 2020 was \$267.5 million, representing a period-over-period growth rate of 21% over the same period in 2019. Over time, 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 and train our workforce; and effectively collaborate with our third-party partners, all of which can be more difficult with an increasingly remote workforce. 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, and will encounter in the future, risks, challenges, and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks, challenges, 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.

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 or our users 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. In addition to income taxes, in the United States and various foreign jurisdictions, we may also be subject to non-income based taxes, such as payroll, sales, use, value-added, and goods and services taxes (including the “digital service tax”), and we may also be subject to increased obligations as a withholding agent. 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 aggressive enforcement and new interpretations of existing tax laws, enacting new laws and promulgating new regulations, discussions about tax reform, and other legislative action to increase tax revenue, including through indirect taxes. New income, payroll, sales, use, value-added, goods and services, platform, intermediary, digital services, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), could be applied solely or disproportionately to services provided over the internet, could target certain products and services offered on our platform, or could otherwise affect our or our users’ tax obligations or financial position and operating results. Many countries in the EU, as well as the United Kingdom, India, and a number of other countries and organizations, such as the Organisation 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. The impact and burden of these regulations and proposed regulations on our business and the businesses of our users is uncertain, but may have a negative impact on our business.

We currently collect and remit indirect taxes on our fees in a number of jurisdictions and from time to time we may begin collecting and remitting indirect taxes in additional jurisdictions. Our collection of indirect taxes on our fees in these jurisdictions may cause our users to use other platforms or other alternatives that do not collect indirect taxes on their fees, which may in turn affect our financial results. In addition, 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 the application of existing taxes be deemed to apply to us or our users, 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 operating results and financial condition.

Moreover, state, local, and foreign tax jurisdictions have differing rules and regulations governing sales, income, use, value-added, payroll, services, 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 or our users (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 platform does not include functionality to easily enable users to charge any applicable taxes to one another, users may be unwilling or unable 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, the indemnification obligation may be deemed unenforceable, or the functionality and indemnification provisions may cause users to seek out other platforms. 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. In addition, tax laws and regulations may subject us to audit by tax regulators and require us to provide certain data and information, including user information, from our platform to tax regulators in certain jurisdictions. If we are obligated to provide such information to tax regulators in any jurisdiction, users may choose to use other platforms or other alternatives, which may in turn adversely affect our operating results and financial condition.

As a result of these and other factors, the ultimate amount of tax obligations we owe 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.

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

Our subsidiary, Upwork Escrow, 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 DFPI. While we have received two inquiries, each prior to 2014, from regulatory authorities inquiring whether we are engaging in payment activities through Upwork Escrow or oDesk (which is now Upwork Global Inc. ("Upwork Global")), these inquiries were resolved in our favor and did not require us to obtain a license in the applicable jurisdiction.

Although we believe that our operations comply with existing U.S. federal, 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 other 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 obtain a 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; material changes to the mandate, purview or regulatory approach at the DFPI; 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 those laws relate to new and evolving 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 or restrictions on our business, our ability to offer some or all of our services in the relevant jurisdiction may be suspended, and we may be subject to civil or criminal liability and our business, operating results, financial condition, reputation, and brand could be adversely affected.

Failure to comply with anti-corruption, anti-money laundering, and sanctions laws, including the U.S. Foreign Corrupt Practices Act (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 compliance program designed to address the risk of our platform being used to facilitate money laundering, terrorist financing, or other illicit activity. We also have policies, procedures, and sophisticated technology designed to allow us 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 (“OFAC”) and equivalent foreign authorities. We may 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. Regulators continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program, including the procedures that we use to verify the identity of our users and to monitor our platform for potential illegal activity. In addition, any policies and procedures that we implement to comply with OFAC regulations may not be effective, including in preventing users from using our services within the OFAC-sanctioned countries of North Korea, Syria, and Iran, and the Crimea region of Ukraine. Attempts by individuals or entities that have been designated by OFAC or are located in a country subject to an embargo by the United States to utilize our service or take advantage of us or our users may also be exacerbated during a macroeconomic downturn, such as the one caused by the COVID-19 pandemic. Given the technical limitations in developing controls to prevent, among other things, the ability of users to publish 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.

Consequences for failing to comply with applicable rules and regulations could include fines, 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, our users, or payment partners 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 other payment partners to terminate or not renew their agreements with us, negatively impact investor sentiment about our company, 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, all of which may adversely affect our business, operating results, and financial condition and may cause the price of our common stock to decline. 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.

For example, our and other freelancing platforms and websites have been the subject of additional scrutiny and press attention relating to North Korea. 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, 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, nor from any other OFAC-sanctioned jurisdictions, we may face higher levels of scrutiny by users, partners, and regulators due to the publishing of this advisory and those or similar press reports.

We are also subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and the UK 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, or 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 prohibit or do not explicitly authorize such activities. We have implemented an anti-corruption compliance policy, but 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, or other anti-bribery, anti-money laundering, or sanctions 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.

If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified to our disadvantage, 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, 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 such as paid search 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.

Search engines and other channels that we utilize to drive users to our website periodically change their algorithms, policies, and technologies, sometimes in ways that cause traffic to our website to decline. These changes can also result in an interruption in users' ability to access our website or a drop in our search ranking, or have other adverse impacts that negatively affect our ability to maintain and grow the number of users that 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, user acquisition, and operating results.

Our user growth and engagement on mobile devices depend upon third parties maintaining open application marketplaces and 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, including through the use of mobile applications. Our mobile applications rely on third parties maintaining open application store platforms, including the Apple App Store and Google Play, which make current and new applications or new versions of our mobile applications available for download and use on mobile devices. We cannot assure you that the platforms through which we distribute our applications will maintain their current structures or terms of access, that such marketplaces will continue to make our mobile applications available for download, or that such marketplaces will not charge us fees to list our applications for download, or charge us fees to offer products and services through our applications. Additionally, there is no guarantee that popular mobile devices will continue to support our platform, that the use of mobile devices for payments or other transactions on our platform 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 the usage of our platform 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 devices, 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 devices, 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, our users find our mobile offering is not cost-effective, our users find our mobile offering does not meet their needs, our competitors develop products and services that are perceived to operate more effectively on mobile devices, or 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, user engagement, and business could be adversely impacted.

We rely on AWS to deliver our platform to our users, and any disruption of service from AWS or material change to our arrangement with AWS could adversely affect our business. We are also subject to litigation relating to our use of AWS.

We currently host our platform, serve our users, and support our operations using AWS, a provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS's facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events or could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of any of these events, a decision to close the facilities or cease or limit providing services to us without adequate notice, or other unanticipated problems could result in interruptions to our platform, including lengthy interruptions. Our platform's continuing and uninterrupted performance is critical to our success and 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 could reduce the attractiveness of our platform to users, cause users to decrease their use of or cease using our platform, and adversely affect our business. 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 and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all.

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 or unable to renew 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 charge high costs for or 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. We also plan to transition around the first quarter of 2021 to a different AWS facility than the one we are currently using in an effort to reduce long-term costs, to gain access to servers with enhanced functionality, and increase operational resilience. During this transition, we may experience resulting downtime, cause errors in our platform or services, including escrow or payment services, or incur additional costs, particularly if we encounter an unforeseen issue or incident during the migration. We expect to incur increased costs during the migration, as we will need to use two AWS data facilities at one time during the transition period.

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 has been, and may continue to be, time consuming, and may divert management's attention and, if Amazon fails to fully indemnify us, adversely impact our operating results.

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, software and technology vendors, and payment processing and disbursement providers. For example, we work with third-party staffing providers, upon which we are dependent to support our employment offering, Upwork Payroll. As our agreements with third-party partners terminate or expire, we may be unable to renew or replace these agreements on favorable terms, or at all. Moreover, we cannot guarantee that the parties with which we have strategic relationships will continue to offer the services for which we rely on them at economically reasonable terms or at all, devote the resources necessary to expand our reach, increase our distribution, or support an increased number of users and associated use cases. Our dependence on any single third-party supplier increases when our supply of a particular service is more heavily concentrated with that third-party. Some of our strategic partners are experiencing delays, disruptions, or closures due to the COVID-19 pandemic, which may result in disruptions to the services they provide to us and our users. Further, some of our strategic partners offer, or could offer, competing products and services or also work with our competitors, the likelihood of which may increase due to the COVID-19 pandemic and the resulting macroeconomic downturn, increased unemployment rates, and increased adoption of remote work. 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 on favorable terms, 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 on comparable terms, we cannot ensure that these relationships will result in increased usage of our platform or increased revenue.

Our business model subjects us to disputes with or between users of our platform.

Our business model involves enabling connections between 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 elect to use. Disputes sometimes arise between freelancers and clients with regard to their contract terms, work relationship, or otherwise, including with respect to service standards, payment, confidentiality, work product, and intellectual property ownership and infringement. These disputes may occur more frequently during a macroeconomic downturn, such as the one caused by the COVID-19 pandemic. If either party believes the contract terms were not met, our standard terms and some individually negotiated services agreements 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. 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, claims are sometimes brought against us directly as a result of these disputes and freelancers or clients bring us into any claims filed against each other, particularly when the other user is insolvent or facing financial difficulties, like those caused by the COVID-19 pandemic. Through our terms of service and services agreements for premium services, we disclaim responsibility and liability for any disputes between users (except with respect to specified dispute assistance programs and services); however, we cannot guarantee that these terms will be effective in preventing or limiting our involvement in user disputes or that these terms will be enforceable or otherwise effectively prevent us from incurring liability as a result of disputes between users. In addition, from time to time users assert claims against us regarding their experience on our platform, including related to their search ranking results, their feedback ratings, our advertising or marketing, our dispute resolution process, or admission or non-admission to the platform or other programs and badges, including those designed to highlight successful freelancers. Moreover, for some premium services, we provide enhanced services and assistance with respect to disputes over work product, and clients or freelancers on their engagements may pursue claims against us if they are not satisfied with those enhanced services. Disputes between clients and freelancers and between users and our company may become more frequent in light of deteriorating macroeconomic conditions as a result of the COVID-19 pandemic. An increase in the number of disputes may result in an adverse effect on our company, such as a loss of goodwill with users, reputational harm, lost GSV and revenue, and an increase in costs to us. 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 result in legal, settlement, or other financial costs; divert the resources of our management; and adversely affect our business and operating results.

Our ability to attract and retain users is dependent in part on ease of use and reliability of our platform 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 of use 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 and to communicate effectively concerning their accounts. 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 effectively communicate with our users, or any market perception that we do not maintain high-quality support or act professionally, fairly, or effectively in our communications and actions with respect to users, 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 depends largely on our ability to attract and retain talented employees, including senior management and key personnel. If we lose the services of Hayden Brown, our President and Chief Executive Officer, or other members of our senior management team or key personnel, we may not be able to execute on our business strategy.

Our future success depends in large part on the continued services of senior management and other key personnel and our ability to retain and motivate them. In particular, we are dependent on the services of Hayden Brown, our President and Chief Executive Officer, and our technology, platform, future vision, and strategic direction could be compromised if she 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, corporate development, 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, and we do not maintain any “key-person” life insurance policies. If we lose the services of senior management or other key personnel, if our succession plans prove inadequate, or if we are unable to attract, train, integrate, and retain the highly-skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

From time to time, there have been and may be changes in our management team resulting from the hiring or departure of executives. For example, in December 2019, we announced that our prior President and Chief Executive Officer, Stephane Kasriel, was resigning from this position on December 31, 2019, and that Hayden Brown, our prior Chief Marketing and Product Officer, would take the position of President and Chief Executive Officer effective January 1, 2020. Additionally, on August 4, 2020, we announced that our prior Chief Financial Officer, Brian Kinion, was resigning from this position and that Jeff McCombs would be appointed as our Chief Financial Officer effective August 4, 2020. We have made, and may continue to make, other changes that have been and will be disruptive to our personnel, such as the reduction of a portion of our sales force in November 2020. These changes have resulted, and may continue to result, in increased attrition of our personnel, including senior management and key employees, stemming from the resulting organizational restructuring, as new reporting relationships are established, and as other companies may increasingly target our executives. Any such changes may also result in a loss of institutional knowledge, cause disruptions to our business or distract or result in diminished morale in or the loss of workers.

Volatility or lack of appreciation in our stock price may also affect our ability to attract new talent and retain our key employees. For example, due in part to the COVID-19 pandemic, the market price of our common stock has been and may continue to be volatile, and employees may be more likely to leave us if the market price of our common stock declines or if the exercise price of the options that they hold are above or near the market price of our common stock. Conversely, 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 and may be more likely to leave us if the shares they own, or the shares underlying their vested options, have appreciated in value relative to the original purchase price of the shares or the exercise price of the options. 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 future success also depends on our continuing ability to attract, train, integrate, and retain highly-skilled personnel, including software engineers and sales personnel. We face intense competition for qualified personnel 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, integrate, or retain other highly-skilled personnel in the future, all of which may be more difficult during the COVID-19 pandemic and the governmental restrictions intended to prevent its spread. We may incur significant costs to attract and retain highly-skilled personnel, 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, and our succession plans may be insufficient to ensure business continuity if we are unable to retain key personnel. 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 management team has limited experience managing a public company.

Most members of our management team, including Hayden Brown, our President and Chief Executive Officer, have limited experience managing a publicly traded company in the positions they currently hold, interacting with public company investors, managing significant regulatory oversight and reporting obligations and the continuous scrutiny of securities analysts and investors, and complying with the increasingly complex laws pertaining to public companies. These new obligations and constituents 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, particularly now that we are a large accelerated filer. The additional requirements we must comply with may further strain our resources and divert management's attention from other business concerns.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of The Nasdaq Global Select 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 now that we are a large accelerated filer. 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, or may have difficulty attracting and retaining sufficient employees, which would increase our costs and expenses.

As a result of no longer being an emerging growth company, we have incurred, and will continue to incur, significant additional expenses that we did not previously incur in complying with the Sarbanes-Oxley Act and rules implemented by the SEC. The cost of compliance with Section 404 of the Sarbanes-Oxley Act ("Section 404") has required, and will continue to require, us to incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements.

