

As confidentially submitted to the Securities and Exchange Commission on March 4, 2020.
 This draft registration statement has not been publicly filed with the
 Securities and Exchange Commission and all information herein remains strictly confidential.

Registration No. 333-

**UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549**

**FORM S-1
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933**

Upstart Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

7389
 (Primary Standard Industrial
 Classification Code Number)

46-4332431
 (I.R.S. Employer
 Identification Number)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common stock, par value \$0.0001 per share	\$	\$
(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended. Includes the aggregate offering price of additional shares that the underwriters have the option to purchase, if any.		
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.		

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant will file a further amendment which specifically states that this Registration Statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement will become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated _____, 2020.

Shares



Upstart Holdings, Inc.

Common Stock

This is the initial public offering of shares of common stock of Upstart Holdings, Inc. All of the _____ shares of common stock are being sold by us.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ _____ and \$ _____. Upstart intends to list the common stock on the _____ under the symbol "UPST".

We are an "emerging growth company" as that term is defined under the federal securities laws and, as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings.

See "[Risk Factors](#)" beginning on page 17 to read about factors you should consider before buying shares of our common stock.

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

	Per Share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discount ⁽¹⁾	\$ _____	\$ _____
Proceeds, before expenses, to Upstart	\$ _____	\$ _____

(1) See "Underwriting" for a description of the compensation payable to the Underwriters.

To the extent that the underwriters sell more than _____ shares of common stock, the underwriters have the option to purchase up to an additional _____ shares from Upstart at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2020.

Goldman Sachs & Co. LLC

Jefferies

BofA Securities

Barclays

Citigroup

Prospectus dated _____, 2020.

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Through and including _____, 2020 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we nor any of the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside the United States.

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms "Upstart," "the company," "we," "us" and "our" in this prospectus refer to Upstart Holdings, Inc. and its consolidated subsidiaries. Our fiscal year end is December 31, and our fiscal quarters end on March 31, June 30, September 30 and December 31.

Upstart Holdings, Inc.

Overview

Our mission is to enable effortless credit based on true risk.

We are a leading, cloud-based artificial intelligence lending platform. Artificial intelligence, or AI, lending enables a superior loan product with improved economics that can be shared between consumers and lenders. Our platform aggregates consumer demand for high-quality loans and connects it to our network of Upstart AI-enabled bank partners. Consumers on our platform benefit from higher approval rates, lower interest rates, and a highly automated, efficient, all-digital experience. Our bank partners benefit from access to new customers, lower fraud and loss rates, and increased automation throughout the lending process. Since inception, our bank partners have originated almost 450,000 personal loans that have generated more than 5.5 million repayment events. In the fourth quarter of 2019, approximately 70% of Upstart-powered loans were entirely automated.

Credit is a cornerstone of the U.S. economy, and access to affordable credit is central to unlocking upward mobility and opportunity. The FICO score was invented in 1989 and remains the standard for determining who is approved for credit and at what interest rate.¹ While FICO is rarely the only input in a lending decision, most banks use simple, rules-based systems that consider only a limited number of variables. Unfortunately, because legacy credit systems fail to properly identify and quantify risk, millions of creditworthy individuals are left out of the system, and millions more pay too much to borrow money.²

The first generation of online lenders focused on bringing credit online. Analogous to earlier internet pioneers, these companies made shopping for and accessing credit simpler and easier for consumers and businesses. It was no longer necessary to stand in line at a bank branch, to sit across the desk from a loan officer and to wait weeks or months for a decision. These lenders enabled the emergence of personal loan products that were previously unprofitable for banks to offer. While they brought the credit process online, they inherited the decision frameworks that banks had used for decades and did not address the more rewarding and challenging opportunity of reinventing the credit decision.

We leverage the power of AI to more accurately quantify the true risk of a loan. Our AI models have been continuously upgraded, trained and refined for more than seven years. We have discrete AI

¹ Rob Kaufman, myFico Blog: The History of the FICO Score, August 2018.

² Patrice Ficklin and Paul Watkins, Consumer Financial Protection Bureau Blog: An Update on Credit Access and the Bureau's First No-Action Letter, August 2019.

models that target fee optimization, income fraud, acquisition targeting, loan stacking, prepayment prediction, identity fraud and time-delimited default prediction. Our models incorporate more than 1,500 variables and benefit from a rapidly growing training dataset that currently contains more than 5.5 million repayment events. The network effects generated by our constantly improving AI models provide a significant competitive advantage—more training data leads to higher approval rates and lower interest rates at the same loss rate.

We have been able to demonstrate through several studies that AI lending works. First, in 2019 the Consumer Financial Protection Bureau, or CFPB, reported that a study by Upstart of its data using a methodology specified by the CFPB showed that our AI model approves 27% more borrowers than a high-quality traditional model, with a 16% lower average APR for approved loans.³ Second, when compared to credit models from several large banks, our AI models approve approximately 2.7 times as many borrowers at the same loss rate.⁴ And finally, for pools of securitized loans, our realized loss rates were approximately half of those predicted by Kroll, a prominent credit rating agency.⁵

Our AI models are provided to bank partners within a consumer-facing cloud application that streamlines the end-to-end process of originating and servicing a loan. We have built a configurable, multi-tenant cloud application designed to integrate seamlessly into a bank's existing technology systems. Our highly configurable platform allows each bank to define its own credit policy and determine the significant parameters of its lending program. Our AI models use and analyze data from all of our bank partners. As a result, these models are trained by every Upstart-powered loan, and each bank partner benefits from participating in a shared AI lending platform.

Consumers can discover Upstart-powered loans in one of two ways: either via Upstart.com or through a white-labeled product on our bank partners' own websites.

Loans issued through our platform can be retained by our originating bank partners or distributed to our broad base of approximately 70 institutional investors and buyers that fund or invest in Upstart-powered loans.

Our revenue is primarily comprised of fees paid by banks. We charge banks referral fees when consumers apply for loans through Upstart.com, platform fees for each loan originated and loan servicing fees as consumers repay their loans. None of these fees are contingent on credit performance. As a usage-based platform, we target positive unit economics on each transaction, resulting in a cash efficient business model that features both high growth rates and profitability.

We have achieved rapid growth while improving our margin profile in recent years. The number of loans facilitated on our platform increased by 88% from 114,125 in 2018 to 215,122 in 2019. Over the same period, revenue increased 65% from \$99.3 million to \$164.2 million. Net loss decreased from \$12.3 million in 2018 to \$0.5 million in 2019.⁶

³ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁴ In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart's funded borrower base as of December 31, 2017. Such results are the average of the differences between Upstart's AI models and each of the three bank models.

⁵ In an internal study, Upstart compared the actual realized loss rates of Upstart loans securitized between June 2017 and September 2019 and the realized loss rate predictions for those loans obtained from KBRA Surveillance Reports published by Kroll Bond Rating Agency in December 2019.

⁶ Unless otherwise noted, "net loss" refers to "net loss attributable to Upstart Holdings, Inc. common stockholders."

Industry Overview

Affordable Credit is Critical to Unlocking Upward Mobility and Opportunity

With \$4.2 trillion of consumer credit outstanding as of December 2019,⁷ credit is a cornerstone of the U.S. economy. Access to affordable credit is central to unlocking upward mobility and opportunity. Reducing the price of borrowing for consumers has the potential to dramatically improve the quality of life for millions of people. Studies have demonstrated a strong statistical link among access to affordable credit, personal well-being and income growth.⁸ The average American has approximately \$29,800 in personal debt.⁹ While access to affordable credit has allowed Americans to purchase and improve their homes, buy cars, pay for college tuition and cover emergency expenses, high interest rates can negatively impact a consumer's financial health. The U.S. Federal Reserve reports that on average, 10% of household disposable personal income is spent on debt repayment.¹⁰ In addition, 16% of Americans spend 50% to 100% of their monthly income repaying debt.¹¹

Affordable Credit Is Inaccessible for Millions because Existing Systems Fail to Accurately Quantify Risk

The FICO score was invented in 1989 and has not fundamentally changed since that time.¹² The FICO score is used by over 90% of lenders to determine who is approved for credit and at what interest rate.¹³ While FICO is rarely used in isolation, many credit models are simple, rules-based systems. A leading expert found that bank credit models commonly incorporate eight to 15 variables, with the more sophisticated models using as many as 30.¹⁴ Unsurprisingly, the world is more complicated than can be represented by these models, so they are limited in their ability to reliably estimate the probability of default.

Many borrowers suffer from the effects of inaccurate credit models. Many are approved for a loan that they ultimately will be unable to repay, negatively impacting both the consumer and the lender. Many others may be declined for a loan that they could have successfully repaid if given the opportunity—again doing harm to both consumer and lender. According to an Upstart retrospective study completed in December 2019, four out of five Americans who have taken out a loan have never defaulted, yet less than half of Americans have access to prime credit. Even consumers with high credit scores tend to pay too much for loans because the rates they pay effectively subsidize the losses from borrowers who default.

Banks Will Continue to be at the Forefront of Consumer Lending

Banks have been at the forefront of consumer lending in the U.S. for more than a century. They benefit from long-term structural advantages, including a low cost of funding, a unique regulatory framework, and high levels of consumer trust. Through large and reliable deposit bases, banks are able to maintain a very low cost of funds—approximately 1% on average.¹⁵ These cost savings are passed through to borrowers in the form of lower interest rates, a significant competitive advantage

⁷ The Federal Reserve Board, Statistical Release: Consumer Credit, or Federal Reserve Consumer Credit, December 2019.

⁸ Kirsten Wysen, Open Source Solutions: Why Credit Scores and Payday Lending Matter for Health, October 2019.

⁹ Northwestern Mutual, 2019 Planning & Progress Study: The Debt Debacle, 2019.

¹⁰ The Federal Reserve Board, Household Debt Service and Financial Obligations Ratios, or Federal Reserve Household Debt, December 2019.

¹¹ Northwestern Mutual; see the section titled "Industry, Market and Other Data."

¹² Kaufman; see the section titled "Industry, Market and Other Data."

¹³ Kaufman; see the section titled "Industry, Market and Other Data."

¹⁴ Naeem Siddiqi, Intelligent Credit Scoring: Building and Implementing Better Credit Risk Scorecards—2nd Edition, 2017.

¹⁵ Federal Home Loan Bank of San Francisco, Cost of Funds Index, December 2019.

over non-depository lending institutions. Banks also benefit from a regulatory framework that allows them to create nation-wide lending programs that are largely uniform. Given these advantages, we believe that a partnership-based bank enablement approach will be more successful than a disruption strategy.

Banks Must Undergo a Digital Transformation to Remain Competitive

The largest four U.S. banks spend an estimated \$38 billion on technology and innovation annually.¹⁶ These four banks may attempt to build AI lending models over time, once general market acceptance has been achieved. However, outside the largest four banks, there are approximately 5,300 FDIC insured institutions¹⁷ that are at risk of falling behind. Despite holding over \$8 trillion in deposits,¹⁸ we believe these banks, particularly small to medium-sized banks, have outdated technology and lack the technical resources of larger banks to fund the digitization process.

At the same time, consumers are increasingly seeking digital, personalized and automated experiences.¹⁹ A 2017 Bain survey found that approximately 50% of the U.S. population would be comfortable buying financial products from technology companies.²⁰ We believe that as consumers, both young and old, move their financial lives online, small and medium-sized banks will be increasingly ill-equipped to serve them.

Increasing Recognition from Regulators

Many regulators including the Federal Deposit Insurance Corporation, or FDIC, the Office of the Comptroller of the Currency, or OCC, the Federal Reserve and the CFPB increasingly recognize the opportunity to modernize techniques used in lending.²¹ In December 2019, these agencies issued an inter-agency report in support of the use of alternative data in lending decisions.²² Additionally, in November 2019, the CFPB director noted that despite external uncertainty regarding how AI will fit into regulatory frameworks, the CFPB is focused on ensuring a path to regulatory clarity because it recognizes the value AI lending products can offer consumers.²³ In fact, in 2017, the CFPB issued Upstart the first no-action letter regarding the use of alternative variables and AI and machine learning in credit decision-making.²⁴

¹⁶ Adrian D. Garcia, Bankrate: JPM, Big Banks Spend Billions on Tech but Innovation Lags, July 2018.

¹⁷ Federal Deposit Insurance Corporation, or FDIC, Statistics at a Glance, September 2019.

¹⁸ The dollar amount of deposits held by banks, other than the largest four banks, was aggregated by Upstart using data provided by the FDIC; see the section titled "Industry, Market and Other Data."

¹⁹ Bain & Company, Inc., or Bain, Evolving the Customer Experience in Banking, 2017. PricewaterhouseCoopers LLP, or PwC, Experience Is Everything: Here's How To Get It Right, 2018. RedPoint Global and the Harris Poll, or RedPoint Global, Addressing the Gaps in Customer Experience: A Benchmark Study Exploring the Ever Evolving Customer Experience and How Marketers and Consumers Are Adapting, March 2019.

²⁰ Bain; see the section titled "Industry, Market and Other Data."

²¹ Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union Administration and Office of the Comptroller of the Currency, Interagency Statement on the Use of Alternative Data in Credit Underwriting, or FDIC Interagency Statement, December 2019.

²² FDIC Interagency Statement; see the section titled "Industry, Market and Other Data."

²³ Kathleen L. Kraninger, Consumer Financial Protection Bureau: Director Kraninger's Remarks at TCH-BPI Conference, November 2019.

²⁴ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

The AI Opportunity

AI has the potential to add \$13 trillion to the current global economic output by 2030, a 16% increase over today's output.²⁵ According to the McKinsey Global Institute, AI will be slowly adopted in its early stages, followed by steep acceleration as the technology matures and companies learn how to best deploy it.²⁶ We believe the lending industry will follow this path.

Lending is a compelling application for AI. First, it involves sophisticated decisioning for events that occur millions of times each day. Second, there is an almost unlimited supply of data that has the potential to be predictive and improve the accuracy of credit decisions. Third, given the costs and risks associated with lending, the economic wins from AI are dramatic for both banks and consumers. This means that the significant investment required to overcome the technical and regulatory hurdles is well worth the effort.

With our seven-year head start, our AI lending platform is well-positioned to power a significant portion of the U.S. credit market. To date, we have focused on the unsecured personal loan market, the fastest-growing segment of consumer credit.²⁷ In 2018, there were \$88 billion²⁸ in U.S. unsecured personal loan originations, representing 20% growth over the prior year.²⁹ In 2019, we facilitated the origination of \$2.7 billion in unsecured personal loans, or less than 5% of the total market.³⁰ We not only have a large opportunity to capture market share in unsecured personal loans, but by applying our AI models and technology to adjacent opportunities, we believe we are well-positioned to address the approximately \$899 billion³¹ opportunity in U.S. auto loans, credit cards, student loans, point-of-sale loans and Home Equity Lines of Credit, or HELOCs. Over the longer term, we believe we are also capable of capturing market share in mortgage and small business lending.