We have also previously taken advantage of the reduced disclosure requirements of the Jumpstart Our Business Startups Act applicable to emerging growth companies regarding executive compensation disclosures and exemption from the requirements of holding advisory "say-on-pay" votes on executive compensation. We are no longer eligible for such reduced disclosure requirements and exemptions and, as such, we are required to hold a "say-on-pay" vote and a periodic "say-on-frequency" vote at our annual meetings of stockholders. We expect that the increased disclosure requirements will require additional attention from management and will result in increased costs to us,

which could include higher legal fees, accounting fees, and fees associated with investor relations activities, among others.

In addition, changing laws, regulations, and standards relating to corporate governance, stockholder litigation, and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, making some activities more time-consuming, and increasing the likelihood and expense of litigation. 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, higher costs necessitated by ongoing revisions to disclosure and governance practices, and increased expenses and management attention due to actual or threatened litigation. 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 these laws, regulations, and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected. Being a public company and complying with the associated rules and regulations, and being subject to heightened likelihood of litigation, makes it more expensive for us to obtain director and officer liability insurance, the costs of which can fluctuate significantly from year-to-year due to general market conditions in obtaining such insurance, but in recent years have risen significantly, consistent with the increase in market rates. As a result, we may be required to accept reduced coverage, incur substantially higher costs to obtain coverage, or may be unable to obtain coverage on economically reasonable terms, or at all. These factors could also make it more difficult for us to attract and retain qualified executives and qualified members of our board of directors, particularly to serve on our audit, risk, and compliance committee, our compensation committee, and our nominating and governance committee.

As a result of disclosure of information in filings required of a public company, our business and financial condition has 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 could face pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

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

From time to time, we are involved in litigation. The outcome of any litigation (including class actions and individual lawsuits or arbitration), regardless of its merits, is inherently uncertain. Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, 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 or pursuing claims against third parties. 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 adverse terms contained in 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.

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. Intellectual property infringement claims against us or our users or third-party partners 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, including our competitors. Also, we are now, have in the past been, and may in the future be, subject to legal proceedings and claims relating to the intellectual property of others, including our competitors, in the ordinary course of our business. Companies, including non-practicing entities and our competitors, have also sent us demand letters alleging that we infringe their intellectual property, including proposals that we license certain of their patents, and we may receive such demand letters in the future. Our competitors and other third parties have in the past challenged, and may in the future challenge, our registration or use of our trademarks, including “Upwork,” and other intellectual property rights, 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; redesign the allegedly infringing products and services to avoid infringement, which could be costly, time-consuming, distracting to management, or impossible; or result in the invalidation of our own patents, trademarks, or copyrights. 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 would require us to expend additional 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 litigation or other disputes relating to allegations of intellectual property infringement could subject us to significant legal costs and liability for damages, invalidate our proprietary rights, or 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 or ongoing royalty payments to the party whose intellectual property rights we may be found to be infringing;
- pay substantial amounts in settlement to a party that asserts allegations of intellectual property infringement;
- prevent us from offering aspects of our platform or make expensive changes to our platform or 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 segment for freelancers and the clients that engage them grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could require us to expend additional financial and management resources.

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. As the adoption of remote work becomes more prevalent and competitors enter our market segment, our exposure to unauthorized copying and use of our platform, technology, intellectual property, and other proprietary information may increase. If we do not protect and enforce our intellectual property rights successfully or cost-effectively, our competitive position may suffer, which would 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 or validity of our trademarks, or the trade secret status of our proprietary information. If we are unsuccessful in a dispute or litigation, we may be unable to stop competitors or others from using our marks or confusingly similar marks, and we may suffer dilution, loss of reputation, genericization, or other harm to our brand. Efforts to protect and enforce our intellectual property rights, even if successful, may be costly, negatively impact our brand, negatively affect worker productivity, and be time consuming and distracting to our management. 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 or register or renew trademarks and when and how to maintain and protect trade secrets, will be adequate to protect our business.

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. 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. If the intellectual property rights that we develop are not sufficient to protect our proprietary technology and data, our brand, our business, financial condition and operating results could be adversely affected.

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 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 or other intellectual property rights against certain third parties, including government agencies or government contractors. In these countries, patents or other intellectual property rights 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. 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 rely on trade secrets as an important aspect of our intellectual property program and to cover much of our technology and know-how. We seek to protect our trade secrets through confidentiality and invention assignment or intellectual property ownership agreements with our employees, contractors and other parties. In addition, for employees of third-party staffing providers or other contractors, the employer agrees to enter into these agreements with individual workers. We also take other measures to protect our information and data, including implementing acceptable use policies, limiting access to our information and data through technological means, and monitoring

and limiting the dissemination of our information and data outside of company-owned information systems. We cannot ensure that these agreements, or all the terms thereof, will be enforceable or compliant with applicable law, or these agreements and other measures will be effective in controlling access to, use of, and distribution of our proprietary information or in effectively securing and maintaining exclusive ownership of intellectual property developed by our current or former employees and contractors. Most of our employees and all of the contractors with which we work are off-site, which may make it 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. Any failure to protect intellectual property that we develop or our proprietary technology and data would adversely affect our business, operating results, and financial condition.

We spend significant time and 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 may have 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, and may in the future be, forced to rely on litigation, opposition, and cancellation actions, and other claims and enforcement actions to protect our intellectual property, including to dispute registration, use of marks that may be confusingly similar to our own marks, or use of technologies that infringe on our intellectual property. 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 right to use certain intellectual property or 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 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 complementary products, technologies, or businesses. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any acquisition, investment, or business relationship may result in unforeseen or additional operating difficulties, risks, 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, if expected synergies fail to materialize, or otherwise. Such transactions 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 or additional risks and 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;
- become subject to different laws and regulations due to the nature or location of the acquired business, products, technologies, or other assets, or become subject to more stringent scrutiny or differing applications of laws and regulations to which we are currently subject as a result of such transactions;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur expenses or assume 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 or otherwise fail to realize the anticipated benefits of such transactions;
- encounter diversion of management's attention to other business concerns;
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges; and
- be required to adopt new, or change our existing, accounting policies.

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

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 condensed 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" included elsewhere in this Quarterly Report. 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 condensed 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 current 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.

We have recently remediated a material weakness in our internal control over financial reporting and 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.

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. As previously disclosed, we identified a number of adjustments relating to previously issued consolidated financial statements that resulted in a revision to our consolidated financial statements as of and for the year ended December 31, 2016 and determined that this control deficiency constituted a material weakness in our internal control over financial reporting. We successfully remediated the material weakness during the quarter ended June 30, 2020.

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 or prevent fraud, 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. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business and results of operations and could adversely impact our business, operating results, and financial condition.

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, 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. Furthermore, investor perceptions of our company may suffer if, in the future, material weaknesses are found, and this could cause the price of our common stock to decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Global Select Market.

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 personnel 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.

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

As of December 31, 2019, we had net operating loss carryforwards for U.S. federal income tax purposes and state income tax purposes of \$220 million and \$50 million, respectively, available to offset future taxable income. Our federal net operating loss carryforward amounts began to expire in 2019, including \$14.5 million that expired in 2019 and \$21.6 million that will expire in 2020, and will continue to expire in 2021 and future years. 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 of 1986, as amended (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.

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

In connection with our Upwork Enterprise and Business offerings, and for certain legacy clients, 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. From time to time, clients fail to pay for these services rendered by a freelancer, and as a result, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the applicable agreement or our terms of service, including through arbitration or litigation. We may experience an increase in the failure of clients to pay for services in the event of a macroeconomic downturn, such as a downturn resulting from the COVID-19 pandemic, as clients become unable or unwilling to pay for services rendered. 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. All of these risks are made more likely during a macroeconomic downturn, such as the one caused by the COVID-19 pandemic, and could result in increased costs to us as we advance payments to freelancers and seek to compel payment from our clients.

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 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 offering 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 or assurances of title, performance, or non-infringement, nor do they control 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 track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics may not accurately reflect certain details of our business, 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, client spend retention, and marketplace take rate 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 these metrics undercount or overcount performance or contain algorithmic 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, we may be subject to legal or regulatory actions, and our operating and financial results could be adversely affected. In addition, from time to time we may change the performance metrics that we track, including metrics that we report, and any new performance metrics will also be subject to the foregoing limitations and risks.

Our loan and security 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 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. Our ability to comply with this covenant is dependent upon our future business performance as well as future expenditures, such as an acquisition, strategic investment, or other business endeavor.

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 Loan Agreement, which would give our lender the right to terminate their commitments to provide additional loans under the Loan 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 restrictions in the Loan Agreement could result in a default. If the debt under our Loan Agreement was to be accelerated, we may not have sufficient cash on hand or be able to sell sufficient assets 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, including in connection with any future acquisitions or strategic investments, 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. In addition, we may, from time to time, seek to acquire or strategically invest in other complementary products, technologies, or businesses. As a result, we may need to engage in equity or debt financings, in lieu of or in addition to borrowing funds under our Loan Agreement, to obtain the funds required for these investments, acquisitions, 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 those 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 additional restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions and strategic

investments. 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. Moreover, the COVID-19 pandemic has caused, and may continue to cause, significant disruptions of global financial markets, which may impact our ability to access capital now and in the future, and capital may be available only on terms less favorable to us.

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 persons working for us.

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.

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 (the "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 and could result in variability of our financial results. 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.

In particular, in May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (Topic 605), Revenue Recognition (Topic 605). The core principle of Topic 606 is that an entity should 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. On December 31, 2019, Topic 606 became effective for us retroactive to January 1, 2019. Under Topic 606, more estimates, judgments, and assumptions are required within the revenue recognition process than were previously required. This includes more enhanced disclosures in our condensed consolidated financial statements to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with our users. Under Topic 606, we are required to estimate the standalone selling price of certain performance obligations that represents a material right, which requires significant judgment. Our reported financial position and financial results may be harmed if our estimates or judgments prove to be wrong, assumptions change, or actual circumstances differ from those in our assumptions. Any difficulties in applying Topic 606 could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm our business.

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 will 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 are and have historically been denominated in U.S.

dollars. However, we offer clients the option to settle invoices denominated in U.S. dollars in the local currencies of several non-U.S. countries, and therefore, a portion of 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 the withdrawal of the United Kingdom from the European Union.

In January 2020, the United Kingdom formally withdrew from the EU (“Brexit”). Upon its withdrawal, pursuant to an agreement reached between the United Kingdom and the EU, a transition period came into effect until at least December 31, 2020, during which period EU rules will continue to be applicable to and in the United Kingdom. The transition period can be extended, but the United Kingdom has currently indicated that they will not request an extension. During the transitional period, the United Kingdom and the EU are to negotiate the terms of their future trading relationship. However, uncertainty remains as to what further post-Brexit agreements will be agreed to by the United Kingdom and the EU, if any. The ongoing uncertainty on the status of such agreements sustains the possibility of the United Kingdom leaving the EU without any agreement in place, a so-called “hard Brexit,” which would likely cause significant economic disruption and further depress consumer confidence and the economy of the United Kingdom. Our results of operations derived from revenue earned from clients and freelancers in the United Kingdom may be adversely affected by the uncertainty surrounding the future relationship between the United Kingdom and the EU, and those effects would be increased in the event of a hard Brexit. Brexit could also contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Euro and the British Pound, which are currencies in which we transact business. In addition, we could be adversely impacted by changes in trade policies, labor, tax or other laws and regulations, and intellectual property rights and supply chain logistics. All or any one of these factors could adversely affect our business, revenue, financial condition, and results of operations.

We may be adversely affected by natural disasters and other catastrophic events, including the current COVID-19 pandemic, by man-made problems such as terrorism, or failures of technology, 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, flood, or other catastrophic event, such as a power loss or telecommunications failure, or other technological failure resulting in the permanent destruction of data, 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 operating results. Certain of our departments are situated primarily in one office location and any natural disaster or catastrophic event to such office or the surrounding communities where our employees live may impact productivity or revenue generating activities by employees based in that office. Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity and 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 our platform 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 platform or other services, which may adversely impact our operating results. In addition, acts of terrorism, civil disorder, public health pandemics (including the COVID-19 pandemic), 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 platform availability, activities or other services, our business, financial condition, and operating results would be adversely affected.

Risks Related to Ownership of Our Common Stock

The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.

The market price of our common stock has been and may continue to be volatile, particularly in light of the macroeconomic uncertainty created by the COVID-19 pandemic. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control and some of which will be impacted by the COVID-19 pandemic and the resulting governmental restrictions intended to prevent its spread and macroeconomic downturn, including:

- 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;
- overall performance of the equity markets;
- the economy as a whole and market conditions in our industry;
- recruitment or departure of key personnel;
- 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;
- lawsuits threatened or filed against us or our key personnel, litigation involving our industry, or both, or lawsuits threatened or filed against our users relating to their use of our platform;
- developments or disputes concerning our or other parties' products, services, or intellectual property rights;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- negative publicity related to the real or perceived quality or security 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 and/or other industries;
- announcements by us or our competitors of new or terminated products or services, commercial relationships, or significant technical innovations;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, including those governing worker classification, taxation of workers, or withholding and remitting taxes on income or earnings;
- sales of shares of our common stock by us or our stockholders, including sales of large blocks of our stock relative to the size of our public float;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- political changes or events, such as Brexit or U.S. government shutdowns; and
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events.

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 and are attributable, in part, to outside factors such as the COVID-19 pandemic and its impact on the global economy. 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.

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.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market. The perception that these sales might occur may also cause the market price of our common stock to decline. We had a total of 121,775,309 shares of our common stock outstanding as of September 30, 2020. All shares of our common stock are freely tradable, generally without restrictions or further registration under the Securities Act of 1933, as amended (the “Securities Act”) subject to certain exceptions for shares held by our “affiliates” as defined in Rule 144 under the Securities Act.

In addition, as of September 30, 2020, we had outstanding (i) stock options that, if fully exercised, would result in the issuance of 7,744,337 shares of common stock and (ii) 5,983,872 unvested RSUs. We have filed registration statements on Form S-8 to register shares reserved for future issuance under our equity compensation plans. The shares issued upon exercise of outstanding stock options or settlement of outstanding RSUs will be available for immediate resale in the United States on the open market.

Moreover, certain holders of our common stock have rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders.

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 additional equity awards to employees, directors, and consultants under our 2018 Equity Incentive Plan and rights to purchase our common stock under our 2018 Employee Stock Purchase Plan. Any such issuances 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 could limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

As of September 30, 2020, our executive officers, directors, 5% or greater stockholders, and affiliated entities together beneficially owned a meaningful portion of our common stock. As a result, these stockholders, acting together, could have substantial influence over most matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing, or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and might ultimately affect the market price of our common stock.

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 depends in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us or fail to publish reports on us regularly, the trading price and trading volume for our common stock would be negatively affected. As of September 30, 2020, there were seven securities analysts that cover us and publish reports on us regularly. 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, which has occurred previously, 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.

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 Loan 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 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 is 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;
- 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 provides that the Court of Chancery of the State of Delaware is 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 (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 also provide that the federal district courts of the United States would be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the “Federal Forum Provision”). 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.

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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Offer Letter, dated July 10, 2020, by and between Upwork Inc. and Jeff McCombs.					X
10.2	Change in Control and Severance Agreement, dated August 4, 2020, by and between Upwork Inc. and Jeff McCombs.					X
10.3	Transition Agreement, dated August 4, 2020, by and between Upwork Inc. and Brian Kinion.					X
10.4	Fourth Amendment to Loan and Security Agreement, dated August 13, 2020, by and between Upwork Inc. and Silicon Valley Bank.					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

July 10, 2020

Re: Offer Letter

Dear Jeff:

On behalf of Upwork Inc. (the “**Company**”), I am pleased to offer you full-time employment in the position of Chief Financial Officer, reporting to Hayden Brown, President and Chief Executive Officer, with an estimated start date of August 4, 2020 (such actual date, the “**Start Date**”). Your appointment as Chief Financial Officer is subject to approval by the Board of Directors of the Company (the “**Board**”) and your commencement of employment. You will initially be working remotely to the extent consistent with the Company’s policies and guidelines as of the Start Date, but will be expected to come into the Company’s principal offices in Santa Clara, California as requested by the Company and will be expected to travel to other locations as required.

The terms of our offer and the benefits currently provided by the Company are as follows:

1. **Position.** This is a full-time position. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit or impair you from performing your duties for the Company.

2. **Cash Compensation.** Your base salary will be \$400,000 per year, payable in accordance with the Company’s standard payroll practices. The base salary will be subject to adjustment pursuant to the Company’s employee compensation policies in effect from time to time.

3. **Signing Bonus.** You will receive a one-time signing bonus of \$100,000 (the “**Signing Bonus**”) within 30 days of your Start Date, payable in accordance with the Company’s standard payroll practices. If at any time prior to the 6-month anniversary of your Start Date, your service to the Company terminates for any reason other than a termination by the Company without Cause (as defined in the CIC Severance Agreement (defined below)), you will be required to repay to the Company a pro-rated portion of the Signing Bonus, calculated as follows: (i) the total Signing Bonus, *reduced by* (ii) 1/6th for each full month you were employed.

4. **Annual Bonus.** You will be eligible to participate in the Company’s 2020 performance bonus plan (the “**Bonus Plan**”), with a target bonus eligibility of 60% of the base salary you are actually paid for service during 2020. Because the bonus is calculated based on actual salary payments, your bonus will be effectively pro-rated to reflect your partial year of service from your Start Date and will be further effectively pro-rated in the event of any leave of absence during the year. Your bonus eligibility is subject to the terms of the Bonus Plan, which is yet to be adopted and will be provided to you after its adoption.

5. **Equity.**

(a) The Company will request that the Compensation Committee (the “**Committee**”) of the Board grant you restricted stock units (the “**RSUs**”) covering a number of shares of common stock of the Company calculated by dividing (i) \$4,000,000 by (ii) the average of the closing sale prices for one share of Company common stock as quoted on Nasdaq Global Market for the 30 calendar days ending on the last day immediately preceding the grant date of the RSU, rounded down to the nearest whole share. The

RSUs will be subject to the terms and conditions of the Company's 2018 Equity Incentive Plan and a restricted stock unit award agreement to be entered into between you and the Company. We will ask the Committee to grant the RSUs according to the following vesting schedule provided you remain in service on each applicable vesting date: 75% of the total number of RSUs will vest on the three-year anniversary of August 18, 2020 (the "***Vesting Commencement Date***") and 6.25% of the total number of RSUs will vest on each quarterly anniversary thereafter, such that the RSUs shall vest in full on the four-year anniversary of the Vesting Commencement Date. Each vesting date will be the 18th day of the third month of each quarter, with the initial vesting date on August 18, 2023.

(b) In the event you are terminated without Cause (as defined in the CIC Severance Agreement) prior to August 18, 2021 and such termination takes place following a termination of the Company's Chief Executive Officer, your RSUs will be deemed vested with respect to 6.25% of the total number of RSUs for each quarterly anniversary of the Vesting Commencement Date that has passed as of the date of such termination without Cause. In addition, in the event you are terminated without Cause or you resign for Good Reason (as defined in the CIC Severance Agreement) prior to the third anniversary of the Vesting Commencement Date, provided that you have remained in employment for at least one-year following the Vesting Commencement Date, your RSUs will be deemed vested with respect to 25% of the total number of RSUs as of August 18, 2021 and an additional 6.25% of the total number of RSUs for each quarterly anniversary of such date that has passed as of the date of such termination without Cause or resignation for Good Reason, as applicable. Notwithstanding the foregoing, you will not be eligible for the benefits described in this Section 5(b), unless you have executed a general release of all claims against the Company and its affiliates, in the form prescribed and to be provided to you by the Company (the "***Release***"), and such Release becomes effective, on or before the 60th day following date of your termination of service or such earlier date specified in the Release.

6. **Benefits**. The Company currently has an unlimited time off policy, and you will be eligible to take time off work with pay in accordance with the Company's time off policies then in effect. You will also be eligible to participate in benefit plans established by the Company for its employees from time to time.

7. **Separation Benefits**. You will be eligible to receive certain change in control and severance payments and benefits under a Change in Control and Severance Agreement between you and the Company in substantially the form attached to this offer letter as **Exhibit A** (the "***CIC Severance Agreement***").

8. **At-Will Employment**. Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations, whether written or oral, that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation, and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and the Company's Chief Executive Officer.

9. **Confidentiality and Intellectual Property; Arbitration**. As an employee of the Company, you will have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, as a condition of your employment, you are required to sign the Company's "Employee Invention Assignment and Confidentiality Agreement", which is

incorporated herein by reference, on or before your Start Date. In addition, as a condition of employment you are required to sign the Company's Dispute Resolution Agreement, which is incorporated herein by reference, on or before your Start Date. In the Dispute Resolution Agreement, you and the Company agree to resolve disputes in binding arbitration. Copies of these agreements are attached hereto as **Exhibits B and C**.

10. Former Employer or Third-Party Information. You will not, at any time during your employment with the Company, improperly use, retain or disclose any confidential or proprietary material of any former employer or other third party, whether or not it was created by you, or violate any other obligations, including non-compete provisions, you may have to any former employer or other third party. You will disclose to the Company in writing any other gainful employment, business or activity that you are currently associated with or participate in that competes with the Company.

11. Tax Matters.

i. *Withholding.* All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

ii. *Tax Advice; No Reliance.* You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

12. Entire Agreement. Except to the extent otherwise explicitly provided herein, this letter agreement, and the agreements incorporated herein by reference, supersede and replace any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company, and constitute the complete agreement between you and the Company regarding the subject matter set forth herein. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and the Chief Executive Officer.

13. Equal Employment Opportunity. The Company is an equal opportunity employer and conducts its employment practices based on business needs and in a manner that treats employees and applicants on the basis of merit and experience. The Company prohibits unlawful discrimination on the basis of race, color, religion, sex, pregnancy, national origin, citizenship, ancestry, age, physical or mental disability, veteran status, marital status, domestic partner status, sexual orientation, or any other consideration made unlawful by federal, state or local laws.

14. General Obligations. As an employee, you will be expected to adhere to the Company's standards of professionalism, loyalty, integrity, honesty, reliability, and respect for all. You will also be expected to continue to comply with the Company's policies and procedures.

(Signature Page Follows)

If you decide to accept this offer, and I hope you will, please sign the enclosed copy of this letter in the space indicated and return it to me. Your signature will acknowledge that you have read and understood and agreed to the terms and conditions of this offer letter.

Sincerely,

Upwork Inc.

By: /s/Hayden Brown
Hayden Brown

President and Chief Executive Officer

READ, UNDERSTOOD AND AGREED

/s/Jeff McCombs Date: July 10, 2020
Jeff McCombs

[Signature Page to Offer Letter]

EXHIBIT A

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the “**Agreement**”) is entered into by and between Jeff McCombs (the “**Executive**”) and Upwork Inc., a Delaware corporation (the “**Company**”), on August 4, 2020 (the “**Effective Date**”).

1. Term of Agreement.

Except to the extent renewed as set forth in this Section 1, this Agreement shall terminate the earlier of the third (3rd) anniversary of the Effective Date (the “**Expiration Date**”) or the date the Executive’s employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination; *provided however*, if a definitive agreement relating to a Change in Control has been signed by the Company on or before the Expiration Date, then this Agreement shall remain in effect through the earlier of:

(a) The date the Executive’s employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination, or

(b) The date the Company has met all of its obligations under this Agreement following a termination of the Executive’s employment with the Company due to a Qualifying Termination or CIC Qualifying Termination.

This Agreement shall renew automatically and continue in effect for three (3) year periods measured from the initial Expiration Date and each subsequent Expiration Date, unless the Company provides Executive notice of non-renewal at least three (3) months prior to the date on which this Agreement would otherwise renew. For the avoidance of doubt, and notwithstanding anything to the contrary in Section 2 or 3 below, the Company’s non-renewal of this Agreement shall not constitute a Qualifying Termination or CIC Qualifying Termination, as applicable.

2. **Qualifying Termination.** If the Executive is subject to a Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Benefits.** The Company shall pay the Executive six (6) months worth of his monthly base salary at the rate in effect at the time of the Separation. The Executive will receive his severance payment in a cash lump-sum in accordance with the Company’s standard payroll procedures, which payment will be made no later than the first regular payroll date occurring after the sixtieth (60th) day following the Separation.

(b) **Continued Employee Benefits.** If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act (“**COBRA**”), the Company shall pay the full amount of Executive’s COBRA premiums on behalf of the Executive for the Executive’s continued coverage under the Company’s health, dental and vision plans, including coverage for the Executive’s eligible dependents, for the same period that the Executive is paid severance benefits pursuant to Section 2(a)

following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer.

3. **CIC Qualifying Termination.** If the Executive is subject to a CIC Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Payments.** The Company or its successor shall pay the Executive (i) twelve (12) months' worth of his monthly base salary at the rates in effect at the time of the Separation and (ii) the prorated portion of his then-current target bonus opportunity for the portion of the current year that Executive served prior to the Separation (calculated based on the number of full months to date in the bonus year multiplied by 1/12 of the annual target bonus opportunity) at the rate in effect at the time of the Separation. Such payment shall be paid in a cash lump sum payment in accordance with the Company's standard payroll procedures, which payment will be made no later than the first regular payroll date occurring after the sixtieth (60th) day following the Separation.

(b) **Continued Employee Benefits.** Continuation of COBRA on the same terms as set forth in Section 2(b) above for the same period that the Executive is paid severance benefits pursuant to Section 3(a)(i) following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer.

(c) **Equity.** Each of Executive's then outstanding Equity Awards shall accelerate and become vested and exercisable as to 100% of the shares subject to the Equity Award. Subject to satisfaction of the Release Conditions, the accelerated vesting described in this Section 3(c) shall be effective as of the Separation.

4. **General Release.** Any other provision of this Agreement notwithstanding, Executive is only eligible for the benefits under Section 2 and 3 if the Executive (i) has executed a general release of all known and unknown claims that he may then have against the Company or persons affiliated with the Company and such release has become effective and (ii) has agreed not to prosecute any legal action or other proceeding based upon any of such claims. The release must be in the form prescribed by the Company, without alterations (this document effecting the foregoing, the "**Release**"). The Company will deliver the form of Release to the Executive within ten (10) days after the Executive's Separation. The Executive must execute and return the Release within the time period specified in the form.

5. **Accrued Compensation and Benefits.** Notwithstanding anything to the contrary in Section 2 and Section 3 above, in connection with any termination of employment (whether or not a Qualifying Termination or CIC Qualifying Termination), the Company shall pay Executive's earned but unpaid base salary and other vested but unpaid cash entitlements for the period through and including the termination of employment, including unused earned vacation pay, if applicable, and unreimbursed documented business expenses incurred by Executive through and including the date of termination (collectively "**Accrued Compensation and Expenses**"), as required by law and the applicable Company plan or policy. In addition, Executive shall be entitled to any other vested benefits earned by Executive for the period through and including the termination date of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein (collectively "**Accrued Benefits**"). Any Accrued Compensation and Expenses to which the Executive is entitled shall be paid to the Executive in cash as soon as administratively practicable after the termination and, in any event, no later than two and one-half (2-1/2) months after the end of the taxable year of the Executive in which the termination occurs or at such earlier time as may be required by Section 10 below or to such lesser extent as may be mandated

by Section 9 below. Any Accrued Benefits to which the Executive is entitled shall be paid to the Executive as provided in the relevant plans and arrangements.

6. Covenants.

(a) **Invention Assignment and Confidentiality Agreement.** The Executive agrees and acknowledges that the Executive is bound by the Employee Invention Assignment and Confidentiality Agreement entered into by and between the Executive and the Company (the "**Confidentiality Agreement**"), including but not limited to the Executive's confidentiality, non-competition and non-solicitation obligations thereunder.

(b) **Non-Disparagement.** The Executive further agrees that, during the twenty-four (24) month period following his Separation, he shall not in any way or by any means disparage the Company, the members of the Board or the Company's officers and employees. Notwithstanding the foregoing, the Executive is not prohibited from cooperating with a government agency or testifying truthfully in any government inquiry or other proceeding or in which Executive is required to testify pursuant to subpoena or other valid legal process.

7. Definitions.

(a) "**Board**" means the Company's board of directors.