Our AI Lending Platform

Our AI models are central to our value proposition and unique position in the industry. Our models incorporate more than 1,500 variables, which are analogous to the columns in a spreadsheet. They have been trained by more than 5.5 million repayment events, analogous to rows of data in a spreadsheet. Interpreting these more than 8 billion cells of data are increasingly sophisticated machine learning algorithms that enable a more predictive model.

These elements of our model are co-dependent; the use of hundreds or thousands of variables is impractical without sophisticated machine learning algorithms to tease out the interactions between them. And sophisticated machine learning depends on large volumes of training data. Over time, we have been able to deploy and blend more sophisticated modeling techniques, leading to a more accurate system. This co-dependency presents a challenge to others who may aim to short-circuit the development of a competitive model. While incumbent lenders may have vast quantities of historical repayment data, their training data lacks the hundreds of columns, or variables, that power our model. For more details regarding the variables, training data, and algorithms in our models, please see "Business—Evolution of Upstart's AI Model."

²⁵ McKinsey Global Institute, or McKinsey, Notes From the AI Frontier: Modeling the Impact of AI on the World Economy, September 2018.

²⁶ McKinsey; see the section titled "Industry, Market and Other Data."

²⁷ Eldar Beiseitov, Federal Reserve Bank of St. Louis: Unsecured Personal Loans Get a Boost From Fintech Lenders, July 2019.

²⁸ Based on 2018 loan origination dollar amounts provided by TransUnion.

²⁹ Based on 2018 loan origination dollar amounts and 2017 loan origination dollar amounts provided by TransUnion.

³⁰ Based on 2018 loan origination dollar amounts provided by TransUnion.

³¹ Based on 2018 loan origination dollar amounts provided by TransUnion.

Despite their sophistication, our AI models are delivered to banks in the form of a simple cloud application that shields borrowers from the underlying complexity. Additionally, our platform allows banks to tailor lending applications based on their policies and business needs. Our bank partners can configure many aspects of their lending programs, including factors such as loan duration, loan amount, minimum credit score, maximum debt-to-income ratio and return target by risk grade. Within the construct of each bank's self-defined lending program, our platform enables the origination of conforming and compliant loans at a low per-loan cost.

Our platform benefits from powerful flywheel effects that drive continuous improvements as our business scales. Our platform benefits first from increasingly sophisticated models, variable expansion and rapid growth of training data. Upgrades to our platform allow us to offer higher approval rates and lower interest rates to consumers, which increases the number of borrowers on our platform. Upgrades to our platform also lead to better borrower selection, which lowers losses and lowers interest rates to borrowers. The flywheel effect created by self-reinforcing AI increases the economic opportunity that can be shared by borrowers and lenders over time.

Our Ecosystem

Our platform connects consumers, banks and institutional investors through a shared AI lending platform. Because AI is a new and disruptive technology, and banking is a traditionally conservative industry, we have brought our technology to market in a way that allows us to grow rapidly and improve on our AI models, while allowing banks to take a prudent and responsible approach to assessing and adopting our platform.

On the consumer side, we aggregate demand on Upstart.com, where consumers are presented with bank-branded offers from our bank partners. In this way, we benefit banks who have adopted our AI lending technology. Bank partners can also offer Upstart-powered loans through a white-labeled interface on their own website or mobile application.

On the funding side, our bank partners can retain loans that align with their business and risk objectives, while the remainder can be sold to our network of institutional investors, which have far broader and more diverse capacity to absorb and distribute risk. This flexible approach allows banks to adopt AI lending at their own pace, while we continue to grow and improve our platform.

Value Proposition to Consumers

- *Higher approval rates and lower interest rates*—The CFPB reported that a study by Upstart of its data using a methodology specified by the CFPB, showed that our AI model approves 27% more borrowers than high-quality traditional lending models with a 16% lower average APR for approved loans.³² Our analyses suggest that our loan offers have improved significantly over time relative to those of competitors.³³
- *Superior digital experience*—Whether consumers apply for a loan through Upstart.com or directly through a bank partner's website, the application experience is streamlined into a single application process and the loan offers provided are firm. In the fourth quarter of 2019, approximately 70% of Upstart-powered loans were instantly approved with no document upload or phone call required, an increase from 0% in late 2016.

³² Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

³³ Since 2017, Upstart has used a third-party service to perform quarterly comparative studies of the interest rates offered for Upstart-powered loans versus the interest rates offered by six other companies offering personal loans online.

Value Proposition to Bank Partners

- *Competitive digital lending experience*—We provide regional banks and credit unions with a cost effective way to compete with the technology budgets of their much larger competitors. The Net Promoter Scores, or NPS, for our bank partners' lending programs are approximately 80, well above published benchmarks for the largest banks.³⁴
- *Expanded customer base*—We refer customers that apply for loans through Upstart.com to our bank partners, helping them grow both loan volumes and number of customers. The most common age of Upstart-referred borrowers is 27 years old, a compelling demographic that is often challenging for banks to access.
- *Lower loss rates*—An internal study comparing our model to that of several large U.S. banks found that our model could enable these banks to lower loss rates by almost 75% while keeping approval rates constant.³⁵
- *New product offering*—Personal loans are the fastest-growing segment of credit in the U.S.³⁶ Our platform helps banks provide a product their customers want, rather than letting customers seek loans from competitors.
- *Institutional investor acceptance*—Analyses by credit rating agencies, loan and bond buying institutions, and credit underwriters help banks gain confidence that Upstart-powered loans are subject to significant and constant scrutiny from experts, the results of which are often publicly available.

Our Competitive Strengths

Constantly Improving AI Models

We have been building and refining our AI models for more than seven years, and they have led directly to our growth and profitability. Our models currently incorporate more than 1,500 variables and are trained by more than 5.5 million repayment events. Beyond the advantages accrued by our constantly growing volume of training data, our data science team continues to update our modeling techniques regularly. Model and technology improvements have increased our conversion rate from the initial rate inquiry to funded loan by a factor of four since the beginning of 2016. We have a pipeline of potential model improvements that we expect will further increase our conversion rates in the future.

Flexible Two-Sided Ecosystem

We benefit from aggregating consumer demand on Upstart.com, referring consumers directly to our network of AI-enabled bank partners. Our consumer presence allows us to increase awareness of and interest in Upstart-powered loans, directly contributing to our own growth, as well as the growth and success of our bank partners' lending programs.

With an expanding list of bank partners, we can solve the borrowing needs of an increasingly diverse array of consumers. As more banks leverage the Upstart platform, consumers benefit from better offers of credit, while experiencing a consistently high-quality experience.

³⁴ Upstart used a third-party service to administer surveys to loan applicants immediately following an applicant's acceptance of a loan on Upstart's platform. For further information, see the section titled "Industry, Market and Other Data."

³⁵ In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart's funded borrower base as of December 31, 2017. Such results are the average of the differences between Upstart's AI models and each of the three bank models.

³⁶ Beiseitov; see the section titled "Industry, Market and Other Data."

Capital Efficient Fee-Based Business

In 2019, we generated 97% of revenue from fees from banks and loan servicing. We have also achieved a high degree of automation, with approximately 70% of Upstart-powered loans approved instantly and fully automated in the fourth quarter of 2019, driving operating leverage and improving unit economics. We generated more than \$1 million of annualized revenue per employee in the fourth quarter of 2019.

Regulatory Compliance

We have worked with regulators since our inception to ensure we operate in compliance with applicable laws and regulations. AI lending expands access to affordable credit by constantly finding new ways to identify qualified borrowers, yet AI models must avoid unlawful disparate impact or statistical bias that would be harmful to protected groups. We have demonstrated to the CFPB that our platform does not introduce unlawful bias to the credit decision, and we have developed sophisticated reporting procedures to ensure future versions of the model remain fair.³⁷

In September 2017, we received the CFPB's first no-action letter.³⁸ The CFPB issues no-action letters to reduce potential regulatory uncertainty for innovative products that may offer significant consumer benefit.³⁹ At this time, we do not know of any other lending platforms that have received similar no-action letters for fair lending from the CFPB.

Our Growth Strategy

Model Improvements

Our growth has historically been driven by AI model improvements and technology upgrades, and we expect this trend to continue for the foreseeable future. Model upgrades typically result in higher approval rates, better loan offers, higher degrees of automation and other improvements that increase our total number of funded loans. As our model accuracy increases, we are able to re-target and approve consumers who previously visited our site but were not eligible for a loan. A more efficient funnel also has the effect of enabling new marketing and acquisition channels that may not have been economical in the past, providing a second-order growth driver.

More Efficient Funding

Growth is also driven by a reduced cost of funding for Upstart-powered loans. This can happen because more banks adopt our platform, or existing partners increase their budget for Upstart-powered loans. Cost of funding can also be reduced as bank partners gain more confidence in our models and lower some of the constraints they choose to place on their lending program. The cost of funding through institutional investors can also improve regularly, as credit rating agencies and loan and residual buyers gain confidence in the credit performance of Upstart-powered loans.

Our internal data suggests that each 100 basis point reduction in interest rate offered to the consumer increases conversion by 15%.⁴⁰ Therefore, reduced cost of funding can be a direct driver of growth.

³⁷ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

³⁸ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

³⁹ Bureau of Consumer Financial Protection, Policy on No-Action Letters, September 2019.

⁴⁰ In a series of internal studies conducted in April 2016, September 2016 and January 2018, Upstart compared changes in conversion rates between test groups of Upstart loan applicants when loan offer APRs were increased or decreased for certain groups. The average change in conversion rates across the three studies is presented.

Bank Distribution

Today, the vast majority of borrowers are referred to our bank partners via Upstart.com. But these banks are also beginning to offer Upstart-powered loans through their own websites, supported by their own marketing programs. We expect the bank-driven distribution of Upstart-powered loans to grow over time, as more bank partners roll out white-labeled versions of Upstart to serve their new and existing customers directly.

New Products

Personal loans are the fastest-growing segment of consumer credit in the U.S., but they are far from the largest.⁴¹ As we apply our AI models and technology to other credit verticals, we will be able to serve the needs of more consumers and to play a broader technology enablement role for our bank partners. There is significant opportunity to expand from personal loans to auto loans, credit cards, student loans, point-of-sale loans and HELOCs. While not a core focus today, we believe that in the long term our platform is also well-positioned to address opportunities in mortgages and small business loans.

Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, but are not limited to, the following:

- We are a rapidly growing company with a relatively limited operating history, which may result in increased risks, uncertainties, expenses and difficulties, and makes it difficult to evaluate our future prospects.
- Our revenue growth rate and financial performance in recent periods may not be indicative of future performance and such growth may slow over time.
- If we fail to effectively manage our growth, our business, financial condition and results of operations could be adversely affected.
- We have incurred net losses in the past, and we may not be able to maintain or increase our profitability in the future.
- Our quarterly results are likely to fluctuate and as a result may adversely affect the trading price of our common stock.
- If we are unable to continue to improve our AI models or if our AI models contain errors or are otherwise ineffective, our growth prospects, business, financial condition and results of operations would be adversely affected.
- If our existing bank partners were to cease or limit operations with us or if we are unable to attract and onboard new bank partners, our business, financial condition and results of operations could be adversely affected.
- Cross River Bank accounts for a substantial portion of the total number of loans facilitated by our platform and our revenue.
- The sales and onboarding process of new bank partners could take longer than expected, leading to fluctuations or variability in expected revenues and results of operations.

⁴¹ Beiseitov; see the section titled “Industry, Market and Other Data.”

- Our business may be adversely affected by economic conditions and other factors that we cannot control.
- Our AI models have not yet been tested in down-cycle economic conditions. If our AI models do not accurately reflect a borrower's credit risk in such economic conditions, the performance of Upstart-powered loans may be worse than anticipated.
- If we are unable to maintain a diverse and robust loan funding program, our growth prospects, business, financial condition and results of operations could be adversely affected.
- Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations.
- We rely on strategic relationships with loan aggregators to attract applicants to our platform, and if we cannot maintain effective relationships with loan aggregators or successfully replace their services, our business could be adversely affected.
- We currently only offer one type of loan product on our platform, and we are thus particularly susceptible to fluctuations in the unsecured personal loan market and do not currently offer a broad suite of products that bank partners may find desirable.

Channels for Disclosure of Information

Investors, the media and others should note that, following the completion of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, our corporate blog at Upstart.com/blog, the investor relations page on our website, press releases, our Twitter account (@Upstart), our Facebook page, our LinkedIn page, public conference calls or webcasts.

The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and to review the information disclosed through such channels.

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Corporate Information

Upstart Network, Inc. was incorporated in Delaware in 2012. Pursuant to a restructuring, Upstart Holdings, Inc. was incorporated in December 2013 and became the holding company of Upstart Network, Inc. Our principal executive offices are located at 2950 S. Delaware Street, Suite 300, San Mateo, California 94403, and our telephone number is (650) 204-1000. Our website address is www.Upstart.com. Information contained on, or that can be accessed through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only. You should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Upstart, our logo, and our other registered or common law trademarks, service marks, or trade names appearing in this prospectus are the property of Upstart Holdings, Inc. or one of its subsidiaries. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

JOBS Act

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of relief from certain reporting requirements and other burdens that are otherwise applicable generally to public companies. These provisions include:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data;
- an exception from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements, and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years or such earlier time that we no longer qualify as an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenues, have more than \$700 million in market value of our capital stock held by non-affiliates or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced reporting burdens.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies or that have opted out of using such extended transition period, which may make comparison of our financial statements with those of other public companies more difficult. We may take advantage of these reporting exemptions until we no longer qualify as an emerging growth company, or, with respect to adoption of certain new or revised accounting standards, until we irrevocably elect to opt out of using the extended transition period.

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares of common stock from us	We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares from us.
Use of proceeds	<p>We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately \$ (or approximately \$ if the underwriters' option to purchase additional shares of our common stock is exercised in full), based upon the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time. See the section titled "Use of Proceeds" for additional information.</p>
Concentration of ownership	Upon completion of this offering, our executive officers, directors, and holders of 5% or more of our common stock will beneficially own, in the aggregate, approximately % of the outstanding shares of our common stock.
Risk factors	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Proposed trading symbol	"UPST"

The number of shares of our common stock that will be outstanding after this offering is based on _____ shares of our common stock outstanding as of December 31, 2019, and reflects:

- 47,349,577 shares of preferred stock that will automatically convert into shares of common stock immediately prior to the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation, or the Capital Stock Conversion; and
- 600,208 shares of our Series B preferred stock issuable upon the automatic net exercise of a warrant outstanding as of December 31, 2019, with an exercise price of \$0.01 per share, upon the closing of this offering, which would result in the issuance of _____ shares of our common stock in connection with the Capital Stock Conversion.