(b) "**Cause**" means the Executive's (i) unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes or is reasonably likely to cause material harm to the Company, (ii) material failure to comply with the Company's written policies or rules, (iii) conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state, (iv) gross negligence or willful misconduct, (v) continuing failure to perform assigned duties after receiving written notification of the failure from the Chief Executive Officer or Board, or (vi) failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Executive's cooperation. The determination as to whether the Executive has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Executive. The term "Company" will be interpreted to include any subsidiary or parent of the Company, as appropriate.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) "**Change in Control**" means the occurrence of any of the following events, provided that the transaction (including any series of transactions) also qualifies as a change in control event under U.S. Treasury Regulation 1.409A-3(i)(5):

(i) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then-outstanding voting securities; provided, however, that for purposes of this subclause (i) the acquisition of additional securities by any one Person who is considered to own more than fifty percent (50%) of the total voting power of the securities of the Company will not be considered a Change in Control;

(ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of

the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation;

(iv) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the capital stock of the Company); or

(v) a change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purpose of this subclause (v), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control.

For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

(e) “**CIC Qualifying Termination**” means a Separation (A) within twelve (12) months following a Change in Control or (B) within three (3) months preceding a Change in Control (but as to part (B), only if the Separation occurs after a Potential Change in Control) resulting, in either case (A) or (B), from (i) the Company terminating the Executive’s employment for any reason other than Cause or (ii) the Executive resigning his employment for Good Reason. A termination or resignation due to the Executive’s death or disability shall not constitute a CIC Qualifying Termination. A “**Potential Change in Control**” means the date of execution of a legally binding and definitive agreement for a corporate transaction which, if consummated, would constitute the applicable Change in Control (which for the avoidance of doubt, would include, for example, a merger agreement, but not a term sheet for a merger agreement). In the case of a termination following a Potential Change in Control and before a Change in Control, solely for purposes of benefits under this Agreement, the date of Separation will be deemed the date the Change in Control is consummated.

(f) “**Equity Awards**” means any and all options to purchase shares of Company common stock as well as any and all other stock-based awards granted to the Executive, including but not limited to stock bonus awards, restricted stock, restricted stock units or stock appreciation rights; provided, however, that “Equity Awards” expressly excludes any and all Performance Awards.

(g) “**Good Reason**” means, without the Executive’s consent, (i) a material reduction in duties, responsibilities or authority, (ii) a material reduction in Executive’s annual base salary or annual target bonus, or (iii) a requirement that Executive relocate Executive’s principal place of work to a location that increases Executive’s one-way commute by more than thirty-five (35) miles from Executive’s then-current work location. For the purpose of clause (i), solely in connection with a Change in Control, a change in responsibility shall not be deemed to occur (A) solely because Executive is part of a larger organization or (B) solely because of a change in title. For the Executive to receive the benefits under this Agreement as a result of a voluntary resignation under this subsection (g), all of the following requirements must be satisfied: (1) the Executive must provide notice to the Company of his intent to assert Good Reason within sixty (60) days of the initial existence of one or more of the conditions set forth in subclauses (i) through (iii); (2) the Company will have thirty (30) days (the “**Company Cure Period**”) from the date of such notice to remedy the condition and, if it does so, the Executive may withdraw his resignation or may resign with no benefits under this Agreement; and (3) any termination of employment under this provision must occur within ten (10) days of the earlier of expiration of the Company Cure Period or written notice from the Company that it will not undertake to cure the condition set forth in subclauses (i) through (iii). Should the Company remedy the condition as set forth above and then one or

more of the conditions arises again, the Executive may assert Good Reason again subject to all of the conditions set forth herein.

(h) **“Performance Awards”** means any and all stock-based awards that vest, in whole or in part, upon satisfaction of performance criteria.

(i) **“Release Conditions”** mean the following conditions occurring within sixty (60) days following the Separation: (i) the Company has received the Executive’s executed Release and (ii) any rescission period applicable to the Executive’s executed Release has expired without Executive rescinding the Release.

(j) **“Qualifying Termination”** means a Separation that is not a CIC Qualifying Termination, but which results from the Company terminating the Executive’s employment for any reason other than Cause. A termination or resignation due to the Executive’s death or disability shall not constitute a Qualifying Termination.

(k) **“Separation”** means a “separation from service,” as defined in the regulations under Section 409A of the Code.

8. **Successors.**

(a) **Company’s Successors.** The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets or which becomes bound by this Agreement by operation of law.

(b) **Executive’s Successors.** This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Golden Parachute Taxes.**

(a) **Best After-Tax Result.** In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise (**“Payments”**) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code and (ii) but for this subsection (a), be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax (**“Excise Tax”**), then, subject to the provisions of Section 10, such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in the Payments being \$1.00 less than the amount at which any portion of the Payments would be subject to the Excise Tax (**“Reduced Amount”**), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by independent tax counsel designated by the Company and reasonably acceptable to Executive (**“Independent Tax Counsel”**), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Tax Counsel may make reasonable assumptions and approximations concerning

applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Tax Counsel shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Tax Counsel such information and documents as Independent Tax Counsel may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Tax Counsel may reasonably incur in connection with any calculations contemplated by this Section. In the event that Section 9(a)(ii)(B) above applies, then based on the information provided to Executive and the Company by Independent Tax Counsel, Executive may, in Executive's sole discretion and within thirty (30) days of the date on which Executive is provided with the information prepared by Independent Tax Counsel, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Tax Counsel in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the "IRS") determines that any Payment is subject to the Excise Tax, then Section 9(b) hereof shall apply, and the enforcement of Section 9(b) shall be the exclusive remedy to the Company.

(b) **Adjustments.** If, notwithstanding any reduction described in Section 9(a) hereof (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then Executive shall be obligated to surrender or pay back to the Company, within one-hundred twenty (120) days after a final IRS determination, an amount of such payments or benefits equal to the "**Repayment Amount.**" The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that Executive's net proceeds with respect to such Payments (after taking into account the payment of the Excise Tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero (0) if a Repayment Amount of more than zero (0) would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section 9(b), Executive shall pay the Excise Tax.

10. **Miscellaneous Provisions.**

(a) **Section 409A.** To the extent (i) any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (ii) Executive is deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment or payments shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from the Executive's Separation; or (ii) the date of Executive's death following such Separation; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive's beneficiary in one lump sum (without interest). Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement (or otherwise referenced herein) is determined to be subject to (and not exempt from) Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement or in kind benefits to be provided in any other calendar year, in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. To the extent that any provision of this Agreement is ambiguous as to its

exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this Agreement (or referenced in this Agreement) are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A.

(b) **Other Arrangements.** This Agreement supersedes any and all cash severance arrangements and vesting acceleration arrangements under any agreement governing Equity Awards, severance and salary continuation arrangements, programs and plans which were previously offered by the Company to the Executive, including change in control severance arrangements and vesting acceleration arrangements pursuant to an agreement governing Equity Awards and Executive hereby waives Executive's rights to such other benefits; provided that, notwithstanding the foregoing, this Agreement shall not supersede, and Executive does not hereby waive his rights to, the acceleration of vesting arrangements (i) under Executive's initial offer letter with the Company or (ii) that may be applicable to any Performance Awards. In no event shall any individual receive cash severance benefits under both this Agreement and any other severance pay or salary continuation program, plan or other arrangement with the Company or its subsidiaries. For the avoidance of doubt, in no event shall Executive receive payment under both Section 2 and Section 3 with respect to Executive's Separation.

(c) **Dispute Resolution.** To ensure rapid and economical resolution of any and all disputes that might arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved solely and exclusively by final, binding, and confidential arbitration, by a single arbitrator, in Santa Clara County, and conducted by Judicial Arbitration & Mediation Services, Inc. ("JAMS") under its then-existing employment rules and procedures. Notwithstanding the foregoing agreement to resolve disputes in arbitration either party may obtain injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Each party shall be responsible for the payment of its own attorneys' fees.

(d) **Notice.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with Federal Express Corporation, with shipping charges prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(e) **Waiver.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by the Chief Executive Officer of the Company. No waiver by either party of any breach of, or of compliance with, any

condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(h) **No Retention Rights.** Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary or parent of the Company or of the Executive, which rights are hereby expressly reserved by each, to terminate his service at any time and for any reason, with or without Cause.

(i) **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (other than its choice-of-law provisions).

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE

UPWORK INC.

Jeff McCombs

By:

Title:

EXHIBIT B

EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT

In consideration of, and as a condition of my employment with Upwork Inc., a Delaware corporation with its principal offices in the State of California (the “*Company*”), I, as the “*Employee*” signing this Employee Invention Assignment and Confidentiality Agreement (this “*Agreement*”), hereby represent to the Company, and the Company and I hereby agree as follows:

1. **Purpose of Agreement.** I understand that the Company is engaged in a continuous program of research, development, production and/or marketing in connection with its current and projected business and that it is critical for the Company to preserve and protect its proprietary information and its rights in certain inventions and works and in related intellectual property rights. Accordingly, I am entering into this Agreement, whether or not I am expected to create inventions or other works of value for the Company. As used in this Agreement, “*Inventions*” means inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works, confidential information and trade secrets.

2. **Disclosure of Inventions.** I will promptly disclose in confidence to the Company, or to any person designated by it, all Inventions that I make, create, conceive or first reduce to practice, either alone or jointly with others, during the period of my employment, whether or not in the course of my employment, and whether or not patentable, copyrightable or protectable as trade secrets.

3. **Work for Hire; Assigned Inventions.** I acknowledge and agree that any copyrightable works prepared by me within the scope of my employment are “works made for hire” under the Copyright Act and that the Company will be considered the author and owner of such copyrightable works. I agree that all Inventions that I make, create, conceive or first reduce to practice during the period of my employment, whether or not in the course of my employment, and whether or not patentable, copyrightable or protectable as trade secrets, and that (i) are developed using equipment, supplies, facilities or trade secrets of the Company; (ii) result from work performed by me for the Company; or (iii) relate to the Company’s business or actual or demonstrably anticipated research or development (the “*Assigned Inventions*”), will be the sole and exclusive property of the Company.

4. **Excluded Inventions and Other Inventions.** Attached hereto as Exhibit A is a list describing all existing Inventions, if any, that may relate to the Company’s business or actual or demonstrably anticipated research or development and that were made by me or acquired by me prior to the Effective Date (as defined in Section 26, below), and which are not to be assigned to the Company (“*Excluded Inventions*”). If no such list is attached, I represent and agree that it is because I have no rights in any existing Inventions that may relate to the Company’s business

or actual or demonstrably anticipated research or development. For purposes of this Agreement, “**Other Inventions**” means Inventions in which I have or may have an interest, as of the Effective Date or thereafter, other than Assigned Inventions and Excluded Inventions. I acknowledge and agree that if, in the scope of my employment, I use any Excluded Inventions or any Other Inventions, or if I include any Excluded Inventions or Other Inventions in any product or service of the Company or if my rights in any Excluded Inventions or Other Inventions may block or interfere with, or may otherwise be required for, the exercise by the Company of any rights assigned to the Company under this Agreement, I will immediately so notify the Company in writing. Unless the Company and I agree otherwise in writing as to particular Excluded Inventions or Other Inventions, I hereby grant to the Company, in such circumstances (whether or not I give the Company notice as required above), a perpetual, irrevocable, nonexclusive, transferable, world-wide, royalty-free license to use, disclose, make, sell, offer for sale, import, copy, distribute, modify and create works based on, perform, and display such Excluded Inventions and Other Inventions, and to sublicense third parties in one or more tiers of sublicensees with the same rights.

5. **Exception to Assignment.** I understand that the Assigned Inventions will not include, and the provisions of this Agreement requiring assignment of inventions to the Company do not apply to, any invention that qualifies fully for exclusion under the provisions of Section 2870 of the California Labor Code, which are attached hereto as Exhibit B.

6. **Assignment of Rights.** I agree to assign, and do hereby irrevocably transfer and assign, to the Company: (i) all of my rights, title and interests in and with respect to any Assigned Inventions; (ii) all patents, patent applications, copyrights, mask works, rights in databases, trade secrets, and other intellectual property rights, worldwide, in any Assigned Inventions, along with any registrations of or applications to register such rights; and (iii) to the extent assignable, any and all Moral Rights (as defined below) that I may have in or with respect to any Assigned Inventions. I also hereby forever waive and agree never to assert any Moral Rights I may have in or with respect to any Assigned Inventions and any Excluded Inventions or Other Inventions licensed to the Company under Section 4, even after termination of my employment with the Company. “**Moral Rights**” means any rights to claim authorship of a work, to object to or prevent the modification or destruction of a work, to withdraw from circulation or control the publication or distribution of a work, and any similar right, regardless of whether or not such right is denominated or generally referred to as a “moral right.”

7. **Assistance.** I will assist the Company in every proper way to obtain and enforce for the Company all patents, copyrights, mask work rights, trade secret rights and other legal protections for the Assigned Inventions, worldwide. I will execute and deliver any documents that the Company may reasonably request from me in connection with providing such assistance. My obligations under this section will continue beyond the termination of my employment with the Company; *provided* that the Company agrees to compensate me at a reasonable rate after such termination for time and expenses actually spent by me at the Company’s request in providing such assistance. I hereby appoint the Secretary of the Company as my attorney-in-fact to execute documents on my behalf for this purpose. I agree that this appointment is coupled with an interest and will not be revocable.

8. **Proprietary Information.** I understand that my employment by the Company creates a relationship of confidence and trust with respect to any information or materials of a confidential or secret nature that may be made, created or discovered by me or that may be disclosed to me by the Company or a third party in relation to the business of the Company or to the business of any parent, subsidiary, affiliate, customer or supplier of the Company, or any other party with whom the Company agrees to hold such information or materials in confidence (the “***Proprietary Information***”). Without limitation as to the forms that Proprietary Information may take, I acknowledge that Proprietary Information may be contained in tangible material such as writings, drawings, samples, electronic media, or computer programs, or may be in the nature of unwritten knowledge or know-how. Proprietary Information includes, but is not limited to, Assigned Inventions, marketing plans, product plans, designs, data, prototypes, specimens, test protocols, laboratory notebooks, business strategies, financial information, forecasts, personnel information provided to me so that I may carry out my duties, contract information, customer and supplier lists, and the non-public names and addresses of the Company’s customers and suppliers, their buying and selling habits and special needs.

9. **Confidentiality.** At all times, both during my employment and after its termination, I will keep and hold all Proprietary Information in strict confidence and trust. I will not use or disclose any Proprietary Information without the prior written consent of the Company in each instance, except as may be necessary to perform my duties as an employee of the Company for the benefit of the Company. Upon request by the Company or termination of my employment with the Company, I will promptly deliver to the Company all documents and materials of any nature pertaining to my work with the Company, and I will not take with me or retain in any form any documents or materials or copies containing any Proprietary Information.

10. **Physical Property.** All documents, supplies, equipment and other physical property furnished to me by the Company or produced by me or others in connection with my employment will be and remain the sole property of the Company. I will return to the Company all such items when requested by the Company, excepting only my personal copies of records relating to my employment or compensation and any personal property I bring with me to the Company and designate as such. Even if the Company does not so request, I will upon termination of my employment return to the Company all Company property, and I will not take with me or retain any such items.

11. **Immunity for Certain Disclosures.** Please note that a disclosure of Proprietary Information will be immune from prosecution or civil action under the Defend Trade Secrets Act, 18 U.S.C. section 1833 (the “***DTSA***”), if it: (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, under the DTSA, if you file a lawsuit for retaliation by Company for reporting a suspected violation of law, you may disclose the Proprietary Information to your attorney and use the Proprietary Information in the court proceeding, if you (A) file any document containing

the Proprietary Information under seal; and (B) do not disclose the Proprietary Information, except pursuant to court order.

12. No Breach of Prior Agreements. I represent that my performance of all the terms of this Agreement and my duties as an employee of the Company will not breach any invention assignment, proprietary information, confidentiality, enforceable non-competition, or other agreement with any former employer or other party. I represent that I will not bring with me to the Company or use in the performance of my duties for the Company any documents or materials or intangibles of my own or of a former employer or third party that are not generally available for use by the public or have not been legally transferred to the Company.

13. “At Will” Employment. I understand that this Agreement does not constitute a contract of employment or obligate the Company to employ me for any stated period of time. I understand that I am an “at will” employee of the Company and that my employment can be terminated at any time, with or without notice and with or without cause, for any reason or for no reason, by either the Company or by me. I acknowledge that any statements or representations to the contrary are ineffective, unless put into a writing signed by the Company. I further acknowledge that my participation in any stock option or benefit program is not to be construed as any assurance of continuing employment for any particular period of time.

14. Company Opportunities; Duty Not to Compete. During the period of my employment, I will at all times devote my best efforts to the interests of the Company, and I will not, without the prior written consent of the Company, engage in, or encourage or assist others to engage in, any other employment or activity that: (i) would divert from the Company any business opportunity in which the Company can reasonably be expected to have an interest; (ii) would directly compete with, or involve preparation to compete with, the current or future business of the Company; or (iii) would otherwise conflict with the Company’s interests or could cause a disruption of its operations or prospects.

15. Non-Solicitation of Employees/Consultants. During my employment with the Company and for a one (1) year period thereafter, I will not directly or indirectly solicit away employees or consultants of the Company for my own benefit or for the benefit of any other person or entity, nor will I encourage or assist others to do so.

16. Use of Name & Likeness. I hereby authorize the Company to use, reuse, and to grant others the right to use and reuse, my name, photograph, likeness (including caricature), voice, and biographical information, and any reproduction or simulation thereof, in any form of media or technology now known or hereafter developed, both during and after my employment, for any purposes related to the Company’s business, such as marketing, advertising, credits, and presentations.

17. Notification. I hereby authorize the Company, during and after the termination of my employment with the Company, to notify third parties, including, but not limited to, actual or potential customers or employers, of the terms of this Agreement and my responsibilities hereunder.

18. **Injunctive Relief.** The parties mutually agree that a breach or threatened breach of this Agreement may cause the other party harm, and that both parties are therefore entitled to injunctive relief to enforce this Agreement.

19. **Governing Law; Severability.** This Agreement is intended to supplement, and not to supersede, any rights the Company may have in law or equity with respect to the duties of its employees and the protection of its trade secrets. This Agreement will be governed by and construed in accordance with the laws of the State of California without giving effect to any principles of conflict of laws that would lead to the application of the laws of another jurisdiction. If any provision of this Agreement is invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible, given the fundamental intentions of the parties when entering into this Agreement. To the extent such provision cannot be so enforced, it will be stricken from this Agreement and the remainder of this Agreement will be enforced as if such invalid, illegal or unenforceable provision had never been contained in this Agreement.

20. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together will constitute one and the same agreement.

21. **Entire Agreement.** This Agreement and the documents referred to herein constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to such subject matter.

22. **Amendment and Waiver.** This Agreement may be amended only by a written agreement executed by each of the parties to this Agreement. No amendment or waiver of, or modification of any obligation under, this Agreement will be enforceable unless specifically set forth in a writing signed by the party against which enforcement is sought. A waiver by either party of any of the terms and conditions of this Agreement in any instance will not be deemed or construed to be a waiver of such term or condition with respect to any other instance, whether prior, concurrent or subsequent.

23. **Successors and Assigns; Assignment.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will bind and benefit the parties and their respective successors, assigns, heirs, executors, administrators, and legal representatives. The Company may assign any of its rights and obligations under this Agreement. I understand that I will not be entitled to assign or delegate this Agreement or any of my rights or obligations hereunder, whether voluntarily or by operation of law, except with the prior written consent of the Company.

24. **Further Assurances.** The parties will execute such further documents and instruments and take such further actions as may be reasonably necessary to carry out the purposes and intent of this Agreement. Upon termination of my employment with the Company,

I will execute and deliver a document or documents in a form reasonably requested by the Company confirming my agreement to comply with the post-employment obligations contained in this Agreement.

25. Acknowledgement. I certify and acknowledge that I have carefully read all of the provisions of this Agreement and that I understand and will fully and faithfully comply with this Agreement.

26. Effective Date of Agreement. This Agreement is and will be effective on and after the first day of my employment by the Company (the "*Effective Date*"), which is anticipated to be _____, _____.

UPWORK INC.:	Employee:
By:	
Name	Signature
Zoe Harte	
Title	Name (Please Print)
SVP, HR and Talent Innovation	

EXHIBIT C

Dispute Resolution Agreement

This Dispute Resolution Agreement (the “Agreement”) is made as of the date on the signature page (the “Effective Date”), by and between the undersigned employee (“Employee”) and Upwork Inc. (“Employer” or “Company”), collectively, the “Parties.”

This Agreement is a contract and covers important issues relating to the Employee’s rights, including the right to have disputes heard by a jury and the right to bring class, collective or representative actions. It is the Employee’s responsibility to read it and understand this Agreement. The Employee is free to seek assistance from independent advisors of the Employee’s choice or to refrain from doing so if that is the Employee’s choice.

1. How this Agreement Applies

This Agreement is governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and applies to any dispute arising out of or related to Employee’s employment with Employer or one of its affiliates, subsidiaries or parent companies or the termination of employment, and survives after the employment relationship terminates. The parties to this Agreement agree to arbitrate any and all disputes, claims, or controversies they may have against each other which arise from or relate to the employment relationship between Employee and Employer or the termination thereof (collectively, “Claims”), including any Claim against their current and former agents, owners, officers, directors, or employees, each and all of which may enforce this Agreement as direct or third-party beneficiaries. The Parties agree to binding arbitration of all Claims, which will be administered by JAMS, Inc. (“JAMS”).

The Agreement covers all Claims, regardless of when they arose, including by way of illustration and not limitation: disputes regarding or relating to the employment relationship, trade secrets, unfair competition, compensation, wages and compensation, breaks and rest periods, termination, or harassment and claims arising under the Uniform Trade Secrets Act, Title VII of the Civil Rights Act, the California Fair Employment & Housing Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Employment Retirement Income Security Act, Family Medical Leave Act, Fair Labor Standards Act, Employee Retirement Income Security Act, Genetic Information Non-Discrimination Act, and state statutes, if any, addressing the same or similar subject matters, and all other state statutory and common law claims, such as breach of employment contract or the implied covenant of good faith and fair dealing, wrongful discharge, or tortious conduct (whether intentional or negligent) including defamation, misrepresentation, fraud, infliction of emotional distress, but excluding claims for workers’ compensation benefits to remedy work-related injury or illness.

The parties understand and agree that they are waiving their right to bring Claims to court, including the right to a jury trial. Nothing contained in this Agreement shall be construed to prevent or excuse the Employee from utilizing the Company’s existing internal procedures for

resolution of complaints, and this Agreement is not intended to be a substitute for the utilization of such procedures.

Except as it otherwise provides, this Agreement is intended to apply to the resolution of any dispute between the parties that otherwise would be resolved in a court of law or before a forum other than arbitration. This Agreement requires all such disputes to be resolved only by an arbitrator through final and binding arbitration and not by way of court or jury trial. The Parties Further agree that the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement. However, as stated in Section 7 below, the preceding sentence will not apply to the “Class Action Waiver”.

2. Limitations on how this Agreement Applies

This Agreement does not apply to claims for workers’ compensation, state disability insurance or unemployment insurance benefits, claims for benefits under employee benefit plans covered by the Employee Retirement Income Security Act of 1974 (“ERISA”); however, this Agreement does apply to any claims for breach of fiduciary duty, for penalties, or alleging any other violation of ERISA, even if such claim is combined with a claim for benefits.

Regardless of any other terms of this Agreement, claims may be brought before and remedies awarded by an administrative agency if applicable law permits access to such an agency notwithstanding the existence of an agreement to arbitrate. Such administrative claims include, without limitation, claims or charges brought before the Equal Employment Opportunity Commission (www.eeoc.gov), the U.S. Department of Labor (www.dol.gov), the National Labor Relations Board (www.nlr.gov), or the Office of Federal Contract Compliance Programs (www.dol.gov/esa/ofccp). Nothing in this Agreement shall be deemed to preclude or excuse a party from bringing an administrative claim before any agency in order to fulfill the party’s obligation to exhaust administrative remedies before making a claim in arbitration.

Disputes that may not be subject to a predispute arbitration agreement as provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203), or as otherwise required by law, are excluded from the coverage of this Agreement.

3. Starting the Arbitration

The Party bringing the Claim must demand arbitration in writing stating the nature of the Claim and the relief sought, and deliver the written demand by hand or first class mail to the other party within the applicable statute of limitations period. Any demand by the Company will be provided to the Employee’s last known address. Any demand for arbitration made to the Company must be provided to the attention of the Company’s Legal Department at 2625 Augustine Drive, Suite 601, Santa Clara, CA 95054. The arbitrator shall resolve all disputes regarding the timeliness or propriety of the demand for arbitration.

4. Selecting the Arbitrator

The Arbitrator shall be selected by mutual agreement of the Company and the Employee. If for any reason the Parties cannot agree to an Arbitrator, JAMS shall send the Parties a list of at least five (5) Arbitrator candidates and provide each Party with a brief description of the background and experience of each Arbitrator candidate. Within seven (7) calendar days of service of the list of names, each Party may strike two (2) names, and shall rank the remaining Arbitrator candidates in order of preference. The remaining Arbitrator candidate with the highest composite ranking shall be appointed the Arbitrator. If this process does not yield an Arbitrator, the Parties agree to allow JAMS to designate the Arbitrator, who shall act under this Agreement with the same force and effect as if the Parties had selected the Arbitrator by mutual agreement.

5. How Arbitration Proceedings Are Conducted

The Parties agree to binding arbitration administered by JAMS under its Employment Arbitration Rules and Procedures (“JAMS Rules”) then in effect, except as such rules are explicitly amended by this Agreement. The JAMS Rules may be found at www.jamsadr.com or by searching online for “JAMS Employment Arbitration Rules.” If you have difficulty finding the JAMS Rules or would like a copy of the current JAMS Rules emailed to you before you sign this Agreement or at any time, you can request the rules from HR@upwork.com or Legal@upwork.com. You will not be retaliated against for requesting the JAMS Rules.

If for any reason JAMS will not administer the arbitration, either party may apply to a court of competent jurisdiction with authority over the location where the arbitration will be conducted for appointment of a neutral Arbitrator, which shall apply the current JAMS Rules to the arbitration.

Notwithstanding any other provision of the JAMS Rules, the Parties will have the right to conduct adequate civil discovery, take depositions, bring dispositive motions, and present witnesses and evidence as needed to present their cases and defenses, and any disputes in this regard shall be resolved by the Arbitrator.

6. Location of the Arbitration Proceeding; Virtual Attendance

The location of the arbitration proceeding shall be no more than forty-five (45) miles from the place where the Employee last worked for the Company, unless each party to the arbitration agrees in writing otherwise. If the Employee no longer resides in the general geographical vicinity where he or she last worked for the Company, on the Employee’s request, the Employee and the Company shall agree to a location of the arbitration within forty-five (45) miles of where the Employee resides at the time the Arbitration process commenced.

Either party may attend the arbitration by video conference or, if video conference is unavailable, by phone or other remote means.

7. Class Action Waiver

This provision affects the Parties' rights to participate in class, collective, or representative actions. The Employee and the Company agree that under this Agreement neither has any right or authority (a) for any dispute to be brought, heard or arbitrated as a class, collective, representative or private attorney general action, or (b) to participate as a member in any such class, collective, representative or private attorney general proceeding (collectively, "Class Action Waiver"). The Class Action Waiver does not prevent the Employee from bringing a Claim in arbitration as a private attorney general on Employee's own behalf and not on behalf of others.

Notwithstanding any other clause or language in this Agreement and/or any rules or procedures that might otherwise apply because of virtue of this Agreement (including without limitation the JAMS Rules) or any amendments and/or modifications to those rules, any claim that the Class Action Waiver or any portion of the Class Action Waiver is unenforceable, inapplicable, unconscionable, or void or voidable, will be determined only by a court of competent jurisdiction and not by an arbitrator.

8. Arbitration Fees

The parties shall follow the JAMS Rules applicable to arbitration fees, and each Party will pay the fees for his, her or its own attorneys, and related costs, subject to any remedies to which that Party may later be entitled under applicable law. However, whenever required by law, the Company will pay the Arbitrator's and arbitration fees and regardless of applicable law, in no event will the Employee's portion of the Arbitrator's and arbitration fees exceed the amount the Employee would have paid to institute a civil proceeding in the location in which the arbitration will proceed. The Arbitrator will resolve any dispute concerning allocation of the Arbitrator's or arbitration fees.