The shares of our common stock outstanding as of December 31, 2019 exclude the following:

- 16,502,206 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.86 per share;
- 319,669 shares of our common stock issuable upon the exercise of warrants outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.77 per share;
- 1,757,974 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock issued after December 31, 2019, with a weighted-average exercise price of \$8.88 per share; and
- _____ shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:
 - _____ shares of our common stock to be reserved for future issuance under our 2020 Equity Incentive Plan, or our 2020 Plan, which will become effective prior to the completion of this offering; and
 - 1,319,666 shares of our common stock reserved for future issuance under our 2012 Stock Plan, or our 2012 Plan, which number of shares will be added to the shares of our common stock to be reserved for future issuance under our 2020 Plan upon its effectiveness, at which time we will cease granting awards under our 2012 Plan.

Our 2020 Plan will provide for annual automatic increases in the number of shares reserved thereunder and our 2020 Plan will also provide for increases to the number of shares that may be granted thereunder based on shares under our 2012 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefit and Stock Plans.”

Except as otherwise indicated, all information in this prospectus assumes:

- the Capital Stock Conversion will occur immediately prior to the completion of this offering;
- the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the effectiveness of our amended and restated bylaws, will each occur immediately prior to the completion of this offering;
- no exercise or cancellation of outstanding stock options subsequent to December 31, 2019; and
- no exercise by the underwriters of their option to purchase an additional _____ shares of our common stock from us.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated historical financial and other data. We have derived the summary consolidated statements of operations data for the years ended December 31, 2017, 2018 and 2019 and consolidated balance sheet data as of December 31, 2019 from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data in this section are not intended to replace our consolidated financial statements and related notes, and our historical results are not necessarily indicative of the results that may be expected in the future. The following summary consolidated financial and other data should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. The last day of our fiscal year is December 31. Our fiscal quarters end on March 31, June 30, September 30, and December 31.

Consolidated Statements of Operations Data

<i>(In thousands, except share and per share amounts)</i>	Year Ended December 31,		
	2017	2018	2019
Revenue:			
Revenue from fees, net	\$ 51,161	\$ 88,482	\$ 159,847
Interest income and fair value adjustments, net	6,128	10,831	4,342
Total revenue	<u>57,289</u>	<u>99,313</u>	<u>164,189</u>
Operating expenses:			
Sales and marketing ⁽¹⁾	33,838	63,633	93,175
Customer operations ⁽¹⁾	10,232	15,416	24,947
Engineering and product development ⁽¹⁾	5,324	8,415	18,777
General, administrative, and other ⁽¹⁾	15,431	19,820	31,865
Total operating expenses	<u>64,825</u>	<u>107,284</u>	<u>168,764</u>
Loss from operations	(7,536)	(7,971)	(4,575)
Other income	330	487	1,036
Expense on warrants and convertible notes, net	(1,649)	(3,734)	(1,407)
Net loss before income taxes	(8,855)	(11,218)	(4,946)
Provision for income taxes	6	—	74
Net loss before attribution to noncontrolling interests	(8,861)	(11,218)	(5,020)
Net (loss) income attributable to noncontrolling interests	(1,144)	1,101	(4,554)
Net loss attributable to Upstart Holdings, Inc. common stockholders	<u>\$ (7,717)</u>	<u>\$ (12,319)</u>	<u>\$ (466)</u>
Net loss per common share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted ⁽²⁾	<u>\$ (0.56)</u>	<u>\$ (0.87)</u>	<u>\$ (0.03)</u>
Weighted-average number of shares outstanding used in computing net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted ⁽²⁾	<u>13,873,810</u>	<u>14,128,183</u>	<u>14,335,611</u>
Pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited) ⁽²⁾			<u>\$</u>
Weighted-average number of shares used to compute pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited) ⁽²⁾			<u>\$</u>

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

<i>(In thousands)</i>	Year ended December 31,		
	2017	2018	2019
Sales and marketing	\$ 32	\$ 183	\$ 278
Customer operations	124	178	433
Engineering and product development	574	753	1,803
General, administrative, and other	560	931	1,292
Total stock-based compensation	\$ 1,290	\$ 2,045	\$ 3,806

- (2) See Note 16 to our consolidated financial statements for an explanation of the calculations of our basic and diluted net loss per share attributable to Upstart Holdings, Inc. common stockholders, pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

Consolidated Balance Sheet Data

<i>(In thousands)</i>	As of December 31, 2019		
	Actual	Pro Forma ⁽¹⁾	Pro Forma as Adjusted ⁽²⁾⁽³⁾
Cash	\$ 44,389	\$	\$
Loans (at fair value)	232,305		
Notes receivable and residual certificates (at fair value)	34,116		
Total assets	393,462		
Borrowings	118,609		
Payable to securitization note holders and residual certificate holders (includes \$89,672 at fair value and \$41,343 payable to related parties as of December 31, 2019)	96,107		
Total liabilities	292,604		
Convertible preferred stock	162,546		
Accumulated deficit	(75,205)		
Total Upstart Holdings, Inc. stockholders' deficit	(62,714)		
Noncontrolling interests	1,026		
Total stockholders' deficit	(61,688)		
Total liabilities, convertible preferred stock and stockholders' deficit	\$393,462		

- (1) The pro forma column in the balance sheet data table above reflects (a) the Capital Stock Conversion, as if such conversions had occurred on December 31, 2019, (b) the automatic net exercise of a warrant to purchase up to 600,208 shares of our convertible preferred stock and (c) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware that will become effective immediately prior to the completion of this offering.
- (2) The pro forma as adjusted column in the balance sheet data table above gives effect to (a) the pro forma adjustments set forth above and (b) the sale and issuance by us of shares of our common stock in this offering, based upon the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the amount of our pro forma as adjusted cash, working capital, total assets, and total stockholders' equity by \$, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions payable by. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, working capital, total assets, and total stockholders' equity by \$ assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

Key Operating Metrics

We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	Year Ended December 31,		
	2017	2018	2019
Number of Loans Transacted	70,457	114,125	215,122
Conversion Rate	8.1%	9.1%	13.1%
Percentage of Loans Fully Automated	34%	53%	66%

See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics” for a description of Number of Loans Transacted, Conversion Rate and Percentage of Loans Fully Automated.

Non-GAAP Financial Measures

<i>(In thousands)</i>	Year Ended December 31,		
	2017	2018	2019
Contribution Profit	\$ 9,265	\$13,098	\$48,940
Adjusted EBITDA	\$(4,679)	\$(6,226)	\$ 5,595

See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for a description of Contribution Profit and Adjusted EBITDA and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures” for a reconciliation of such non-GAAP financial measures to certain directly comparable financial measures calculated in accordance with GAAP.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We are a rapidly growing company with a relatively limited operating history, which may result in increased risks, uncertainties, expenses and difficulties, and makes it difficult to evaluate our future prospects.

We were founded in 2012 and have experienced rapid growth in recent years. Our limited operating history may make it difficult to make accurate predictions about our future performance. Assessing our business and future prospects may also be difficult because of the risks and difficulties we face. These risks and difficulties include our ability to:

- improve the effectiveness and predictiveness of our AI models;
- maintain and increase the volume of loans facilitated by our AI lending platform;
- enter into new and maintain existing bank partnerships;
- successfully maintain a diversified loan funding strategy, including bank partnerships and whole loan sales and securitization transactions that enhance loan liquidity for the bank partners that use our loan funding capabilities;
- successfully fund a sufficient quantity of our borrower loan demand with low cost bank funding to help keep interest rates offered to borrowers competitive;
- maintain competitive interest rates offered to borrowers on our platform, while enabling our bank partners to achieve an adequate return over their cost of funds, whether through their own balance sheets or through our loan funding programs;
- successfully build our brand and protect our reputation from negative publicity;
- increase the effectiveness of our marketing strategies, including our direct consumer marketing initiatives;
- continue to expand the number of potential borrowers;
- successfully adjust our proprietary AI models, products and services in a timely manner in response to changing macroeconomic conditions and fluctuations in the credit market;
- comply with and successfully adapt to complex and evolving regulatory environments.
- protect against increasingly sophisticated fraudulent borrowing and online theft;
- successfully compete with companies that are currently in, or may in the future enter, the business of providing online lending services to financial institutions or consumer financial services to borrowers;
- enter into new markets and introduce new products and services;

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- effectively secure and maintain the confidentiality of the information received, accessed, stored, provided and used across our systems;
- successfully obtain and maintain funding and liquidity to support continued growth and general corporate purposes;
- attract, integrate and retain qualified employees; and
- effectively manage and expand the capabilities of our operations teams, outsourcing relationships and other business operations.

If we are not able to timely and effectively address these risks and difficulties as well as those described elsewhere in this “Risk Factors” section, our business and results of operations may be harmed.

Our revenue growth rate and financial performance in recent periods may not be indicative of future performance and such growth may slow over time.

We have grown rapidly over the last several years, and our recent revenue growth rate and financial performance may not be indicative of our future performance. In 2017, 2018 and 2019, our revenue was \$57.3 million, \$99.3 million and \$164.2 million, respectively, representing a 73% growth rate from 2017 to 2018 and a 65% growth rate from 2018 to 2019. You should not rely on our revenue for any previous quarterly or annual period as any indication of our revenue or revenue growth in future periods. As we grow our business, our revenue growth rates may slow, or our revenue may decline, in future periods for a number of reasons, which may include slowing demand for our platform offerings and services, increasing competition, a decrease in the growth of our overall credit market, increasing regulatory costs and challenges and our failure to capitalize on growth opportunities. Further, we believe our growth over the last several years has been driven in large part by our AI models and our continued improvements to our AI models. Future incremental improvements to our AI models may not lead to the same level of growth as in past periods. In addition, we believe our growth over the last several years has been driven in part by our ability to rapidly streamline and automate the loan application and origination process on our platform. The Percentage of Loans Fully Automated on our platform was 34% in 2017 and increased to 66% in 2019.⁴² We expect the Percentage of Loans Fully Automated to level off and remain relatively constant in the long term, and to the extent we expand our loan offerings beyond unsecured personal loans, we expect that such percentage may decrease in the short term. As a result of these factors, our revenue growth rates may slow, and our financial performance may be adversely affected.

If we fail to effectively manage our growth, our business, financial condition and results of operations could be adversely affected.

Over the last several years, we have experienced rapid growth in our business and the Number of Loans Transacted on our AI lending platform, and we expect to continue to experience growth in the future. The Number of Loans Transacted on our platform increased from 70,457 in 2017 to 215,122 in 2019, representing a compound annual growth rate of 75%.⁴³ This rapid growth has placed, and may continue to place, significant demands on our management, processes and operational, technological and financial resources. Our ability to manage our growth effectively and to integrate new employees and technologies into our existing business will require us to continue to retain, attract, train, motivate and manage employees and expand our operational, technological and financial infrastructure.

⁴² See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on how we define Percentage of Loans Fully Automated.

⁴³ See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on how we define Number of Loans Transacted.

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Continued growth could strain our ability to develop and improve our operational, technological, financial and management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel and maintain user satisfaction. Any of the foregoing factors could negatively affect our business, financial condition and results of operations.

We have incurred net losses in the past, and we may not be able to maintain or increase our profitability in the future.

For the years ended December 31, 2017, 2018 and 2019, we have experienced net losses of \$7.7 million, \$12.3 million and \$0.5 million, respectively. We intend to continue to expend significant funds to continue to develop and improve our proprietary AI models, improve our marketing efforts to increase the number of borrowers on our platform, enhance the features and overall user experience of our platform, expand the types of loan offerings on our platform and otherwise continue to grow our business, and we may not be able to increase our revenue enough to offset these significant expenditures. We may incur significant losses in the future for a number of reasons, including the other risks described in this section, and unforeseen expenses, difficulties, complications and delays, macroeconomic conditions and other unknown events. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from maintaining or improving profitability on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition and results of operations could be adversely affected.

Our quarterly results are likely to fluctuate and as a result may adversely affect the trading price of our common stock.

Our quarterly results of operations, including the levels of our revenue, net income and other key metrics, are likely to vary significantly in the future, and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results for any one quarter are not necessarily an accurate indication of future performance. Our quarterly financial results may fluctuate due to a variety of factors, many of which are outside of our control. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to improve the effectiveness and predictiveness of our AI models;
- our ability to attract new bank partners and investors of our loan funding programs;
- our ability to maintain relationships with existing bank partners and investors of our loan funding programs;
- our ability to maintain or increase loan volumes, and improve loan mix and the channels through which the loans, bank partners and loan funding are sourced;
- our ability to maintain effective relationships with loan aggregators from which prospective borrowers access our website;
- general economic conditions, including economic slowdowns, recessions and tightening of credit markets;
- improvements to our AI models that negatively impact transaction volume, such as lower approval rates;
- the timing and success of new products and services;
- the effectiveness of our direct marketing and other marketing channels;
- the amount and timing of operating expenses related to maintaining and expanding our business, operations and infrastructure, including acquiring new and maintaining existing bank partners and investors and attracting borrowers to our platform;

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- our cost of borrowing money and access to loan funding sources;
- the number and extent of prepayments of loans facilitated on our platform;
- changes in the fair value of assets and liabilities on our balance sheet;
- network outages or actual or perceived security breaches;
- our involvement in litigation or regulatory enforcement efforts, or the threat thereof or those that impact our industry generally;
- the length of the onboarding process related to acquisitions of new bank partners;
- changes in laws and regulations that impact our business; and
- changes in the competitive dynamics of our industry, including consolidation among competitors or the development of competitive products by larger well-funded incumbents.

In addition, we experience significant seasonality in the demand for Upstart-powered loans, which is generally lower in the first quarter. This seasonal slowdown is primarily attributable to high loan demand around the holidays in the fourth quarter and the general increase in borrowers' available cash flows in the first quarter, including cash received from tax refunds, which temporarily reduces their borrowing needs. While our growth has obscured this seasonality in our overall financial results, we expect our results of operations to continue to be affected by such seasonality in the future. Such seasonality and other fluctuations in our quarterly results may also adversely affect and, increase the volatility of, the trading price of our common stock.

If we are unable to continue to improve our AI models or if our AI models contain errors or are otherwise ineffective, our growth prospects, business, financial condition and results of operations would be adversely affected.

Our ability to attract potential borrowers to our platform and increase the number of Upstart-powered loans will depend in large part on our ability to effectively evaluate a borrower's creditworthiness and likelihood of default and, based on that evaluation, offer competitively priced loans and higher approval rates. Further, our overall operating efficiency and margins will depend in large part on our ability to maintain a high degree of automation in our loan application process and achieve incremental improvements in the degree of automation. If our AI models fail to adequately predict the creditworthiness of borrowers due to the design of our models or programming or other errors, and our AI models do not detect and account for such errors, or any of the other components of our credit decision process fails, we may experience higher than forecasted loan losses. Any of the foregoing could result in sub-optimally priced loans, incorrect approvals or denials of loans, or higher than expected loan losses, which in turn could adversely affect our ability to attract new borrowers and bank partners to our platform, increase the number of Upstart-powered loans or maintain or increase the average size of loans facilitated on our platform.