9. The Arbitration Hearing and Award

The parties will arbitrate their dispute before the Arbitrator, who shall confer with the parties regarding the conduct of the hearing and resolve any disputes the parties may have in that regard. Within thirty (30) days of the close of the arbitration hearing, any party will have the right to prepare, serve on the other party and file with the Arbitrator a brief. The Arbitrator may award any party any remedy to which that party is entitled under applicable law, but such remedies shall be limited to those that would be available to a party in his or her individual capacity in a court of law for the claims presented to and decided by the Arbitrator, and no remedies that otherwise would be available to an individual in a court of law will be forfeited by virtue of this Agreement. The Arbitrator will issue a decision or award in writing, stating the essential findings of fact and conclusions of law. Except to enforce the award or as may be permitted or required by law, as determined by the Arbitrator, neither a party nor an Arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all Parties. A court of competent jurisdiction shall have the authority to enter a judgment upon the award made pursuant to the arbitration.

11. Right to Opt Out of the Arbitration Agreement

You may opt out of Arbitration Agreement by notifying Upwork in writing within 30 days of the date you first signed your Offer Letter. To opt out, you must send a written notification to Upwork at Attn: Legal, 2625 Augustine Drive, Suite 601, Santa Clara, CA 95054 that includes (a) your legal name; (b) your address; (c) your telephone number; (d) your email address; and (d) a statement indicating that you wish to opt out of the Arbitration Agreement. Alternatively, you may send this written notification to legalnotices@upwork.com.

If you do not opt out as provided in this Section 11, continuing your working relationship with Upwork constitutes acceptance of the terms of this Arbitration Agreement by you and Upwork effective as of the date you signed your Offer Letter. You have the right to consult with counsel of your choice concerning this Arbitration Agreement.

12. Non-Retaliation

It is against Company policy for any employee to be subject to retaliation if he or she exercises his or her right to assert claims under this Agreement. If any employee believes that he or she has been retaliated against by anyone at the Company, the employee should immediately report this to Human Resources.

13. Enforcement of this Agreement

This Agreement is the full and complete agreement relating to the formal resolution of employment-related disputes. Except as stated in paragraph 7 above, in the event any portion of this Agreement is deemed unenforceable, the unenforceable portion shall be severed and the remainder of this Agreement will be enforceable.

By signing below, I acknowledge and agree that I have carefully reviewed this Agreement and understand and agree to its terms:

EMPLOYEE	UPWORK INC.
Employee Name (Printed)	By:
Employee Signature	
Date	

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the “**Agreement**”) is entered into by and between Jeff McCombs (the “**Executive**”) and Upwork Inc., a Delaware corporation (the “**Company**”), on August 4, 2020 (the “**Effective Date**”).

1. **Term of Agreement.**

Except to the extent renewed as set forth in this Section 1, this Agreement shall terminate the earlier of the third (3rd) anniversary of the Effective Date (the “**Expiration Date**”) or the date the Executive’s employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination; *provided however*, if a definitive agreement relating to a Change in Control has been signed by the Company on or before the Expiration Date, then this Agreement shall remain in effect through the earlier of:

(a) The date the Executive’s employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination, or

(b) The date the Company has met all of its obligations under this Agreement following a termination of the Executive’s employment with the Company due to a Qualifying Termination or CIC Qualifying Termination.

This Agreement shall renew automatically and continue in effect for three (3) year periods measured from the initial Expiration Date and each subsequent Expiration Date, unless the Company provides Executive notice of non-renewal at least three (3) months prior to the date on which this Agreement would otherwise renew. For the avoidance of doubt, and notwithstanding anything to the contrary in Section 2 or 3 below, the Company’s non-renewal of this Agreement shall not constitute a Qualifying Termination or CIC Qualifying Termination, as applicable.

2. **Qualifying Termination.** If the Executive is subject to a Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Benefits.** The Company shall pay the Executive six (6) months worth of his monthly base salary at the rate in effect at the time of the Separation. The Executive will receive his severance payment in a cash lump-sum in accordance with the Company’s standard payroll procedures, which payment will be made no later than the first regular payroll date occurring after the sixtieth (60th) day following the Separation.

(b) **Continued Employee Benefits.** If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act (“**COBRA**”), the Company shall pay the full amount of Executive’s COBRA premiums on behalf of the Executive for the Executive’s continued coverage under the Company’s health, dental and vision plans, including coverage for the Executive’s eligible dependents, for the same period that the Executive is paid severance benefits pursuant to Section 2(a) following the Executive’s Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer.

3. **CIC Qualifying Termination.** If the Executive is subject to a CIC Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Payments.** The Company or its successor shall pay the Executive (i) twelve (12) months’ worth of his monthly base salary at the rates in effect at the time of the Separation and (ii) the prorated portion of his then-current target bonus opportunity for the portion of the current year that Executive served prior to the Separation (calculated based on the number of full months to date in the bonus year multiplied by 1/12 of the annual target bonus opportunity) at the rate in effect at the time of the Separation. Such payment shall be paid in a cash lump sum payment in accordance with the Company’s

standard payroll procedures, which payment will be made no later than the first regular payroll date occurring after the sixtieth (60th) day following the Separation.

(b) **Continued Employee Benefits.** Continuation of COBRA on the same terms as set forth in Section 2(b) above for the same period that the Executive is paid severance benefits pursuant to Section 3(a)(i) following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer.

(c) **Equity.** Each of Executive's then outstanding Equity Awards shall accelerate and become vested and exercisable as to 100% of the shares subject to the Equity Award. Subject to satisfaction of the Release Conditions, the accelerated vesting described in this Section 3(c) shall be effective as of the Separation.

4. **General Release.** Any other provision of this Agreement notwithstanding, Executive is only eligible for the benefits under Section 2 and 3 if the Executive (i) has executed a general release of all known and unknown claims that he may then have against the Company or persons affiliated with the Company and such release has become effective and (ii) has agreed not to prosecute any legal action or other proceeding based upon any of such claims. The release must be in the form prescribed by the Company, without alterations (this document effecting the foregoing, the "**Release**"). The Company will deliver the form of Release to the Executive within ten (10) days after the Executive's Separation. The Executive must execute and return the Release within the time period specified in the form.

5. **Accrued Compensation and Benefits.** Notwithstanding anything to the contrary in Section 2 and Section 3 above, in connection with any termination of employment (whether or not a Qualifying Termination or CIC Qualifying Termination), the Company shall pay Executive's earned but unpaid base salary and other vested but unpaid cash entitlements for the period through and including the termination of employment, including unused earned vacation pay, if applicable, and unreimbursed documented business expenses incurred by Executive through and including the date of termination (collectively "**Accrued Compensation and Expenses**"), as required by law and the applicable Company plan or policy. In addition, Executive shall be entitled to any other vested benefits earned by Executive for the period through and including the termination date of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein (collectively "**Accrued Benefits**"). Any Accrued Compensation and Expenses to which the Executive is entitled shall be paid to the Executive in cash as soon as administratively practicable after the termination and, in any event, no later than two and one-half (2-1/2) months after the end of the taxable year of the Executive in which the termination occurs or at such earlier time as may be required by Section 10 below or to such lesser extent as may be mandated by Section 9 below. Any Accrued Benefits to which the Executive is entitled shall be paid to the Executive as provided in the relevant plans and arrangements.

6. **Covenants.**

(a) **Invention Assignment and Confidentiality Agreement.** The Executive agrees and acknowledges that the Executive is bound by the Employee Invention Assignment and Confidentiality Agreement entered into by and between the Executive and the Company (the "**Confidentiality Agreement**"), including but not limited to the Executive's confidentiality, non-competition and non-solicitation obligations thereunder.

(b) **Non-Disparagement.** The Executive further agrees that, during the twenty-four (24) month period following his Separation, he shall not in any way or by any means disparage the Company, the members of the Board or the Company's officers and employees. Notwithstanding the foregoing, the Executive is not prohibited from cooperating with a government agency or testifying truthfully in any

government inquiry or other proceeding or in which Executive is required to testify pursuant to subpoena or other valid legal process.

7. Definitions.

(a) **“Board”** means the Company’s board of directors.

(b) **“Cause”** means the Executive’s (i) unauthorized use or disclosure of the Company’s confidential information or trade secrets, which use or disclosure causes or is reasonably likely to cause material harm to the Company, (ii) material failure to comply with the Company’s written policies or rules, (iii) conviction of, or plea of “guilty” or “no contest” to, a felony under the laws of the United States or any state, (iv) gross negligence or willful misconduct, (v) continuing failure to perform assigned duties after receiving written notification of the failure from the Chief Executive Officer or Board, or (vi) failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Executive’s cooperation. The determination as to whether the Executive has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Executive. The term “Company” will be interpreted to include any subsidiary or parent of the Company, as appropriate.

(c) **“Code”** means the Internal Revenue Code of 1986, as amended.

(d) **“Change in Control”** means the occurrence of any of the following events, provided that the transaction (including any series of transactions) also qualifies as a change in control event under U.S. Treasury Regulation 1.409A-3(i)(5):

(i) any “Person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company’s then-outstanding voting securities; provided, however, that for purposes of this subclause (i) the acquisition of additional securities by any one Person who is considered to own more than fifty percent (50%) of the total voting power of the securities of the Company will not be considered a Change in Control;

(ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation;

(iv) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the capital stock of the Company); or

(v) a change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purpose of this subclause (v), if any Person is considered to

be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control.

For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

(e) “**CIC Qualifying Termination**” means a Separation (A) within twelve (12) months following a Change in Control or (B) within three (3) months preceding a Change in Control (but as to part (B), only if the Separation occurs after a Potential Change in Control) resulting, in either case (A) or (B), from (i) the Company terminating the Executive’s employment for any reason other than Cause or (ii) the Executive resigning his employment for Good Reason. A termination or resignation due to the Executive’s death or disability shall not constitute a CIC Qualifying Termination. A “**Potential Change in Control**” means the date of execution of a legally binding and definitive agreement for a corporate transaction which, if consummated, would constitute the applicable Change in Control (which for the avoidance of doubt, would include, for example, a merger agreement, but not a term sheet for a merger agreement). In the case of a termination following a Potential Change in Control and before a Change in Control, solely for purposes of benefits under this Agreement, the date of Separation will be deemed the date the Change in Control is consummated.

(f) “**Equity Awards**” means any and all options to purchase shares of Company common stock as well as any and all other stock-based awards granted to the Executive, including but not limited to stock bonus awards, restricted stock, restricted stock units or stock appreciation rights; provided, however, that “Equity Awards” expressly excludes any and all Performance Awards.

(g) “**Good Reason**” means, without the Executive’s consent, (i) a material reduction in duties, responsibilities or authority, (ii) a material reduction in Executive’s annual base salary or annual target bonus, or (iii) a requirement that Executive relocate Executive’s principal place of work to a location that increases Executive’s one-way commute by more than thirty-five (35) miles from Executive’s then-current work location. For the purpose of clause (i), solely in connection with a Change in Control, a change in responsibility shall not be deemed to occur (A) solely because Executive is part of a larger organization or (B) solely because of a change in title. For the Executive to receive the benefits under this Agreement as a result of a voluntary resignation under this subsection (g), all of the following requirements must be satisfied: (1) the Executive must provide notice to the Company of his intent to assert Good Reason within sixty (60) days of the initial existence of one or more of the conditions set forth in subclauses (i) through (iii); (2) the Company will have thirty (30) days (the “**Company Cure Period**”) from the date of such notice to remedy the condition and, if it does so, the Executive may withdraw his resignation or may resign with no benefits under this Agreement; and (3) any termination of employment under this provision must occur within ten (10) days of the earlier of expiration of the Company Cure Period or written notice from the Company that it will not undertake to cure the condition set forth in subclauses (i) through (iii). Should the Company remedy the condition as set forth above and then one or more of the conditions arises again, the Executive may assert Good Reason again subject to all of the conditions set forth herein.

(h) “**Performance Awards**” means any and all stock-based awards that vest, in whole or in part, upon satisfaction of performance criteria.

(i) “**Release Conditions**” mean the following conditions occurring within sixty (60) days following the Separation: (i) the Company has received the Executive’s executed Release and (ii) any

rescission period applicable to the Executive's executed Release has expired without Executive rescinding the Release.

(j) "**Qualifying Termination**" means a Separation that is not a CIC Qualifying Termination, but which results from the Company terminating the Executive's employment for any reason other than Cause. A termination or resignation due to the Executive's death or disability shall not constitute a Qualifying Termination.

(k) "**Separation**" means a "separation from service," as defined in the regulations under Section 409A of the Code.

8. **Successors.**

(a) **Company's Successors.** The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets or which becomes bound by this Agreement by operation of law.

(b) **Executive's Successors.** This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Golden Parachute Taxes.**

(a) **Best After-Tax Result.** In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise ("**Payments**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this subsection (a), be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax ("**Excise Tax**"), then, subject to the provisions of Section 10, such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in the Payments being \$1.00 less than the amount at which any portion of the Payments would be subject to the Excise Tax ("**Reduced Amount**"), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by independent tax counsel designated by the Company and reasonably acceptable to Executive ("**Independent Tax Counsel**"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Tax Counsel may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Tax Counsel shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Tax Counsel such information and documents as Independent Tax Counsel may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Tax Counsel may reasonably incur in connection with any calculations contemplated by this Section. In the event that Section 9(a)(ii)(B) above applies, then based on the information provided to Executive and the Company by Independent Tax Counsel, Executive may, in Executive's sole discretion

and within thirty (30) days of the date on which Executive is provided with the information prepared by Independent Tax Counsel, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Tax Counsel in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the "IRS") determines that any Payment is subject to the Excise Tax, then Section 9(b) hereof shall apply, and the enforcement of Section 9(b) shall be the exclusive remedy to the Company.

(b) **Adjustments.** If, notwithstanding any reduction described in Section 9(a) hereof (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then Executive shall be obligated to surrender or pay back to the Company, within one-hundred twenty (120) days after a final IRS determination, an amount of such payments or benefits equal to the "**Repayment Amount.**" The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that Executive's net proceeds with respect to such Payments (after taking into account the payment of the Excise Tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero (0) if a Repayment Amount of more than zero (0) would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section 9(b), Executive shall pay the Excise Tax.

10. **Miscellaneous Provisions.**

(a) **Section 409A.** To the extent (i) any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (ii) Executive is deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment or payments shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from the Executive's Separation; or (ii) the date of Executive's death following such Separation; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive's beneficiary in one lump sum (without interest). Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement (or otherwise referenced herein) is determined to be subject to (and not exempt from) Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement or in kind benefits to be provided in any other calendar year, in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section

409A. Payments pursuant to this Agreement (or referenced in this Agreement) are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A.

(b) **Other Arrangements.** This Agreement supersedes any and all cash severance arrangements and vesting acceleration arrangements under any agreement governing Equity Awards, severance and salary continuation arrangements, programs and plans which were previously offered by the Company to the Executive, including change in control severance arrangements and vesting acceleration arrangements pursuant to an agreement governing Equity Awards and Executive hereby waives Executive's rights to such other benefits; provided that, notwithstanding the foregoing, this Agreement shall not supersede, and Executive does not hereby waive his rights to, the acceleration of vesting arrangements (i) under Executive's initial offer letter with the Company or (ii) that may be applicable to any Performance Awards. In no event shall any individual receive cash severance benefits under both this Agreement and any other severance pay or salary continuation program, plan or other arrangement with the Company or its subsidiaries. For the avoidance of doubt, in no event shall Executive receive payment under both Section 2 and Section 3 with respect to Executive's Separation.

(c) **Dispute Resolution.** To ensure rapid and economical resolution of any and all disputes that might arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved solely and exclusively by final, binding, and confidential arbitration, by a single arbitrator, in Santa Clara County, and conducted by Judicial Arbitration & Mediation Services, Inc. ("JAMS") under its then-existing employment rules and procedures. Notwithstanding the foregoing agreement to resolve disputes in arbitration either party may obtain injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Each party shall be responsible for the payment of its own attorneys' fees.

(d) **Notice.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with Federal Express Corporation, with shipping charges prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(e) **Waiver.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by the Chief Executive Officer of the Company. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(h) **No Retention Rights.** Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary or parent of the Company or of the Executive, which

rights are hereby expressly reserved by each, to terminate his service at any time and for any reason, with or without Cause.

(i) **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (other than its choice-of-law provisions).

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE
/s/Jeff McCombs
Jeff McCombs

UPWORK INC.
/s/Hayden Brown
By: Hayden Brown
Title: President and Chief Executive Officer

August 4, 2020

Brian Kinion

Re: Terms of Transition

Dear Brian:

On behalf of the entire Board of Directors, thank you for your service to Upwork Inc. (the “*Company*”) and for your tenure as Chief Financial Officer. You and the Company have mutually agreed to end your employment relationship with the Company and the Board of Directors has requested to retain your services for a period of time to assist with an orderly transition.

Accordingly, this letter confirms the agreement (“*Agreement*”) between you and the Company concerning the terms of your separation, offers you certain benefits, conditioned upon your provision of a general release of claims and covenant not to sue as provided herein, and provides the terms under which the Company will engage you as an advisor to ensure a smooth transition. If you agree to the terms outlined herein, please sign and return this Agreement to me in the timeframe outlined below.

1. Position Resignation: You hereby resign from the role of Chief Financial Officer, and as an officer or director of the Company and any of its subsidiaries, effective August 4, 2020 and immediately following the Company’s filing of its quarterly report for the three-months ended June 30, 2020 with the Securities and Exchange Commission (the “*Transition Date*”). During the period commencing on the Transition Date and ending on October 1, 2020 (such date, the “*Separation Date*”) (such period, the “*Transition Period*”), you agree to provide transition and advisory services, and such other duties as may be assigned to you by the Chief Executive Officer. During the Transition Period, you will continue to be employed by the Company and (i) you will receive your base salary as in effect as of the date of this Agreement, (ii) your outstanding stock option will continue to vest in accordance with the Company’s 2014 Equity Incentive Plan and the applicable award agreements, and (iii) you will be eligible for continued participation the Company’s employee benefit plans; provided that you will no longer be eligible to receive an annual bonus or any other incentive compensation, including under the terms proposed to be included in the Company’s 2020 Performance Bonus Plan.

2. Final Paycheck; Payment of Wages: As soon as administratively practicable on or after the Separation Date, the Company will pay you in a single cash lump-sum all accrued but unpaid base salary subject to standard payroll deductions and withholdings. You will be deemed to have withdrawn from participation in the Company’s 2018 Employee Stock Purchase Plan (the “*ESPP*”), effective as of your Separation Date, and any contributions collected on your behalf with respect to any ongoing purchase period under the ESPP as of such date will be refunded to you in accordance with the terms of the ESPP. You acknowledge and agree that you have not accrued any paid time off under the Company’s Unlimited Time Off policy since its effective date and you are not eligible for the payment of any compensation under that policy.

3. Release Consideration: In exchange for your execution of this Agreement and delivery of an effective general release and waiver of claims and covenant not to sue in the form attached hereto as **Exhibit A** (the “**Release**”) within the time period specified therein following your Separation Date, the Company agrees to provide the following payments and benefits:

(i)The Company agrees to pay you an amount equal to six months of your monthly base salary in a cash lump-sum payment in accordance with the Company’s standard payroll procedures as soon as administratively practicable following the date the Release becomes effective and in any event, no later than the 60th day following the Separation Date.

(ii)Contingent on your timely election to continue your existing medical, dental, and vision benefits under the Consolidated Omnibus Budget Reconciliation Act (“**COBRA**”), and consistent with the terms of COBRA and the Company’s health insurance plan, the Company will pay the full amount of the insurance premiums to continue your existing health benefits, for you and your covered dependents, until the earlier of (x) the effective date on which you become covered by a substantially equivalent health insurance plan of a subsequent employer, (y) six months following your Separation Date, and (z) the date you are no longer eligible for COBRA benefits.

(iii)The Company agrees to transfer ownership to you of your Company-issued laptop on the condition that, upon the end of the Transition Period, you will submit the laptop to the Company for inspection and the Company’s full and complete removal of any and all Company-related data, and subject to satisfaction of applicable withholding taxes.

By signing below, you acknowledge that you are receiving the release consideration outlined in this section in consideration for waiving your rights to claims referred to in this Agreement and the Release and that you would not otherwise be entitled to the release consideration.

4. Business Expenses Reimbursement; No Further Amounts Due: To the extent you have any unreimbursed business expenses as of the end of the Transition Period, you will need to submit such expenses within two weeks of the end of your Transition Period with supporting documentation, and the Company will reimburse you for all approved expenses in accordance with its business expense reimbursement policy. By signing below, you acknowledge that the Company does not owe you any other amounts, except as otherwise may become payable under the Agreement.

5. Return of Company Property: You hereby warrant to the Company that, on or before your Separation Date, you will return to the Company all property or data of the Company of any type whatsoever that has been in your possession or control.

6. Proprietary Information: As a condition of your employment with the Company, you were required to execute and abide by the attached Employee Invention Assignment and Confidentiality Agreement (**Exhibit B** hereto). You hereby acknowledge that you are bound by **Exhibit B** and that as a result of your employment with the Company you have had access to the Company’s Proprietary Information (as defined in the agreement), that you will hold all

Proprietary Information in strictest confidence and that you will not make use of such Proprietary Information on behalf of anyone. You further confirm that on or prior to your Separation Date you will deliver to the Company all documents and data of any nature containing or pertaining to such Proprietary Information, that you will permanently delete any electronic copies thereof in your possession, custody, or control, and that you will not take with you any such documents or data or any reproduction thereof.

7. General Release and Waiver of Claims:

(a) The payments and promises set forth in this Agreement are in full satisfaction of all accrued salary, vacation pay, bonus pay, profit-sharing, stock, stock options or other ownership interest in the Company, including, without limitation, such termination benefits and compensation described in the Change in Control and Severance Agreement, dated May 23, 2018, by and between you and the Company, and such other termination benefits or other compensation to which you may be entitled by virtue of your employment with the Company or the end of your employment with the Company. To the fullest extent permitted by law, you hereby release and waive any claims you may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "**Releasees**"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of your employment or the end of your employment, claims under Title VII of the 1964 Civil Rights Act, as amended, and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act and claims based on disability or under the Americans with Disabilities Act. By signing this Agreement, you are not releasing or waiving any claims under the California Fair Employment and Housing Act; however, for the avoidance of doubt, you will release and waive such claims once you sign the Release.

(b) By signing below, you expressly waive any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

(c) You do not intend to release claims that you may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, or any claims for enforcement of this Agreement. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause below.

8. Covenant Not to Sue:

(a) To the fullest extent permitted by law, at no time subsequent to the execution of this Agreement will you pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which you may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Agreement.

(b) Nothing in this section shall prohibit or impair you complying with all applicable laws, nor shall this Agreement be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

9. Protected Rights: You understand that nothing in the General Release and Waiver of Claims and Covenant Not to Sue sections above, or otherwise in this Agreement, limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit your right to receive an award for information provided to any Government Agencies.

10. Nondisparagement: You agree that, both during and at all times following the Transition Period, you will not disparage Releasees or their products, services, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them, with any written or oral statement. Nothing in this section shall prohibit you or the Company from providing truthful information in response to a subpoena or other legal process.

11. Arbitration: Except for any claim for injunctive relief arising out of a breach of a party's obligations to protect the other's proprietary information, the parties agree to arbitrate, in Santa Clara County, California through JAMS, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether sounding in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other party. The arbitrator's decision shall be final, binding, and conclusive. The parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted by law. The parties expressly waive any entitlement to have such controversies decided by a court or a jury. The parties agree that any claim for injunctive relief that is excluded from arbitration in this section may be brought in the state or federal courts in Santa Clara County, California, and hereby waive any objection to personal jurisdiction or venue.

12. Attorneys' Fees: If any action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs, and expenses from the other party, in addition to any other relief to which the prevailing party may be entitled.

13. No Admission of Liability: This Agreement is not and shall not be construed or contended by you to be an admission or evidence of any wrongdoing or liability on the part of Releasees, their representatives, heirs, executors, attorneys, agents, partners, officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. This Agreement shall be afforded the maximum protection allowable under California Evidence Code Section 1152 and/or any other state or federal provisions of similar effect.

14. Complete and Voluntary Agreement: This Agreement, together with **Exhibits A-B** hereto, constitute the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. You acknowledge that neither Releasees nor their agents or attorneys have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to execute the Agreement, and you acknowledge that you have executed this Agreement in reliance only upon such promises, representations and warranties as are contained herein, and that you are executing this Agreement voluntarily, free of any duress or coercion.

15. Severability: The provisions of this Agreement are severable, and if any part of it is found to be invalid or unenforceable, the other parts shall remain fully valid and enforceable. Specifically, should a court, arbitrator, or government agency conclude that a particular claim may not be released as a matter of law, it is the intention of the parties that the general release, the waiver of unknown claims and the covenant not to sue above shall otherwise remain effective to release any and all other claims.

16. Modification; Counterparts; Facsimile/PDF Signatures: It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by authorized representatives of each of the parties to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of a facsimile or PDF copy shall have the same force and effect as execution of an original, and a copy of a signature will be equally admissible in any legal proceeding as if an original.

17. 409A: To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A.

18. Review of this Agreement: You understand that you may take up to twenty-one (21) days to consider this Agreement and, by signing below, affirm that you were advised to consult with an attorney prior to signing this Agreement and the Release. You also agree that any amendments to this Agreement, whether or not material, will not re-start the twenty-one (21) day consideration period. You also understand you may revoke this Agreement within seven (7) days of signing this document and that the consideration period to be provided to you pursuant to Section 3 will be provided only at the end of that seven (7) day-revocation period.

19. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. Effective Date: This Agreement is effective on the eighth (8th) day after you sign it provided you have not revoked the Agreement as of that date (the "***Effective Date***").

If you agree to abide by the terms outlined in this letter, please sign this letter below return it to me within the timeframe noted above. I wish you the best in your future endeavors.

Sincerely,

Upwork Inc.

By: /s/Hayden Brown
Hayden Brown

Chief Executive Officer

READ, UNDERSTOOD AND AGREED

/s/Brian Kinion
Brian Kinion

Date: August 4, 2020

EXHIBIT A

RELEASE OF CLAIMS

This General Release of All Claims and Covenant Not to Sue (the “**Release**”) is entered into between Brian Kinion (“**Executive**”) and Upwork Inc. (the “**Company**”) (collectively, “**the parties**”).

WHEREAS, on August 4, 2020, Executive and the Company entered into an agreement regarding Executive’s resignation of employment (the “**Transition Agreement**,” to which this Release is attached as **Exhibit A**);

WHEREAS, the Transition Period (as set forth in the Transition Agreement) has ended;

WHEREAS, this agreement serves as the Release, pursuant to the Transition Agreement; and

NOW THEREFORE, in consideration for the mutual promises and undertakings of the parties as set forth below, Executive and the Company hereby enter into this Release.

1. **Business Expense Reimbursement; No Further Amounts Due**: To the extent Executive has any unreimbursed business expenses, Executive will need to submit such expenses within two weeks of the end of the Transition Period (as defined in the Transition Agreement) with supporting documentation, and the Company will reimburse Executive for all approved expenses in accordance with its business expense reimbursement policy. By his signature below, Executive acknowledges that the Company does not owe him any other amounts, except as otherwise may become payable under the Transition Agreement contingent upon the effectiveness of this Release.

2. **Return and Permanent Deletion of Company Property**: Executive hereby warrants to the Company that he has returned to the Company all property or data of the Company of any type whatsoever that has been in his possession, custody, or control and that any electronic copies thereof have been permanently deleted.

3. **Consideration**: In exchange for Executive’s agreement to this Release and his other promises in the Transition Agreement and herein, the Company agrees to provide Executive with the consideration set forth in **Section 3** of the Transition Agreement upon effectiveness of this Release. By signing below, Executive acknowledges that he is receiving the consideration in exchange for waiving his rights to claims referred to in this Release and he would not otherwise be entitled to the consideration.