Our AI models also target and optimize other aspects of the lending process, such as borrower acquisition, fraud detection, default timing, loan stacking, prepayment timing and fee optimization, and our continued improvements to such models have allowed us to facilitate loans inexpensively and virtually instantly, with a high degree of consumer satisfaction and with an insignificant impact on loan performance. However, such applications of our AI models may prove to be less predictive than we expect, or than they have been in the past, for a variety of reasons, including inaccurate assumptions or other errors made in constructing such models, incorrect interpretations of the results of such models and failure to timely update model assumptions and parameters. Additionally, such models may not be able to effectively account for matters that are inherently difficult to predict and beyond our control, such as macroeconomic conditions, credit market volatility and interest rate fluctuations, which

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often involve complex interactions between a number of dependent and independent variables and factors. Material errors or inaccuracies in such AI models could lead us to make inaccurate or sub-optimal operational or strategic decisions, which could adversely affect our business, financial condition and results of operations.

Additionally, errors or inaccuracies in our AI models could result in anyone exposed to the credit risk of Upstart-powered loans, whether it be us, our bank partners or investors in our loan funding programs, experiencing higher than expected losses or lower than desired returns, which could impair our ability to retain existing or attract new bank partners and investors to participate in our loan funding programs, reduce the number, or limit the types, of loans bank partners and investors are willing to fund, and limit our ability to increase commitments under our warehouse and other debt facilities. Any of these circumstances could reduce the number of Upstart-powered loans and harm our ability to maintain a diverse and robust loan funding program and could adversely affect our business, financial condition and results of operations.

Continuing to improve the accuracy of our AI models is central to our business strategy. However, such improvements could negatively impact transaction volume, such as by lowering approval rates. For example, a recent upgrade to our AI models related to prepayment predictions led to a temporary decrease in the total number of loans approved. While we believe that continuing to improve the accuracy of our AI models is key to our long-term success, those improvements could, from time to time, lead us to reevaluate the risks associated with certain borrowers, which could in turn cause us to lower approval rates or increase interest rates for any borrowers identified as a higher risk, either of which could negatively impact our growth and results of operations in the short term.

If our existing bank partners were to cease or limit operations with us or if we are unable to attract and onboard new bank partners, our business, financial condition and results of operations could be adversely affected.

In 2019, approximately 90% of our revenue was generated from platform, referral and servicing fees that we receive from our bank partners. Our bank partners include Cross River Bank, FinWise Bank, First Federal Bank of Kansas City, First National Bank of Omaha, Kemba Financial Credit Union and TCF Bank. If any of our bank partners were to suspend, limit or cease their operations or otherwise terminate their relationships with us, the number of loans facilitated through our platform could decrease and our revenue and revenue growth rates could be adversely affected. Our sales and onboarding process with new bank partners can be long and unpredictable. If we are unable to timely onboard our bank partners, or if our bank partners are not willing to work with us to complete a timely onboarding process, our results of operations could be adversely affected.

We have entered into separate agreements with each of our bank partners. Our agreements with our bank partners are non-exclusive and have initial terms ranging from one to three years, subject to certain early termination provisions. Our bank partners could decide to stop working with us, ask to modify their agreement terms in a cost prohibitive manner when their agreement is up for renewal or enter into exclusive or more favorable relationships with our competitors. In addition, their regulators may require that they terminate or otherwise limit their business with us, or impose regulatory pressure limiting their ability to do business with us. If the bank partners listed above or any of our other bank partners were to stop working with us, suspend, limit or cease their operations or otherwise terminate their relationship with us, the number of loans facilitated through our platform could decrease and our revenue and revenue growth rates could be adversely affected. We could in the future have disagreements or disputes with any of our bank partners, which could negatively impact or threaten our relationship with them. In our agreements with bank partners, we make certain representations and warranties and covenants concerning our compliance with specific policies of a bank partner, our compliance with certain procedures and guidelines related to laws and regulations applicable to our

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bank partners, as well as the services to be provided by us. If those representations and warranties were not accurate when made or if we fail to perform a covenant, we may be liable for any resulting damages, including potentially any losses associated with impacted loans, and our reputation and ability to continue to attract new bank partners would be adversely affected. Additionally, our bank partners may engage in mergers, acquisitions or consolidations with each other, our competitors or with third parties, any of which could be disruptive to our existing and prospective relationships with our bank partners.

In addition, our bank partners have increasingly retained loans for their own customer base and balance sheet. In the fourth quarter of 2019, approximately 21% of Upstart-powered loans were retained on our bank partners' balance sheets, while about 72% of Upstart-powered loans were purchased by investors through our loan funding programs. The percentage of Upstart-powered loans funded by our bank partners' balance sheets has increased in the last few years. In general, banks can fund loans at lower rates due to the lower cost of funds available to them from their deposit base than is otherwise available in the broader institutional investment markets. Accordingly, loans retained on our bank partners' balance sheets generally carry lower interest rates for borrowers, which leads to better conversion rates and faster growth for our platform. Separately, as our number of bank partners grows, such banks will increasingly source new prospective borrowers from their own existing customer base and provide an incremental channel to attract borrowers. If we are unable to attract new bank partners or if we are unable to maintain or expand the number of loans held on their balance sheets, our financial performance would suffer.

Cross River Bank accounts for a substantial portion of the total number of loans facilitated by our platform and our revenue.

Cross River Bank, or CRB, a New Jersey-chartered community bank, originates a substantial majority of the loans on our platform. In 2019, CRB originated approximately 89% of the loans facilitated on our platform. CRB also accounts for a large portion of our revenues. In 2019, fees received from CRB accounted for 80% of our total revenue. CRB funds a certain portion of these originated loans by retaining them on its own balance sheet, and sells the remainder of the loans to us, which we in turn sell to institutional investors and to our warehouse trust special purpose entities. Our most recent commercial arrangement with CRB began on January 1, 2019 and has a term of four years with an automatic renewal provision for an additional two years following the initial four year term. Either party may choose to not renew by providing the other party 120 days' notice prior to the end of the initial term or any renewal term. In addition, even during the term of our arrangement, CRB could choose to reduce the volume of Upstart-powered loans that it chooses to fund and retain on its balance sheet or to originate at all. We or CRB may terminate our arrangement immediately upon a material breach and failure to cure such breach within 30 days (or 90 days so long as the breaching party is working in good faith to cure such breach and such breach is capable of being cured within 90 days), if any representations or warranties are found to be false and such error is not cured within 30 days, bankruptcy or insolvency of either party, receipt of an order or judgement by a governmental entity, a material adverse effect, or a change of control whereby such party involved in such change of control provides 90 days' notice to the other and payment of a small termination fee. If we are unable to continue to increase the number of other bank partners on our platform or if CRB were to suspend, limit or cease their operations or otherwise terminate their relationship with us, our business, financial condition and results of operations would be adversely affected.

The sales and onboarding process of new bank partners could take longer than expected, leading to fluctuations or variability in expected revenues and results of operations.

Our sales and onboarding process with new bank partners can be long and typically takes between six to 15 months. As a result, revenues and results of operations may vary significantly from

period to period. Prospective bank partners are often cautious in making decisions to implement our platform and related services because of the risk management alignment and regulatory uncertainties related to their use of our AI models, including their oversight, model governance and fair lending compliance obligations associated with using such models. In addition, prospective banks undertake an extensive diligence review of our platform, compliance and servicing activities before choosing to partner with us. Further, the implementation of our AI lending model often involves shifts by the bank partner to a new software and/or hardware platform or changes in their operational procedures, which may involve significant time and expense to implement. Delays in onboarding new bank partners can also arise while prospective bank partners complete their internal procedures to approve expenditures and test and accept our applications. Consequently, we face difficulty predicting the quarter in which new bank partners will begin using our platform and the volume of fees we will receive, which can lead to fluctuations in our revenues and results of operations.

Our business may be adversely affected by economic conditions and other factors that we cannot control.

Uncertainty and negative trends in general economic conditions, including significant tightening of credit markets, historically have created a difficult operating environment for our industry. Many factors, including factors that are beyond our control, may impact our results of operations or financial condition and the overall success by affecting a borrower's willingness to incur loan obligations or willingness or capacity to make payments on their loans. These factors include interest rates, unemployment levels, conditions in the housing market, immigration policies, gas prices, energy costs, government shutdowns, trade wars and delays in tax refunds, as well as events such as natural disasters, acts of war, terrorism, catastrophes and pandemics.

For example, nearly all personal loans presently facilitated through our platform are issued with fixed interest rates. If interest rates rise, potential borrowers could seek to defer loans as they wait for interest rates to stabilize. As a result, fluctuations in the interest rate environment may discourage bank partners, investors and borrowers from engaging with our platform and as a result, reduce the volume of Upstart-powered loans.

Many new consumers on the Upstart platform have limited or no credit history. Accordingly, such borrowers have historically been, and may in the future become, disproportionately affected by adverse macroeconomic conditions. In addition, major medical expenses, divorce, death or other issues that affect borrowers could affect a borrower's willingness or ability to make payments on their loans. If borrowers default on loans facilitated on our platform, the cost to service these loans may also increase without a corresponding increase in our servicing fees or other related fees and the value of the loans held on our balance sheet could decline. Higher default rates by these borrowers may lead to lower demand by our bank partners and institutional investors to fund loans facilitated by our platform, which would adversely affect our business, financial condition and results of operations.

During periods of economic slowdown or recession, our current and potential investors in our loan funding programs may reduce the number of loans or interests in loans they purchase or demand terms that are less favorable to us, to compensate for any increased risks. A reduction in the volume of the loans and loan financing products we sell would negatively impact our ability to maintain or increase the number of loans facilitated by our platform. Any sustained decline in demand for loans or loan financing products, or any increase in delinquencies, defaults or foreclosures that result from economic downturns, may harm our ability to maintain a robust loan funding program, which would adversely affect our business, financial condition and results of operations.

If there is an economic downturn that affects our current and prospective borrowers or our bank partners and institutional investors, our business, financial condition and results of operations could be adversely affected.

Our AI models have not yet been tested in down-cycle economic conditions. If our AI models do not accurately reflect a borrower's credit risk in such economic conditions, the performance of Upstart-powered loans may be worse than anticipated.

The performance of loans facilitated by our platform is significantly dependent on the effectiveness of our proprietary AI models used to evaluate a borrower's credit profile and likelihood of default. Our AI models have been developed during a period of sustained economic growth, and our AI models have not been tested in a down-cycle economy or recession. There is no assurance that our AI models can accurately predict loan performance under adverse economic conditions. If our AI models are unable to accurately reflect the credit risk of loans under such economic conditions, our bank partners, investors in our loan funding programs and we may experience greater than expected losses on such loans, which would harm our reputation and erode the trust we have built with our bank partners and investors in our loan funding programs. In addition, the fair value of the loans on our balance sheet may decline. Any of these factors could adversely affect our business, financial condition and results of operations.

If we are unable to maintain a diverse and robust loan funding program, our growth prospects, business, financial condition and results of operations could be adversely affected.

Our business depends on sourcing and maintaining a diverse and robust loan funding program to fund Upstart-powered loans that our bank partners are unable or unwilling to retain on their balance sheets. In the fourth quarter of 2019, approximately 21% of Upstart-powered loans were retained through our bank partners' balance sheets while approximately 72% of Upstart-powered loans were purchased by investors through our loan funding program, which includes whole loan sales to institutional investors, asset-backed securitization transactions, and utilization of committed and uncommitted warehouse credit facilities. While our loan funding program is diverse, only a limited portion of such funding sources are committed or guaranteed. We cannot be sure that these funding sources will continue to be available on reasonable terms or at all beyond the current maturity dates of our existing securitizations and debt financing arrangements.

Further, events of default or breaches of financial, performance or other covenants, or worse than expected performance of certain pools of loans underpinning our asset-backed securitizations or other debt facilities, could reduce or terminate our access to funding from institutional investors. Loan performance is dependent on a number of factors, including the predictiveness of our AI models and social and economic conditions. The availability and capacity of certain loan funding sources also depends on many factors that are outside of our control, such as credit market volatility and regulatory reforms. In the event of a sudden or unexpected shortage or restriction on the availability of loan funding sources, we may not be able to maintain the necessary levels of funding to retain current loan volume without incurring substantially higher funding costs, which could adversely affect our business, financial condition and results of operations.

Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations.

The legal and regulatory environment surrounding our AI lending platform is relatively new, susceptible to change and may require clarification or interpretive guidance with respect to existing laws and regulations. The body of laws and regulations applicable to our business are complex and subject to varying interpretations, in many cases due to the lack of specificity regarding the application of AI and related technologies to the already highly regulated consumer lending industry. As a result, the application of such laws and regulations 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, state and local administrative agencies.

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Since we launched our AI lending platform, we have been proactively working with state and local governments and regulatory bodies to ensure that our AI lending platform and other services are in compliance with applicable laws and regulations. For example, in 2017, after significant collaboration with the CFPB, the CFPB issued Upstart the first no-action letter regarding the use of alternative variables and AI and machine learning in credit decision-making. Such no-action letter will expire on September 14, 2020. We intend to apply for relief under the CFPB's new no-action letter policies adopted in 2018, which replace the prior policy under which our current no-action letter was issued. We can provide no assurance that the CFPB will provide such relief or will not change its position regarding supervisory or enforcement action against us in the future. We plan to continue working and collaborating closely with regulators to provide visibility into AI and related emerging technologies and the potential benefits such technologies can have on the consumer lending industry, while also addressing the related risks. New laws and regulations and changes to existing laws and regulations continue to be adopted, implemented and interpreted in response to our industry and the emergence of AI and related technologies. As we expand our business into new markets, introduce new loan products on our platform and continue to improve and evolve our AI models, regulatory bodies or courts may claim that we are subject to additional requirements. Such regulatory bodies could reject our applications for licenses or deny renewals, delay or impede our ability to operate, charge us fees or levy fines or penalties, or otherwise disrupt our ability to operate our AI lending platform, any of which could adversely affect our business, financial condition and results of operations.

Recent financial, political and other events may increase the level of regulatory scrutiny on financial technology companies. Regulatory bodies may enact new laws or promulgate new regulations or view matters or interpret laws and regulations differently than they have in the past, or commence investigations or inquiries into our business practices. For example, in February 2020, we received a letter from certain members of the U.S. Senate asking questions in connection with claims of discriminatory lending made by an advocacy group. We have responded to this inquiry. Any such investigations or inquiries, whether or not accurate or warranted, or whether concerning us or one of our competitors, could negatively affect our brand and reputation and the overall market acceptance of and trust in our AI lending platform. Any of the foregoing could harm our business, financial condition and results of operations.