4. **General Release and Waiver of Claims**:

(a) The payments and promises set forth in this Release are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options or other ownership interest in the Company, including, without limitation, such termination benefits and compensation described in the Change in Control and Severance Agreement, dated May 23,

2018, by and between you and the Company, and such other termination benefits or other compensation to which Executive may be entitled by virtue of his employment with the Company, his separation from the Company, his engagement with the Company, and the termination thereof, including pursuant to the Transition Agreement. To the fullest extent permitted by law, Executive hereby releases and waives any claims he may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively “**Releasees**”), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of his employment or end of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the California Fair Employment and Housing Act and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

(b) By signing below, Executive expressly waives any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

(c) Executive and the Company do not intend to release claims that provide for indemnity under the Company’s bylaws or any contracts between Executive and the Company, or any claims that he may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, or any claims for enforcement of this Release. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause set forth in the Transition Agreement.

5. Covenant Not to Sue:

(a) To the fullest extent permitted by law, at no time subsequent to the execution of this Release will Executive pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, (i) which Executive may now have, have ever had, or may in the future have against Releasees, and (ii) which is based in whole or in part on any matter released by this Agreement.

(b) Nothing in this paragraph shall prohibit or impair Executive from complying with all applicable laws, nor shall this Release be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

6. Protected Rights: Executive understands that nothing in the General Release and Waiver of Claims and Covenant Not to Sue sections above, or otherwise in this Release, limits his ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). Executive further understands that this Release does not limit his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Release does not limit Executive's right to receive an award for information provided to any Government Agencies.

7. Review of Release: Executive understands that he has had more than twenty-one (21) days to consider this Release and, by signing below, affirms that he was advised to consult with an attorney prior to signing this Release. Executive also understands that he may revoke this Release within seven (7) days of signing this document and that the consideration to be provided to him pursuant to Section 3 of the Transition Agreement will be provided no earlier than after the expiration of that seven (7) day revocation period.

8. Effective Date: This Release is effective on the eighth (8th) day after Executive signs it, provided he has not revoked it as of that time (the "**Effective Date**").

9. Other Terms of Transition Agreement Incorporated Herein: All other terms of the Transition Agreement to the extent not inconsistent with the terms of this Release are hereby incorporated in this Release as though fully stated herein and apply with equal force to this Release, including, without limitation, the provisions on Nondisparagement, Arbitration, Governing Law, and Attorneys' Fees.

Dated: _____

Upwork Inc.
Hayden Brown
Chief Executive Officer

Dated: _____

Brian Kinion

**FOURTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT**

This Fourth Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 13th day of August, 2020 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 further amended by that certain Second Amendment to Loan and Security Agreement, dated as of September 17, 2018 (the “**Second Amendment**”) and as further amended by that certain Third Amendment to Loan and Security Agreement, dated as of March 18, 2019 (the “**Third Amendment**”, and such agreement, 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 2.3 (Cash Management Services Sublimit). Section 2.3 is amended and restated as follows:

“**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 Revolving Line, 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."

2.2 Section 2.4 (Letters of Credit Sublimit). Subsection (a) of Section 2.4 is amended and restated as follows:

"(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 Revolving Line, minus (ii) the sum of all outstanding principal amounts of any Advances (including any amounts used for Cash Management Services)."

2.3 Section 2.6 (Overadvances). Section 2.6 is amended and replaced as follows:

"**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 Revolving Line, 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%)."

2.4 Section 5.3 (Accounts Receivable). Section 5.3 is amended and restated as follows:

“**5.3 [Reserved].**”

2.5 Section 5.10 (Use of Proceeds). Section 5.10 is amended and restated as follows:

“**5.10 Use of Proceeds.** Borrower shall use the proceeds of the Credit Extensions (i) to finance Permitted Acquisitions; (ii) to finance stock repurchases permitted pursuant to Section 7.7; and (iii) as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.”

2.6 Section 6.2 (Financial Statements; Reports). Subsections (a), (b), (c), (d), (e), (g) and the final paragraph of Section 6.2 are amended and restated as follows:

“(a) [reserved];

(b) [reserved];

(c) as soon as available, but no later than thirty (30) days after the last day of each quarter, a company prepared consolidated balance sheet, statement of cash flows and income statement covering Borrower’s consolidated operations for such quarter in a form reasonably acceptable to Bank (the “**Quarterly Financial Statements**”), which Quarterly Financial Statements shall include a detailed cash report that shows quarter-end balances for all of the Borrower’s and its Subsidiaries’ Collateral Accounts;

(d) within thirty (30) days after the last day of each quarter and together with the Quarterly Financial Statements, a completed Compliance Statement, confirming that, as of the end of such quarter, 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 quarter there were no held checks;

(e) [reserved];

(g) as soon as available, and in any event within one hundred twenty (120) 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;

Any submission by Borrower of a Compliance 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 or other financial statement, the information and calculations set forth therein are true, accurate and correct in all material respects, (ii) as of the end of the compliance period set forth in such submission, Borrower is in material compliance with all required covenants except as noted in such Compliance Statement or other financial statement, as applicable, (iii) as of the date of such submission, no Events of Default have occurred and are continuing, (iv) all representations and warranties other than any representations or warranties that are made as of a specific date or period of time, as the case may be, 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 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.”

2.7 Section 6.3 (Accounts Receivable). Subsections (b), (c) and (d) of Section 6.3 are amended and restated as follows:

“(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 Availability Amount.

(c) [Reserved].

(d) [Reserved].”

2.8 Section 6.8 (Accounts). Subsection (a) of Section 6.8 is amended and restated as follows:

“(a) Maintain its and all of its Subsidiaries’ 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.”

2.9 Section 6.9 (Financial Covenants). Subsection (a) of Section 6.9 is amended and restated as follows:

“(a) Adjusted Quick Ratio. Maintain at all times, to be certified to Bank as of the last day of each quarter an Adjusted Quick Ratio of equal to or greater than 1.75 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).”

2.10 Section 6.13 (Formation or Acquisition of Subsidiaries). Section 6.13 is amended and restated as follows:

“**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 Fourth Amendment Effective Date (including, without limitation, pursuant to a Division), or if in Bank’s reasonable credit judgment with respect to any Subsidiary existing on the Fourth Amendment Effective Date, Borrower and such Guarantor shall (a) cause such Subsidiary (other than a Foreign Subsidiary or a FSHCO) 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; provided, however, that with respect to any direct Foreign Subsidiary or a FSHCO created or acquired after the Fourth Amendment Effective Date, no more than 66% of the total outstanding voting stock or other voting equity interest of any such Foreign Subsidiary or FSHCO and no more than 100% of the non-voting stock or other equity interest shall be required to be so pledged hereunder) 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."

2.11 Section 7.1 (Dispositions). Section 7.1 is amended and restated as follows:

"7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (including, without limitation, pursuant to a Division) (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."

2.12 Section 7.3 (Mergers or Acquisitions). Section 7.3 is amended and restated as follows:

"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 or pursuant to a Division), 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."

2.13 Section 7.7 (Distributions; Investments). Section 7.7 is amended and restated as follows:

"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 of first refusal or other similar agreements so long as (A) 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; and (B) at the time of and immediately after giving effect to any such repurchase, the Borrower has an Adjusted Quick Ratio equal to or greater than 1.75:1.00; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary or pursuant to a Division) other than Permitted Investments, or permit any of its Subsidiaries to do so.”

2.14 Section 10 (Notice). The Notice address for Bank and Bank’s counsel are amended and replaced with the following:

“If to Bank: Silicon Valley Bank
2400 Hanover Street
Palo Alto, California 94304
Attn: Jon Wolter
Email: jwolter@svb.com

with a copy (which shall
not constitute notice) to: Morrison & Foerster LLP
200 Clarendon Street
Floor 20
Boston, Massachusetts 02116
Attn: Charles W. Stavros, Esquire
Email: cstavros@mofo.com”

2.15 Section 13 (Definitions). The terms “Borrowing Base”, “Borrowing Base Statement”, “Cash Collateral Account”, “Deferred Revenue”, “EBITDA”, “Eligible Accounts”, “Eligible Foreign Accounts”, “Enterprise Accounts”, “Enterprise Manages Services”, “Interest Expense”, “Marketplace Receivables”, “Marketplace Receivables Report”, “Monthly Financial Statements”, “Net Income”, “Non-Formula Amount”, “Reporting Streamline Period” and “Specified Affiliate”, and their respective definitions are deleted from Section 13.1 and from each instance in the Agreement in which they appear.

2.16 Section 13 (Definitions). The following terms and their respective definitions are inserted in Section 13.1, each in its respective alphabetical order:

“**Division**” means, in reference to any Person which is an entity, the division of such Person into two (2) or more separate Persons, with the dividing Person either continuing or terminating its existence as part of such division, including, without limitation, as contemplated under Section 18-217 of the Delaware Limited Liability Company Act for limited liability companies formed under Delaware law, or any analogous action taken pursuant to any other applicable law with respect to any corporation, limited liability company, partnership or other entity.

“**Fourth Amendment Effective Date**” is August 13, 2020.

“**FSHCO**” is any Subsidiary that owns (directly or indirectly) no material assets other than equity or debt interests of one or more Foreign Subsidiaries.

2.17 Section 13 (Definitions). The following definitions are amended and replaced as follows:

“**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.

“**Availability Amount**” is (a) the Revolving Line, 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.

“**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 including, without limitation, workforce and freelancer management, delivery model expansion, category expansion and consolidation, remote work facilitation, project management, data and analytics, and freelance services (including education, credentialing, CRM, community and financial products) lines of business;
- (c) has been approved by the Board;
- (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) at the time of and immediately after giving effect to any such Permitted Acquisition, Borrower has an Adjusted Quick Ratio equal to or greater than 1.75:1.00;
- (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, as of the closing of the Acquisition, be subject to any Lien other than (x) the first-priority Liens granted in favor of Bank, if applicable, (y) Permitted Liens and (z) Liens for which Borrower has provided (1) a payoff letter or similar document approving or authorizing its termination and (2) reasonably satisfactory evidence that arrangements have been made to provide the discharge of any filings evidencing such Liens;
- (h) if the target is not merged with and into Borrower, then Borrower and the target shall have executed such documents and taken such actions as may be required under Section 6.13 hereof;
- (i) in any merger in connection with a Permitted Acquisition, involving Upwork, Inc., Elance, Inc., Upwork Global, Inc. and/or Upwork Talent Group, Inc., any of Upwork, Inc., Elance, Inc., Upwork Global, Inc. and/or Upwork Talent Group, Inc. shall survive as a legal entity after giving effect to such merger; and
- (j) the Acquisition shall not constitute an Unfriendly Acquisition.

“**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 (including, without limitation, all Cash Equivalents and the aggregate amount of Investments held by Borrower at Bank pursuant to that certain Discretionary Account Agreement, between Borrower and Bank, dated as of October 22, 2018) 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.

“**Revolving Line Maturity Date**” is September 30, 2022.

2.18 Section 13 (Definitions). Clauses (e) and (g) of the definition of “Permitted Investments” are amended and replaced as follows:

“(e) (i) Investments in connection with Transfers permitted by Section 7.1; and (ii) Investments consisting of cost-plus and cost-sharing arrangements with Subsidiaries in the ordinary course of business, consistent with past business practices;

(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 Ten Million Dollars (\$10,000,000) (or such greater amount requested by Borrower in writing and approved by Bank, in Bank’s reasonable discretion; provided that Bank shall respond within five (5) Business Days after Borrower’s written request for such greater amount), 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;”

3. Exhibit A (Collateral Description). The Collateral Description is amended in its entirety and replaced with the Collateral Description in the form of Exhibit A attached hereto.

4. 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.

5. Limitation of Amendments.

5.1 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.

5.2 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.

6. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

6.1 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;

6.2 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;

6.3 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);

6.4 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;

6.5 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;

6.6 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

6.7 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.

7. [Reserved].

8. 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.

9. 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.

10. 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.

11. 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 prior to or concurrently with this Amendment, each in form and substance acceptable to Bank:

11.1 the due execution and delivery to Bank of this Amendment by each party hereto;

11.2 Borrower's payment of (i) a fully earned, non-refundable Revolving Line commitment fee of \$50,000; and (ii) Bank's legal fees and expenses incurred in connection with this Amendment and the other Loan Documents;

11.3 Receipt by Bank of certified copies, dated as of a recent date, of financing statement searches, as Bank may 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;

11.4 Evidence 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;

11.5 Receipt by Bank of a secretary's certificate of each Borrower with respect to such Borrower's Operating Documents, incumbency, specimen signatures and resolutions authorizing the execution and delivery of this Amendment and the other Loan Documents to which it is a party, but only to the extent such secretary's certificate has changed since last delivered to the Bank;

11.6 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 Fourth Amendment Effective Date;

11.7 Receipt by Bank of an updated Perfection Certificate, executed by Borrower; and

11.8 Such other documents as Bank may reasonably request.

[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: 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

ELANCE, INC.

By /s/Junko Swain
Name: Junko Swain
Title: President

UPWORK TALENT GROUP INC.

By /s/ Junko Swain
Name: Junko Swain
Title: President

BANK:

SILICON VALLEY BANK

By /s/ Jon Wolter
Name: Jon Wolter
Title: Director

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 66% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Foreign Subsidiary and FSHCO 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 Date: _____
FROM: UPWORK INC., ELANCE, INC., UPWORK GLOBAL INC.,
and UPWORK TALENT GROUP INC.

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 (as amended, 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>
Financial statements with Compliance Statement	Quarterly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 120 days	Yes No
10-Q, 10-K and 8-K	Within 10 days after filing with SEC	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Minimum Adjusted Quick Ratio	1.75:1.00	:1.00	Yes No

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 quarter, an Adjusted Quick Ratio of equal to or greater than 1.75 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 (including, without limitation, all Cash Equivalents and the aggregate amount of Investments held by Borrower at Bank pursuant to that certain Discretionary Account Agreement, between Borrower and Bank, dated as of October 22, 2018)	\$__
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 outstanding principal amount of the Term Loan A, the Term Loan B 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 1.75:1.00?

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

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Hayden Brown

Hayden Brown

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Jeff McCombs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Jeff McCombs

Jeff McCombs

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Hayden Brown, Chief Executive Officer of Upwork Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 4, 2020

/s/ Hayden Brown

Hayden Brown

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeff McCombs, Chief Financial Officer of Upwork Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 4, 2020

/s/ Jeff McCombs

Jeff McCombs

Chief Financial Officer

(Principal Financial and Accounting Officer)