We rely on strategic relationships with loan aggregators to attract applicants to our platform, and if we cannot maintain effective relationships with loan aggregators or successfully replace their services, our business could be adversely affected.

A significant number of consumers that apply for a loan on Upstart.com learn about and access Upstart.com through the website of a loan aggregator, typically with a hyperlink from such loan aggregator's website to a landing page on our website. For example, in 2019, 38% of loan originations were derived from traffic from Credit Karma. Our current agreement with Credit Karma began on August 1, 2014 and was most recently amended on February 1, 2019. Either party may terminate our arrangement immediately upon a material breach of any provision of the agreement or at any time, with or without cause, by providing no less than 30 days' notice. Even during the term of our agreement, our agreement does not require Credit Karma to display offers from lenders on Upstart.com nor prohibit them from working with our competitors or from offering competing services. Further, there is no assurance that Credit Karma will continue its contract with us on commercially reasonable terms or at all. For example, Intuit Inc. recently announced that it has agreed to acquire Credit Karma. If such acquisition is completed, Intuit may not continue our agreement on commercially reasonable terms or at all, which would adversely affect our business.

While we are planning to move towards more direct acquisition channels, we anticipate that we will continue to depend in significant part on relationships with loan aggregators to maintain and grow our business. Our current agreements with these loan aggregators do not require them to display

offers from lenders on Upstart.com nor prohibit them from working with our competitors or from offering competing services. Further, there is no assurance that a loan aggregator will renew its contract with us on commercially reasonable terms or at all. Our competitors may be effective in providing incentives to loan aggregators to favor their products or services or in reducing the volume of loans facilitated through our platform. Loan aggregators may not perform as expected under our agreements with them, and we may have disagreements or disputes with them, which could adversely affect our brand and reputation. If we cannot successfully enter into and maintain effective strategic relationships with loan aggregators, our business could be adversely affected.

In addition, the limited information such loan aggregators collect from applicants does not always allow us to offer rates to applicants that we would otherwise be able to through direct applicant traffic to Upstart.com. Typically, the rates offered to borrowers who come to Upstart.com directly are lower and more competitive than those rates offered through aggregators. In the event we do not successfully optimize direct traffic, our ability to attract borrowers would be adversely affected.

Such loan aggregators also face litigation and regulatory scrutiny for their part in the consumer lending ecosystem, and as a result, their business models may require fundamental change or may not be sustainable in the future. For example, loan aggregators are increasingly required to be licensed as loan brokers or lead generators in many states, subjecting them to increased regulatory supervision and more stringent business requirements. While we require loan aggregators to make certain disclosures in connection with our bank partners' offers and restrict how loan aggregators may display such loan offers, loan aggregators may nevertheless alter or even remove these required disclosures without notifying us, which may result in liability to us. Further, we do not have control over any content on loan aggregator websites, and it is possible that our brand and reputation may be adversely affected by being associated with such content. An unsatisfied borrower could also seek to bring claims against us based on the content presented on a loan aggregator's website. Such claims could be costly and time consuming to defend and could distract management's attention from the operation of the business.

We currently only offer one type of loan product on our platform, and we are thus particularly susceptible to fluctuations in the unsecured personal loan market and do not currently offer a broad suite of products that bank partners may find desirable.

While we plan to expand the type of loan products offered on our platform, the only loan product currently available on our platform is unsecured personal loans. The market for unsecured personal loans has grown rapidly in recent years, and it is unclear to what extent such market will continue to grow, if at all. A wide variety of factors could impact the market for unsecured personal loans, including macroeconomic conditions, competition, regulatory developments and other developments in the credit market. For example, FICO has recently changed its methodology in calculating credit scores in a manner that potentially penalizes borrowers who take out personal loans to pay off or consolidate credit card debt. This change could negatively affect the overall demand for personal loans. Our success will depend in part on the continued growth of the unsecured personal loan market, and if such market does not further grow or grows more slowly than we expect, our business, financial condition and results of operations could be adversely affected.

In addition, bank partners may in the future seek partnerships with competitors that are able to offer them a broader array of credit products. Over time, in order to preserve and expand our relationships with our existing bank partners, and enter into new bank partnerships, it may become increasingly important for us to be able to offer a wider variety of products than we currently provide. We are also susceptible to competitors that may intentionally underprice their loan products, even if such pricing practices lead to losses. Such practices by competitors would negatively affect the overall demand for personal loans facilitated on our platform.

Further, because such personal loans are unsecured, there is a risk that borrowers will not prioritize repayment of such loans, particularly in any economic downturn. To the extent borrowers have or incur other indebtedness that is secured, such as a mortgage, a home equity line of credit or an auto loan, borrowers may choose to repay obligations under such secured indebtedness before repaying their Upstart-powered loans. In addition, borrowers may not view Upstart-powered loans, which were originated through an online lending platform, as having the same significance as other credit obligations arising under more traditional circumstances, such as loans from banks or other commercial financial institutions. Any of the foregoing could lead to higher default rates and decreased demand by our bank partners and institutional investors to fund loans facilitated by our platform, which would adversely affect our business, financial condition and results of operations.

We are also more susceptible to the risks of changing and increased regulations and other legal and regulatory actions targeted towards the unsecured personal loan market. It is possible that regulators may view unsecured personal loans as high risk for a variety of reasons, including that borrowers will not prioritize repayment of such loans due to the unsecured nature of such loans or because existing laws and regulations may not sufficiently address the benefits and corresponding risks related to financial technology as applied to consumer lending. If we are unable to manage the risks associated with the unsecured personal loan market, our business, financial condition and results of operations could be adversely affected.

We are continuing to develop new loan products and services offerings, and if we are unable to manage the related risks, our growth prospects, business, financial condition and results of operations could be adversely affected.

We are continuing to invest in developing new loan products and service offerings, such as auto loans, student loans, point-of-sale loans and home equity lines of credit. New initiatives are inherently risky, as each involves unproven business strategies, new regulatory requirements and new financial products and services with which we, and in some cases our bank partners, have limited or no prior development or operating experience.

We cannot be sure that we will be able to develop, commercially market and achieve market acceptance of any new products and services. In addition, our investment of resources to develop new products and services may either be insufficient or result in expenses that are excessive in light of revenue actually derived from these new products and services. If the profile of loan applicants using any new products and services is different from that of those currently served by our existing loan products, our AI models may not be able to accurately evaluate the credit risk of such borrowers, and our bank partners and investors in our loan funding programs may in turn experience higher levels of delinquencies or defaults. Failure to accurately predict demand or growth with respect to our new products and services could have an adverse impact on our reputation and business, and there is always risk that new products and services will be unprofitable, will increase our costs, decrease operating margins or take longer than anticipated to achieve target margins. In addition, any new products or services may raise new and potentially complex regulatory compliance obligations, which would increase our costs and may cause us to change our business in unexpected ways. Further, our development efforts with respect to these initiatives could distract management from current operations and will divert capital and other resources from our existing business.

We may also have difficulty with securing adequate funding for any such new loan products and services, and if we are unable to do so, our ability to develop and grow these new offerings and services will be impaired. If we are unable to effectively manage the foregoing risks, our growth prospects, business, financial condition and results of operations could be adversely affected.

Our reputation and brand are important to our success, and if we are unable to continue developing our reputation and brand, our ability to retain existing and attract new bank partners, our ability to attract borrowers to our platform and our ability to maintain and improve our relationship with regulators of our industry could be adversely affected.

We believe maintaining a strong brand and trustworthy reputation is critical to our success and our ability to attract borrowers to our platform, attract new bank partners and maintain good relations with regulators. Factors that affect our brand and reputation include: perceptions of artificial intelligence, our industry and our company, including the quality and reliability of our AI lending platform; the accuracy of our AI models; perceptions regarding the application of artificial intelligence to consumer lending specifically; our loan funding programs; changes to the Upstart platform; our ability to effectively manage and resolve borrower complaints; collection practices; privacy and security practices; litigation; regulatory activity; and the overall user experience of our platform. Negative publicity or negative public perception of these factors, even if inaccurate, could adversely affect our brand and reputation.

For example, consumer advocacy groups, politicians and certain government and media reports have, in the past, advocated governmental action to prohibit or severely restrict consumer loan arrangements where banks contract with a third-party platform such as ours to provide origination assistance services to bank customers. These arrangements have sometimes been criticized as “renting-a-bank charter.” Such criticism has frequently been levied in the context of payday loan marketers, though other entities operating programs through which loans similar to Upstart-powered loans are originated have also faced criticism. The perceived improper use of a bank charter by these entities has been challenged by both governmental authorities and private litigants, in part because of the high rates and fees charged to consumers in certain payday and small-dollar lending programs. Bank regulators have even required banks to exit third-party programs that the regulators determined involved unsafe and unsound practices. The payday or “small-dollar” loans that have been subject to more frequent criticism and challenge are fundamentally different from Upstart-powered loans in many ways, including that Upstart-powered loans typically have lower interest rates and longer terms, and Upstart-powered loans do not renew. In particular, interest rates of Upstart-powered loans have always been and are currently less than 36%, as compared to the triple-digit interest rates of many payday or small dollar loans that have been subject to such criticism. If we are nevertheless associated with such payday or small-dollar consumer loans, or if we are associated with increased criticism of non-payday loan programs involving relationships between bank originators and non-bank lending platforms and program managers, demand for Upstart-powered loans could significantly decrease, which could cause our bank partners to reduce their origination volumes or terminate their arrangements with us, impede our ability to attract new bank partners or delay the onboarding of bank partners, impede our ability to attract institutional investors to participate in our loan funding programs or reduce the number of potential borrowers who use our platform. Any of the foregoing could adversely affect our results of operations and financial condition.

Any negative publicity or public perception of Upstart-powered loans or other similar consumer loans or the consumer lending service we provide may also result in us being subject to more restrictive laws and regulations and potential investigations and enforcement actions. In addition, regulators may decide they are no longer supportive of our AI lending platform if there is enough negative perception surrounding such practices. We may also become subject to lawsuits, including class action lawsuits, or other challenges such as government enforcement or arbitration, against our bank partners or us for loans originated by our bank partners on our platform, loans we service or have serviced. If there are changes in the laws or in the interpretation or enforcement of existing laws affecting consumer loans similar to those offered on our platform, or our marketing and servicing of such loans, or if we become subject to such lawsuits, our business, financial condition and results of operations would be adversely affected.

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Artificial intelligence and related technologies are subject to public debate and heightened regulatory scrutiny. Any negative publicity or negative public perception of artificial intelligence could negatively impact demand for our AI lending platform, hinder our ability to attract new bank partners or slow the rate at which banks adopt our AI lending platform. From time to time, certain advocacy groups have made claims that unlawful or unethical discriminatory effects may result from the use of AI technology by various companies, including ours. Such claims, whether or not accurate, and whether or not concerning us or our AI lending platform, may harm our ability to attract prospective borrowers to our platform, retain existing and attract new bank partners and achieve regulatory acceptance of our business. For example, in February 2020, we received a letter from certain members of the U.S. Senate asking questions in connection with claims of discriminatory lending made by such an advocacy group. We have responded to this inquiry. Negative public perception, actions by advocacy groups or legislative and regulatory interest groups could lead to lobbying for and enactment of more restrictive laws and regulations that impact the use of AI technology in general, AI technology as applied to lending operations generally or as used in our applications more specifically. Any of the foregoing could negatively impact our business, financial condition and results of operations.

Harm to our reputation can also arise from many other sources, including employee or former employee misconduct, misconduct by outsourced service providers or other counterparties, failure by us or our bank partners to meet minimum standards of service and quality, and inadequate protection of borrower information and compliance failures and claims. If we are unable to protect our reputation, our business, financial condition and results of operations would be adversely affected.

If we do not compete effectively in our target markets, our business, results of operations and financial condition could be harmed.

The consumer lending market is highly competitive and increasingly dynamic as emerging technologies continue to enter into the marketplace. With the introduction of new technologies and the influx of new entrants, competition may persist and intensify in the future, which could have an adverse effect on our operations or business.

Our inability to compete effectively could result in reduced loan volumes, reduced average size of loans facilitated on our platform, reduced fees, increased marketing and borrower acquisition costs or the failure of the Upstart platform to achieve or maintain more widespread market acceptance, any of which could have an adverse effect on our business and results of operations.

Consumer lending is a vast and competitive market, and we compete to varying degrees with all other sources of unsecured consumer credit. This can include banks, non-bank lenders including retail-based lenders and other financial technology lending platforms. Because personal loans often serve as a replacement for credit cards, we also compete with the convenience and ubiquity that credit cards represent. Many of our competitors operate with different business models, such as lending-as-a-service or point-of-sale lending, have different cost structures or regulatory obligations, or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, economic, technological and other developments, including utilizing new data sources or credit models. We may also face competition from banks or companies that have not previously competed in the consumer lending market, including companies with access to vast amounts of consumer-related information that could be used in the development of their own credit risk models. Our current or potential competitors may be better at developing new products due to their large and experienced data science and engineering teams, who are able to respond more quickly to new technologies. Many of our current or potential competitors have significantly more resources, such as financial, technical and marketing resources, than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. We face competition in areas such as compliance capabilities, commercial financing terms and costs of

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capital, interest rates and fees (and other financing terms) available to consumers from our bank partners, approval rates, model efficiency, speed and simplicity of loan origination, ease-of-use, marketing expertise, service levels, products and services, technological capabilities and integration, borrower experience, brand and reputation, and terms available to our loan funding investor base. Our competitors may also have longer operating histories, lower commercial financing costs or costs of capital, more extensive borrower bases, more diversified products and borrower bases, operational efficiencies, more versatile or extensive technology platforms, greater brand recognition and brand loyalty, broader borrower and partner relationships, more extensive and/or more diversified loan funding investor bases than we have, and more extensive product and service offerings than we have. Furthermore, our existing and potential competitors may decide to modify their pricing and business models to compete more directly with us. Our ability to compete will also be affected by our ability to provide our bank partners with a commensurate or more extensive suite of loan products than those offered by our competitors. In addition, current or potential competitors, including financial technology lending platforms and existing or potential bank partners, may also acquire or form strategic alliances with one another, which could result in our competitors being able to offer more competitive loan terms due to their access to lower-cost capital. Such acquisitions or strategic alliances among our competitors or potential competitors could also make our competitors more adaptable to a rapidly evolving regulatory environment. To stay competitive, we may need to increase our regulatory compliance resources spend or our ability to compete may be adversely affected.

Our industry is driven by constant innovation. We utilize artificial intelligence and machine learning, which is characterized by extensive research efforts and rapid technological progress. If we fail to anticipate or respond adequately to technological developments, our ability to operate profitably could suffer. There can be no assurance that research, data accumulation and development by other companies will not result in AI models that are superior to our AI models or result in products superior to those we develop or that any technologies, products or services we develop will be preferred to any existing or newly-developed technologies, products or services. If we are unable to compete with such companies or fail to meet the need for innovation in our industry, the use of the Upstart platform could stagnate or substantially decline, or our loan products could fail to maintain or achieve more widespread market acceptance, which could harm our business, results of operations and financial condition.

Our proprietary AI models rely in part on the use of loan applicant and borrower data and other third-party data, and if we lose the ability to use such data, or if such data contain inaccuracies, our business could be adversely affected.

We rely on our proprietary AI models, which are statistical models built using a variety of data-sets. Our AI models rely on a wide variety of data sources, including data collected from applicants and borrowers, credit bureau data and our credit experience gained through monitoring the payment performance of borrowers over time. Under our agreements with our bank partners, we receive licenses to use data collected from loan applicants and borrowers. If we are unable to access and use data collected from applicants and borrowers, repayment data collected as part of our loan servicing activities, or other third-party data used in our AI models, or our access to such data is limited, our ability to accurately evaluate potential borrowers, detect fraud and verify applicant data would be compromised. Any of the foregoing could negatively impact the accuracy of our pricing decisions, the degree of automation in our loan application process and the volume of loans facilitated on our platform.

Third-party data sources on which we rely include the consumer reporting agencies regulated by the CFPB and other alternative data sources. Such data is electronically obtained from third parties and used in our AI models to price applicants and in our fraud model to verify the accuracy of applicant-reported information. Data from national credit bureaus and other consumer reporting agencies and other information that we receive from third parties about an applicant or borrower, may

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be inaccurate or may not accurately reflect the applicant or borrower's creditworthiness for a variety of reasons, including inaccurate reporting by creditors to the credit bureaus, errors, staleness or incompleteness. For example, loan applicants' credit scores may not reflect such applicants' actual creditworthiness because the credit scores may be based on outdated, incomplete or inaccurate consumer reporting data, including, as a consequence of us utilizing credit reports for a specific period of time after issuance before such reports are deemed to be outdated. Similarly, the data taken from an applicant's credit report may also be based on outdated, incomplete or inaccurate consumer reporting data. Although we use numerous third-party data sources and multiple credit factors within our proprietary models, which helps mitigate this risk, it does not eliminate the risk of an inaccurate individual report.

Further, although we attempt to verify the income, employment and education information provided by certain selected applicants, we cannot guarantee the accuracy of applicant information. Our fraud model relies in part on data we receive from a number of third-party verification vendors, data collected from applicants, and our experience gained through monitoring the performance of borrowers over time. Information provided by borrowers may be incomplete, inaccurate or intentionally false. Applicants may also misrepresent their intentions for the use of loan proceeds. We do not verify or confirm any statements by applicants as to how loan proceeds are to be used after loan funding. If an applicant supplied false, misleading or inaccurate information and our fraud detection processes do not flag the application, repayments on the corresponding loan may be lower, in some cases significantly lower, than expected, leading to losses for the bank partner or investor.

In addition, if third party data used to train and improve our AI models is inaccurate, or access to such third-party data is limited or becomes unavailable to us, our ability to continue to improve our AI models would be adversely affected. Any of the foregoing could result in sub-optimally and inefficiently priced loans, incorrect approvals or denials of loans, or higher than expected loan losses, which in turn could adversely affect our ability to attract new borrowers and partners to our platform or increase the number of Upstart-powered loans and adversely affect our business, financial condition and results of operations.

If we are unable to manage the risks associated with fraudulent activity, our brand and reputation, business, financial condition and results of operations could be adversely affected.

Fraud is prevalent in the financial services industry and is likely to increase as perpetrators become more sophisticated. We are subject to the risk of fraudulent activity associated with borrowers and third parties handling borrower information and in limited situations cover certain fraud losses of our bank partners and investors in our loan funding programs. Fraud rates could also increase in a downcycle economy. We use several identity and fraud detection tools, including tools provided by third-party vendors and our proprietary AI models, to predict and otherwise validate or authenticate applicant-reported data and data derived from third-party sources. If such efforts are insufficient to accurately detect and prevent fraud, the level of fraud-related losses of Upstart-powered loans could increase, which would decrease confidence in our AI lending platform. In addition, our bank partners, investors in our loan funding programs or we may not be able to recover amounts disbursed on loans made in connection with inaccurate statements, omissions of fact or fraud, which could erode the trust in our brand and negatively impact our ability to attract new bank partners and investors in our loan funding programs.

High profile fraudulent activity also could negatively impact our brand and reputation. In addition, significant increases in fraudulent activity could lead to regulatory intervention, which could increase our costs and also negatively impact our brand and reputation. Further, if there is any increase in fraudulent activity that increases the need for human intervention that increases the need for human intervention in screening loan application data, the level of automation on our platform could decline and negatively affect our unit economics. If we

are unable to manage these risks, our business, financial condition and results of operations could be adversely affected.

We depend on our key personnel and other highly skilled personnel, and if we fail to attract, retain and motivate our personnel, our business, financial condition and results of operations could be adversely affected.

Our success significantly depends on the continued service of our senior management team, including Dave Girouard, our Co-Founder and Chief Executive Officer, and Paul Gu, our Co-Founder and SVP of Product and Data Science, and other highly skilled personnel. Our success also depends on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization.

Competition for highly skilled personnel, including engineering and data analytics personnel, is extremely intense, particularly in the San Francisco Bay Area where our headquarters is located. We have experienced, and expect to continue to face, difficulty identifying and hiring qualified personnel in many areas, especially as we pursue our growth strategy. We may not be able to hire or retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment. Any significant volatility in the price of our stock after this offering may adversely affect our ability to attract or retain highly skilled technical, financial and marketing personnel.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements. While we are in the process of training their replacements, the quality of our services and our ability to serve our bank partners, investors and borrowers whose loans we service may suffer, resulting in an adverse effect on our business.

Security breaches of borrowers' confidential information that we store may harm our reputation, adversely affect our results of operations and expose us to liability.

We are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, process, transmit and store large amounts of sensitive information, including personal information, credit information and other sensitive data of borrowers and potential borrowers. It is critical that we do so in a manner designed to maintain the confidentiality, integrity and availability of such sensitive information. We also have arrangements in place with certain of our third-party vendors that require us to share consumer information. We have outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third-party vendors who may have access to our computer networks and sensitive or confidential information. In addition, many of those third parties may in turn subcontract or outsource some of their responsibilities to other third parties. As a result, our information technology systems, including the functions of third parties that are involved or have access to those systems, is large and complex, with many points of entry and access. While all information technology operations are inherently vulnerable to inadvertent or intentional security breaches, incidents, attacks and exposures, the size, complexity, accessibility and distributed nature of our information technology systems, and the large amounts of sensitive information stored on those systems, make such systems potentially vulnerable to unintentional or malicious, internal and external attacks. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our

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employees, third-party vendors, bank partners, loan investors, or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation states and others. In addition to the extraction of sensitive information, such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information and systems. In addition, the prevalent use of mobile devices increases the risk of data security incidents. Significant disruptions of our, our third-party vendors’ and/or business partners’ information technology systems or other similar data security incidents could adversely affect our business operations and result in the loss, misappropriation, or unauthorized access, use or disclosure of, or the prevention of access to, sensitive information, which could result in financial, legal, regulatory, business and reputational harm to us.

Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and our vendors may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many governments have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity following a breach, which may cause borrowers and potential borrowers to lose confidence in the effectiveness of our data security measures on our platform. Any security breach, whether actual or perceived, would harm our reputation and ability to attract new borrowers to our platform.

We also face indirect technology, cybersecurity and operational risks relating to the borrowers, bank partners, investors, vendors and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including vendors, payment processors, and other parties who have access to confidential information due to our agreements with them. In addition, any security compromise in our industry, whether actual or perceived, or information technology system disruptions, whether from attacks on our technology environment or from computer malware, natural disasters, terrorism, war and telecommunication and electrical failures, could interrupt our business or operations, harm our reputation, erode borrower confidence, negatively affect our ability to attract new borrowers, or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our business and results of operations.

Like other financial services firms, we have been and continue to be the subject of actual or attempted unauthorized access, mishandling or misuse of information, computer viruses or malware, and cyber-attacks that could obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, distributed denial of service attacks, data breaches and other infiltration, exfiltration or other similar events.

While we regularly monitor data flow inside and outside the company, attackers have become very sophisticated in the way they conceal access to systems, and we may not be aware that we have been attacked. Any event that leads to unauthorized access, use or disclosure of personal information or other sensitive information that we or our vendors maintain, including our own proprietary business information and sensitive information such as personal information regarding borrowers, loan applicants or employees, could disrupt our business, harm our reputation, compel us to comply with applicable federal and/or state breach notification laws and foreign law equivalents, subject us to time consuming, distracting and expensive litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us and result in significant legal

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and financial exposure and/or reputational harm. In addition, any failure or perceived failure by us or our vendors to comply with our privacy, confidentiality or data security-related legal or other obligations to third parties, actual or perceived security breaches, or any security incidents or other events that result in the unauthorized access, release or transfer of sensitive information, which could include personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation, or public statements against us by advocacy groups or others, and could cause third parties to lose trust in us or we could be subject to claims by third parties that we have breached our privacy- or confidentiality-related obligations, which could harm our business and prospects. Moreover, data security incidents and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. There can be no assurance that our security measures intended to protect our information technology systems and infrastructure will successfully prevent service interruptions or security incidents.

We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will continue to be available on economically reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that an insurer will not deny coverage as to any future claim, or that any insurer will be adequately covered by reinsurance or other risk mitigants or that any insurer will offer to renew policies at an affordable rate or offer such coverage at all in the future. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

If we are unable to manage the risks related to our loan servicing and collections obligations, our business, financial condition and results of operations could be adversely affected.

Upstart-powered loans are not secured by any collateral, guaranteed or insured by any third party or backed by any governmental authority. As a result, we are limited in our ability to collect on such loans on behalf of our bank partners and investors of our loan funding programs if a borrower is unwilling or unable to repay them. Substantially all our collection duties and obligations for loans we service that are more than 30 days past due are subcontracted to several collection agencies. If such collection agencies do not perform as expected under our agreements with them or if these collection agents act unprofessionally and otherwise harm the user experience for borrowers of Upstart-powered loans, our brand and reputation could be harmed and our ability to attract potential borrowers to our platform could be negatively impacted. For example, during periods of increased delinquencies caused by economic downturns or otherwise, it is important that the collection agents are proactive and consistent in contacting a borrower to bring a delinquent balance current and ultimately avoid the related loan becoming charged off, which in turn makes it extremely important that the collection agents are properly staffed and trained to take prompt and appropriate action. If the collection agents are unable to maintain a high quality of service, or fulfill their servicing obligations at all due to resource constraints resulting from the increased delinquencies, it could result in increased delinquencies and charge-offs on the loans, which could decrease fees payable to us, cause our bank partners to decrease the volume of Upstart-powered loans kept on their balance sheets, erode trust in our platform or increase the costs of our loan funding programs. In addition, loan servicing is a highly manual process and an intensely regulated activity. If we are unable to comply with such laws and regulations, we could lose one or more of our licenses or authorizations, become subject to greater scrutiny by regulatory agencies or become subject to sanctions or litigation, which may have an adverse effect on our ability to perform our servicing obligations or make our platform available to borrowers in particular states. Any of the foregoing could adversely affect our business, financial condition and results of operations.

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We primarily rely on two collection agents to perform substantially all of our duties as the servicer for delinquent and defaulted loans. One or more collection agents could take actions that result in our arrangements becoming cost prohibitive or enter into exclusive or more favorable relationships with our competitors. If any of our collection agencies were to suspend or cease operations, or our relationship with one or more of them were to otherwise terminate, such as in the case of resource constraints caused by an economic downturn, we may need to implement substantially similar arrangements with other collection agencies on terms that may not be commercially attractive. Transitioning this aspect of loan servicing to a new collection agency may result in disruptions to our ability to service the loans made on our platform and loan performance may be impacted as a result. If we are unsuccessful in maintaining our relationships with our current collection agencies, our business, financial condition or results of operations may be adversely affected.

In addition, we charge our loan holders a fixed percentage servicing fee based on the outstanding balance of loans serviced. If we fail to efficiently service such loans and the costs incurred exceed the servicing fee charged, our results of operations would be adversely affected.

In connection with our loan funding programs, we make representations and warranties concerning the loans sold, and if such representations and warranties are not accurate when made, we could be required to repurchase the loans.

In our loan funding programs, including asset-backed securitizations and whole loan sales, we make numerous representations and warranties concerning the characteristics of the Upstart-powered loans sold and transferred in connection with such transactions, including representations and warranties that the loans meet the eligibility requirements of those facilities and of investors in our loan funding programs. If those representations and warranties were not accurate when made, we may be required to repurchase the underlying loans. Failure to repurchase so-called ineligible loans when required could constitute an event of default or termination event under the agreements governing our various loan funding programs. There can be no assurance that we would have adequate cash or other qualifying assets available to make such repurchases if and when required. Such repurchases could be limited in scope, relating to small pools of loans, or significant in scope, across multiple pools of loans. If we were required to make such repurchases and if we do not have adequate liquidity to fund such repurchases, our business, financial condition and results of operations could be adversely affected.

Borrowers may prepay a loan at any time without penalty, which could reduce our servicing fees and deter our bank partners and investors from investing in loans facilitated by our platform.

A borrower may decide to prepay all or a portion of the remaining principal amount on a loan at any time without penalty. If the entire or a significant portion of the remaining unpaid principal amount of a loan is prepaid, we would not receive a servicing fee, or we would receive a significantly lower servicing fee associated with such prepaid loan. Prepayments may occur for a variety of reasons, including if interest rates decrease after a loan is made. If a significant volume of prepayments occurs, the amount of our servicing fees would decline, which could harm our business and results of operations. Our AI models are designed to predict prepayment rates. However, if a significant volume of prepayments occur that our AI models do not accurately predict, returns targeted by our bank partners and investors in our loan funding programs would be adversely affected and our ability to attract new bank partners and investors in our loan funding programs would be negatively affected.

Our marketing efforts and brand promotion activities may not be effective.

Promoting awareness of our AI lending platform is important to our ability to grow our business, attract new bank partners, increase the number of potential borrowers on our platform and attract

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investors to participate in our loan funding programs. We believe that the importance of brand recognition will increase as competition in the consumer lending industry expands. However, because our bank partners are increasingly adopting our white-labeled version of our AI lending platform through their own websites, potential borrowers may not be aware they are experiencing our AI lending platform, which may hinder recognition of our brand. Successful promotion of our brand will depend largely on the effectiveness of marketing efforts and the overall user experience of our bank partners and potential borrowers on the Upstart platform, which factors are outside our control. The marketing channels that we employ may also become more crowded and saturated by other lending platforms, which may decrease the effectiveness of our marketing campaigns and increase borrower acquisition costs. Also, the methodologies, policies and regulations applicable to marketing channels may change. For example, internet search engines could revise their methodologies, which could adversely affect borrower volume from organic ranking and paid search. Search engines may also implement policies that restrict the ability of companies such as us to advertise their services and products, which could prevent us from appearing in a favorable location or any location in the organic rankings or paid search results when certain search terms are used by the consumer.

Our brand promotion activities may not yield increased revenues. If we fail to successfully build trust in our AI lending platform and the performance and predictability of Upstart-powered loans, we may lose existing bank partners and investors in our loan funding programs to our competitors or be unable to attract new bank partners and investors in our loan funding programs, which in turn would harm our business, results of operations and financial condition. Even if our marketing efforts result in increased revenue, we may be unable to recover our marketing costs through increases in loan volume, which could result in a higher borrower acquisition cost per account. Any incremental increases in loan servicing costs, such as increases due to greater marketing expenditures, could have an adverse effect on our business, financial condition and results of operations.

Any significant disruption in our AI lending platform could prevent us from processing loan applicants and servicing loans, reduce the effectiveness of our AI models and result in a loss of bank partners or borrowers.

In the event of a system outage or other event resulting in data loss or corruption, our ability to process loan applications, service loans or otherwise facilitate loans on our platform would be adversely affected. We also rely on facilities, components, and services supplied by third parties, including data center facilities and cloud storage services. We host our AI lending platform using Amazon Web Services, or AWS, a provider of cloud infrastructure services. In the event that our AWS service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to AWS data centers, we could experience interruptions in access to our platform as well as delays and additional expense in the event we must secure alternative cloud infrastructure services. Any interference or disruption of our technology and underlying infrastructure or our use of third-party services could adversely affect our relationships with our bank partners and investors in our funding programs, and the overall user experience of our platform. Also, as our business grows, we may be required to expand and improve the capacity, capability and reliability of our infrastructure. If we are not able to effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to reliably support our business, our business, financial condition and results of operations could be adversely affected.

Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses incurred. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage or other event resulting in data loss or corruption. These factors could prevent us from processing or posting payments on the loans, damage our brand and reputation, divert our employees' attention, subject us to liability and cause borrowers to abandon our business, any of which could adversely affect our business, results of operations and financial condition.

Our platform and internal systems rely on software that is highly technical, and if our software contains undetected errors, our business could be adversely affected.

Our platform and internal systems rely on software that is highly technical and complex. In addition, our platform and internal systems depend on the ability of such software to store, retrieve, process and manage high volumes of data. The software in which we rely has contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in failure to accurately predict a loan applicant's creditworthiness, failure to comply with applicable laws and regulations, approval of sub-optimally priced loans, failure to detect fraudulent activity on our platform, a negative experience for consumers or bank partners, delayed introductions of new features or enhancements, or failure to protect borrower data or our intellectual property. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of consumers or bank partners, increased regulatory scrutiny, fines or penalties, loss of revenue or liability for damages, any of which could adversely affect our business, financial condition and results of operations.

We rely on third-party vendors and if such third parties do not perform adequately or terminate their relationships with us, our costs may increase and our business, financial condition and results of operations could be adversely affected.

Our success depends in part on our relationships with third-party vendors. In some cases, third-party vendors are one of a limited number of sources. For example, we rely on national consumer reporting agencies, such as TransUnion, for a large portion of the data used in our AI models. In addition, we rely on third-party verification technologies and services that are critical to our ability to maintain a high level of automation on our platform. In addition, because we are not a bank, we cannot belong to or directly access the ACH payment network. As a result, we rely on one or more banks with access to the ACH payment network to process collections on Upstart-powered loans. Most of our vendor agreements are terminable by either party without penalty and with little notice. If any of our third-party vendors terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternate provider, and may not be able to secure similar terms or replace such providers in an acceptable timeframe. We also rely on other software and services supplied by vendors, such as communications, analytics and internal software, and our business may be adversely affected to the extent such software and services do not meet our expectations, contain errors or vulnerabilities, are compromised or experience outages. Any of these risks could increase our costs and adversely affect our business, financial condition and results of operations. Further, any negative publicity related to any of our third-party partners, including any publicity related to quality standards or safety concerns, could adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure.

We incorporate technology from third parties into our platform. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that the suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our platform containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternate technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive loan products or service offerings and increase our costs. If alternate technology cannot be

obtained or developed, we may not be able to offer certain functionality as part of our platform and service offerings, which could adversely affect our business, financial condition and results of operations.

Failure by our third-party vendors or our failure to comply with legal or regulatory requirements or other contractual requirements could have an adverse effect on our business.

We have significant vendors that provide us with a number of services to support our platform. If any third-party vendors fail to comply with applicable laws and regulations or comply with their contractual requirements, including failure to maintain adequate systems addressing privacy and data protection and security, we could be subject to regulatory enforcement actions and suffer economic and reputational harm that could harm our business. Further, we may incur significant costs to resolve any such disruptions in service or failure to provide contracted services, which could adversely affect our business.

The CFPB and each of the prudential bank regulators that supervise our bank partners have issued guidance stating that institutions under their supervision may be held responsible for the actions of the companies with which they contract. As a service provider to those supervised entities, we must ensure we have implemented an adequate vendor management program. We or our bank partners could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. Our use of third-party vendors is subject to increasing regulatory attention.

The CFPB and other regulators have also issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement in connection with using third-party vendors. Moreover, if regulators conclude that we or our bank partners have not met the heightened standards for oversight of our third-party vendors, we or our bank partners could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions, which could have an adverse effect on our business, financial condition and results of operations.

We are exposed to geographic concentration risk.

Although we currently operate in 50 states and Washington, D.C., the geographic concentration of loans originated by our bank partners through our platform may expose us to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time could intermittently experience weaker economic conditions and higher unemployment and, consequently, could experience higher rates of delinquency and loss than on similar loans nationally. In addition, natural or man-made disasters in specific geographic regions may result in higher rates of delinquency and loss in those areas. Moreover, regulatory changes and associated litigation and enforcement risks may occur more heavily in certain regions and, if so, we may be subject to increased risk as a result of the concentration of our activity in such states. Although loans originated by our bank partners on our platform and serviced by us are distributed across the United States, they are generally more concentrated in and around metropolitan areas and other population centers. Therefore, economic conditions, natural or man-made disasters or other factors that disproportionately affect any or all of these areas could adversely affect our business. Further, the concentration of such loans in one or more states would have a disproportionate effect on us if governmental authorities in any of those states take action against us or take action affecting how we conduct our business.

If any of the events described elsewhere in this “Risk Factors” section were to occur in or have a disproportionate impact in regions where we operate or plan to commence operations, our business, financial condition and results of operations could be adversely affected.

Unfavorable outcomes in legal proceedings may harm our business and results of operations.

We are, and may in the future become, subject to litigation, claims, examinations, investigations, legal and administrative cases and proceedings, whether civil or criminal, or lawsuits by governmental agencies or private parties, which may affect our results of operations. Due to the consumer-oriented nature of our business and the application of certain laws and regulations, participants in our industry are regularly named as defendants in litigation alleging violations of federal and state laws and regulations and consumer law torts, including fraud. Many of these legal proceedings involve alleged violations of consumer protection laws. In addition, we have in the past and may in the future be subject to litigation, claims, examinations, investigations, legal and administrative cases and proceedings related to the offer and sale of Upstart-powered loans.

In particular, lending programs that involve originations by a bank in reliance on origination-related services being provided by non-bank lending platforms and/or program managers are subject to potential litigation and government enforcement claims based on “rent-a-charter” or “true lender” theories, particularly where such programs involve the subsequent sale of such loans or interests therein to the platform. See—“If loans facilitated through our platform for one or more bank partners were subject to successful challenge that the bank partner was not the “true lender,” such loans may be unenforceable, subject to rescission or otherwise impaired, we or other program participants may be subject to penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations,” below. In addition, loans originated by banks (which are exempt from certain state requirements under federal banking laws), followed by the sale, assignment, or other transfer to non-banks of such loans are subject to potential litigation and government enforcement claims based on the theory that transfers of loans from banks to non-banks do not transfer the ability to enforce contractual terms such as interest rates and fees from which only banks benefit under federal preemption principles. See—“If loans originated by our bank partners were found to violate the laws of one or more states, whether at origination or after sale by the originating bank partner, loans facilitated through our platform may be unenforceable or otherwise impaired, we or other program participants may be subject to, among other things, fines and penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations,” below. If we were subject to such litigation or enforcement, then any unfavorable results of pending or future legal proceedings may result in contractual damages, usury related claims, fines, penalties, injunctions, the unenforceability, rescission or other impairment of loans originated on our platform or other censure that could have an adverse effect on our business, results of operations and financial condition. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

Corporate and asset-backed debt ratings could adversely affect our ability to fund loans through our loan funding programs at attractive rates, which could negatively affect our results of operations, financial condition and liquidity.

Our unsecured senior corporate debt currently has no rating, and we have never issued unsecured debt securities in the capital markets. Asset-backed securities sponsored by us are currently rated by a limited number of corporate debt rating agencies. Structured finance ratings reflect these rating agencies’ opinions of our receivables credit performance and ability of the receivables cash flows to pay interest on a timely basis and repay the principal of such asset-backed securitizations, as well as our ability to service the receivables and comply with other obligations under such programs, such as the obligation to repurchase loans subject to breaches of loan-level representations and warranties. Such ratings also reflect the rating agencies’ opinions of other service providers in such transactions, such as trustees, back-up servicers, charged-off loan purchasers and others.

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Any future downgrade or non-publication of ratings may increase the interest rates that are required to attract investment in such asset-backed securities, adversely impacting our ability to provide loan liquidity to our bank partners and whole loan purchasers. As a result, our lack of parent debt rating and any possible downgrades to the ratings of our asset-backed securities could negatively impact our business, financial condition and results of operations.

If loans originated by our bank partners were found to violate the laws of one or more states, whether at origination or after sale by the originating bank partner, loans facilitated through our platform may be unenforceable or otherwise impaired, we or other program participants may be subject to, among other things, fines and penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations.

When establishing the interest rates and structures (and the amounts and structures of certain fees constituting interest under federal banking law, such as origination fees, late fees and non-sufficient funds fees) that are charged to borrowers on loans originated on our platform, our bank partners rely on certain authority under federal law to export the interest rate requirements of the state where each bank partner is located to borrowers in all other states. Further, certain of our bank partners and institutional investors rely on the ability of subsequent holders to continue charging such rate and fee structures and enforce other contractual terms agreed to by our bank partners which are permissible under federal banking laws following the acquisition of the loans. The current annual percentage rates of the loans facilitated through our platform typically range from approximately 6.5% to 35.99%. In some states, the interest rates of certain Upstart-powered loans exceed the maximum interest rate permitted for consumer loans made by non-bank lenders to borrowers residing in or that have nexus to such states. In addition, the rate structures for Upstart-powered loans may not be permissible in all states for non-bank lenders and/or the amount or structures of certain fees charged in connection with Upstart-powered loans may not be permissible in all states for non-bank lenders.

Usury, fee, and disclosure related claims involving Upstart-powered loans may be raised in multiple ways. Program participants may face litigation, government enforcement or other challenge, for example, based on claims that bank lenders did not establish loan terms that were permissible in the state they were located or did not correctly identify the home or host state in which they were located for purposes of interest exportation authority under federal law. Alternatively, we or our investors may face litigation, government enforcement or other challenge, for example, based on claims that rates and fees were lawful at origination and through any period during which the originating bank partner retained the loan and interests therein, but that subsequent purchasers were unable to enforce the loan pursuant to its contracted-for terms, or that certain disclosures were not provided at origination because while such disclosures are not required of banks they may be required of non-bank lenders.

In *Madden v. Midland Funding, LLC*, 786 F.3d 246 (2d Cir. 2015), cert. denied, 136 S.Ct. 2505 (June 27, 2016), for example, the United States Court of Appeals for the Second Circuit held that the non-bank purchaser of defaulted credit card debt could not rely on preemption standards under the National Bank Act applicable to the originator of such debt in defense of usury claims. *Madden* addressed circumstances under which a defaulted extension of credit under a consumer credit card account was assigned, following default, to a non-bank debt buyer that then attempted to collect the loan and to continue charging interest at the contracted-for rate. The debtor filed a suit claiming, among other claims, that the rate charged by the non-bank collection entity exceeded the usury rates allowable for such entities under New York usury law. Reversing a lower court decision, the Second Circuit held that preemption standards under the National Bank Act applicable to the bank that issued the credit card were not available to the non-bank debt buyer as a defense to usury claims. Following denial of a petition for rehearing by the Second Circuit, the defendant sought review by the United States Supreme Court. Following the United States Supreme Court's request that the Solicitor General

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file a brief setting forth the government's position on whether the Supreme Court should hear the case in 2016, the Solicitor General filed its brief recommending that the petition for a writ of certiorari be denied for certain vehicle suitability reasons, although the Solicitor General's brief concluded that the Second Circuit's decision was substantively incorrect as a matter of law. The Supreme Court denied certiorari on June 27, 2016, such that the Second Circuit's decision remains binding on federal courts in the Second Circuit (which include all federal courts in New York, Connecticut, and Vermont). Upon remand to the District Court for consideration of additional issues, including whether a choice of law provision in the debtor's credit card agreement was enforceable to displace New York usury law and class certification, the parties settled the matter in 2019.

The scope and validity of the Second Circuit's Madden decision remain subject to challenge and clarification. In January 2017, for example, the Colorado Administrator of the Colorado Uniform Consumer Credit Code, or the UCCC, filed complaints against two online lending platforms whose operations share certain commonalities with ours, including with respect to the role of bank partners and sale of loans to investors. The complaints include, among other claims, allegations, grounded in the Second Circuit's Madden decision, that the rates and fees for certain loans could not be enforced lawfully by non-bank purchasers of bank-originated loans. Following a process during which the defendants unsuccessfully sought removal of the complaints to federal court, the Colorado state court heard and denied defendants' motions to dismiss the cases. The Colorado Administrator then amended its complaints to include similar claims against the trustees of securitization trusts that held program loans, and the state court heard and denied motions to dismiss from such trustees. The Colorado cases remain pending.

In addition, in June 2019 private plaintiffs filed class action complaints against multiple traditional credit card securitization programs, including, Petersen, et al. v. Chase Card Funding, LLC, et al., (No. 1:19-cv-00741-LJV (June 6, 2019)) and Cohen, et al. v. Capital One Funding, LLC et al., (No. 19-03479 (E.D.N.Y. June 12, 2019)). These cases seek class action status for plaintiffs against certain defendants affiliated with a national bank that have acted as special purpose entities in securitization transactions sponsored by the bank. The complaint alleges that the defendants' acquisition, collection and enforcement of the bank's credit card receivables violated New York's civil usury law and that, as in Madden, the defendants, as non-bank entities, are not entitled to the benefit of federal preemption of state usury law. The complaint seeks a judgment declaring the receivables unenforceable, monetary damages and other legal and equitable remedies, such as disgorgement of all sums paid in excess of the usury limit. In each case, the defendants moved to dismiss. On January 22, 2020, the magistrate judge in Petersen issued a report and recommendation responding to the defendants' motion to dismiss. The magistrate recommended that the motion to dismiss be granted as to both of the plaintiffs' claims (usury and unjust enrichment). The final opinion of the District Court in that matter has not yet been issued, and there can be no assurance as to how any ultimate resolution of the matter may affect usury or related risks. Cohen remains pending, as well.

Moreover, in November 2019, the FDIC proposed amendments to certain federal banking regulations seeking, in part, to address the Madden decision. The rulemaking would, if finalized as proposed, provide that the interest permissible for loans made by FDIC-insured banks (such as certain of our bank partners) "is determined as of the date the loan was made" and "shall not be affected by any subsequent events, including a change in State law, a change in the relevant commercial paper rate after the loan was made, or the sale, assignment, or other transfer of the loan." The rulemaking would also clarify other standards relevant to the interest rate authority of FDIC-insured banks. The proposal has not been finalized, and there can be no assurance that: (i) the proposal will be finalized, or that, if finalized, it will be finalized as proposed; or (ii) any final rule adopted by the FDIC to address the Madden decision will be given effect by courts and regulators in a manner that actually mitigates usury and related risks to us, our institutional investors, or Upstart-powered loans.

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There are factual distinctions between our program and the circumstances addressed in the Second Circuit's Madden decision, as well as the circumstances in the Colorado UCCC litigation, credit card securitization litigation, and similar cases. As noted above, there are also bases on which the Madden decision's validity might be subject to challenge or the Madden decision may be addressed by federal regulation or legislation. Nevertheless, there can be no guarantee that a Madden-like claim will not be brought successfully against us or other Upstart program participants.

If a borrower or any state agency were to successfully bring a claim against us, our bank partners, our securitization vehicles and/or the trustees of such vehicles or our institutional investors for a state usury law or fee restriction violation and the rate or fee at issue on the loan was impermissible under applicable state law, we, our bank partners, securitization vehicles and/or trustees or investors in our loan funding programs may face various commercial and legal repercussions, including that such parties would not receive the total amount of interest expected, and in some cases, may not receive any interest or principal, may hold loans that are void, voidable, rescindable, or otherwise impaired or may be subject to monetary, injunctive or criminal penalties. Were such repercussions to apply to us, we may suffer direct monetary loss or may be a less attractive candidate for bank partners, securitization trustees or institutional investors to enter into or renew relationships; and were such repercussions to apply to our bank partners or institutional investors, such parties could be discouraged from using our platform. We may also be subject to payment of damages in situations where we agreed to provide indemnification, as well as fines and penalties assessed by state and federal regulatory agencies.

If loans facilitated through our platform for one or more bank partners were subject to successful challenge that the bank partner was not the "true lender," such loans may be unenforceable, subject to rescission or otherwise impaired, we or other program participants may be subject to penalties, and/or our commercial relationships may suffer, each which would adversely affect our business and results of operations.

Upstart-powered loans are originated in reliance on the fact that our bank partners are the "true lenders" for such loans. That true lender status determines various Upstart-powered loan program details, including that we do not hold licenses required solely for being the party that extends credit to consumers, and Upstart-powered loans may involve interest rates and structures (and certain fees and fees structures) permissible at origination only because the loan terms and lending practices are permissible only when the lender is a bank, and/or the disclosures provided to borrowers would be accurate and compliant only if the lender is a bank. Because the loans facilitated by our platform are originated by our bank partners, many state consumer financial regulatory requirements, including usury restrictions (other than the restrictions of the state in which a bank partner originating a particular loan is located) and many licensing requirements and substantive requirements under state consumer credit laws, are treated as inapplicable based on principles of federal preemption or express exemptions provided in relevant state laws for certain types of financial institutions or loans they originate.

Certain recent litigation and regulatory enforcement has challenged, or is currently challenging, the characterization of bank partners as the "true lender" in connection with programs involving origination and/or servicing relationships between a bank partner and non-bank lending platform or program manager. For example, on January 27, 2017, the Colorado Administrator of the UCCC filed complaints against two online lending platforms whose operations share certain commonalities with ours, including with respect to the role of bank partners and sale of loans to investors. In addition to usury allegations grounded in the Second Circuit's Madden decision, see—"If loans originated by our bank partners were found to violate the laws of one or more states, whether at origination or after sale by the originating bank partner, loans facilitated through our platform may be unenforceable or otherwise impaired, we or other program participants may be subject, among other things, fines and to

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penalties, and/or our commercial relationships may suffer, each which would adversely affect our business and results of operations,” above, the Colorado Administrator’s allegations included that the online lending platforms, rather than their bank partners, were the “true lenders” for loans originated under each program. Following a process during which the defendants unsuccessfully sought removal of the complaints to federal court, the Colorado state court heard and denied defendants’ motions to dismiss the cases, and the cases remain pending.

We, bank partners, securitization vehicles and similarly situated parties could become subject to challenges like that presented by the Colorado litigation (whether in Colorado or otherwise) and, if so, we could face penalties and/or Upstart-powered loans may be void, voidable or otherwise impaired in a manner that may have adverse effects on our operations (directly, or as a result of adverse impact on our relationships with our bank partners, institutional investors or other commercial counterparties).

In particular, we are a licensed supervised lender in Colorado in connection with origination assistance activities we perform for our bank partners and have been subject to examinations, inquiries and information requests from the Colorado Administrator from time to time and have routinely provided information to the Colorado Administrator in response to such requests. The Colorado loans originated by our bank partners on our platform are not purchased by us and therefore appear to be outside the scope of the specific theories grounding the Colorado Administrators’ pending actions. There have been no formal proceedings against us or indication of any proceedings against us to date, but there can be no assurance that the Colorado Administrator will not make assertions similar to those made in its present actions with respect to the loans facilitated by our platform in the future.

It is also possible that other state agencies or regulators could make similar assertions. If a court, or a state or federal enforcement agency, were to deem Upstart, rather than our bank partners, the “true lender” for loans originated on our platform, and if for this reason (or any other reason) the loans were deemed subject to and in violation of certain state consumer finance laws, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas) and other penalties or consequences, and the loans could be rendered void or enforceable in whole or in part, any of which could have a material adverse effect on our business (directly, or as a result of adverse impact on our relationships with our bank partners, institutional investors or other commercial counterparties).

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

Our ability to operate our platform depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively which would allow competitors to duplicate our AI models or AI lending platform and adversely affect our ability to compete with them. We rely on a combination of copyright, trade secret, patent, trademark laws and other rights, as well as confidentiality procedures and contractual provisions to protect our proprietary technology, processes and other intellectual property. While we have two patent applications pending, we do not yet have patent protection and our patent applications may not be successful. The steps we take to protect our intellectual property rights may be inadequate. For example, a third party may attempt to reverse engineer or otherwise obtain and use our proprietary technology without our consent. The pursuit of a claim against a third party for infringement of our intellectual property could be costly, and there can be no guarantee that any such efforts would be successful. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

Our proprietary technology, including our AI models, may actually or may be alleged to infringe upon third-party intellectual property, and we may face intellectual property challenges from such other parties. We may not be successful in defending against any such challenges or in obtaining licenses to

avoid or resolve any intellectual property disputes. If we are unsuccessful, such claim or litigation could result in a requirement that we pay significant damages or licensing fees, or we could in some circumstances be required to make changes to our business to avoid such infringement, which would negatively impact our financial performance. We may also be obligated to indemnify parties or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to modify applications or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Furthermore, our technology may become obsolete or inadequate, and there is no guarantee that we will be able to successfully develop, obtain or use new technologies to adapt our models and systems to compete with other technologies as they develop. If we cannot protect our proprietary technology from intellectual property challenges, or if our technology becomes obsolete or inadequate, our ability to maintain our model and systems, facilitate loans or perform our servicing obligations on the loans could be adversely affected.

Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of our systems and negatively affects our business operations.

Some open source licenses contain requirements that we make source code available at no cost for modifications or derivative works we create based upon the type of open source software we use. We may face claims from third parties claiming ownership of, or demanding the release or license of, such modifications or derivative works (which could include our proprietary source code or AI models) or otherwise seeking to enforce the terms of the applicable open source license. If portions of our proprietary AI models are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our model or change our business activities, any of which could negatively affect our business operations and potentially our intellectual property rights. If we were required to publicly disclose any portion of our proprietary models, it is possible we could lose the benefit of trade secret protection for our models.

In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for

hackers and other third parties to determine how to breach our website and systems that rely on open source software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business.

We may evaluate and potentially consummate acquisitions, which could require significant management attention, consume our financial resources, disrupt our business and adversely affect our financial results.

Our success will depend, in part, on our ability to grow our business. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. In the future, we may acquire, assets or businesses. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- utilization of our financial resources for acquisitions or investments that may fail to realize the anticipated benefits;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- coordination of technology, product development and sales and marketing functions and integration of administrative systems;
- transition of the acquired company's borrowers to our systems;
- retention of employees from the acquired company;
- regulatory risks, including maintaining good standing with existing regulatory bodies or receiving any necessary approvals, as well as being subject to new regulators with oversight over an acquired business;
- attracting financing;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of loans or intangibles or other assets acquired in such transactions that may have an adverse effect on our results of operations in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property or increase our risk for liability; and
- litigation, claims or other liabilities in connection with the acquired company.

Our failure to address these risks or other problems encountered in connection with any future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the write-off of goodwill, any of which could harm our financial condition.

We rely on borrowings under our corporate and warehouse credit facilities to fund certain aspects of our operations, and any inability to meet our obligations as they come due or to comply with various covenants could harm our business.

Our corporate credit facilities consist of term loans and revolving loan facilities that we have drawn on to finance our operations and for other corporate purposes. As of December 31, 2019, we had \$22.7 million outstanding principal under the term loans and revolving credit facilities. These borrowings are secured by all the assets of the company that have not otherwise been sold or pledged to secure bank debt or securities associated with structured finance facilities, such as assets belonging to our consolidated warehouse trust special purpose entities and securitization trusts. These credit agreements contain operating and financial covenants, including customary limitations on the incurrence of certain indebtedness and liens, restrictions on certain transactions and limitations on dividends and stock repurchases. Our ability to comply with or renegotiate these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under such agreements and any future financial agreements into which we may enter. If we were to default on our credit obligations and such defaults were not waived, our lenders may require repayment of any outstanding debt and terminate their agreements with us.

In addition, we, via our warehouse trust special purpose entities have entered into warehouse credit facilities to partially finance the purchase of loans from certain banks that originate loans via our platform, which credit facilities are secured by the purchased loans. We generally hold these loans on our balance sheet until we can contribute them into term securitization transactions or otherwise liquidate them. Occasionally some of these loans may stay on our balance sheet indefinitely, including some loans that are the result of product development activities. Under our warehouse credit facilities, we may borrow up to \$252.0 million until May 2020. Repayment of any outstanding principal, together with any accrued and unpaid interest, are due and payable by the applicable warehouse trust special purpose entities in May 2021. As of December 31, 2019, outstanding borrowings under these warehouse credit facilities were \$79.1 million, and \$126.3 million of aggregate fair value of loans purchased were pledged as collateral.⁴⁴

Our warehouse credit facilities impose operating and financial restrictions on the warehouse trust special purpose entities, and under certain events of default in these credit facilities, all the associated borrowings would become immediately due and payable. If we are unable to repay our obligations at maturity or in the event of default, the borrowing warehouse trust special purpose entity may have to liquidate the loans held as collateral at an inopportune time or price or, if the lender liquidated the loans, such warehouse trust would have to pay any amount by which the original purchase price exceeded their sale price. An event of default would negatively impact our ability to purchase loans from our platform and require us to rely on alternative funding sources, which might increase our costs or which might not be available when needed. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to curtail our loan funding programs, which could have an adverse effect on our bank partners' ability or willingness to originate new loans, which in turn would have an adverse effect on our business, results of operations and financial condition.

Some of our borrowings carry a floating rate of interest linked to the London Inter-bank Offered Rate, or LIBOR. On July 27, 2017, the United Kingdom Financial Conduct Authority, or FCA, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, while the FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate, it is possible that beginning in 2022, LIBOR will no longer be available as a reference rate. In

⁴⁴ See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Term loans and revolving loan facilities" and Note 7 to our consolidated financial statements for more information about our term loans and revolving loan facilities.

particular, the interest rate of borrowings under our warehouse credit facilities and certain related interest rate hedging arrangements are predominately based upon LIBOR. While these agreements generally include alternative rates to LIBOR, if a change in indices results in interest rate increases on our debt, debt service requirements will increase, which could adversely affect our cash flow and results of operations. We do not expect a materially adverse change to our financial condition or liquidity as a result of any such changes or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere.

We may need to raise additional funds in the future, including through equity, debt or convertible debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new loan products, enhance our AI models, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity, debt or convertible debt financings to secure additional funds. If we raise additional funds by issuing equity securities or securities convertible into equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders.

If we are unable to obtain adequate financing or on terms satisfactory to us when we require it, we may be unable to pursue certain business opportunities and our ability to continue to support our business growth and to respond to business challenges could be impaired and our business may be harmed.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, gross receipts, value added or similar taxes and may successfully impose additional obligations on us, and any such assessments or obligations could adversely affect our business, financial condition and results of operations.

The application of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, business tax and gross receipts tax, to platform businesses is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and e-commerce. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations and as a result amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business.

In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes. For example, on November 6, 2018, voters in San Francisco approved "Proposition C," which authorizes San Francisco to impose additional taxes on businesses in San Francisco that generate a certain level of gross receipts. Such taxes would adversely affect our financial condition and results of operations.

We may face various indirect tax audits in various U.S. jurisdictions. In certain jurisdictions, we collect and remit indirect taxes. However, tax authorities may raise questions about or challenge or disagree with our calculation, reporting or collection of taxes and may require us to collect taxes in jurisdictions in which we do not currently do so or to remit additional taxes and interest, and could impose associated penalties and fees. For example, after the U.S. Supreme Court decision in *South*

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Dakota v. Wayfair Inc., certain states have adopted, or started to enforce, laws that may require the calculation, collection and remittance of taxes on sales in their jurisdictions, even if we do not have a physical presence in such jurisdictions. A successful assertion by one or more tax authorities requiring us to collect taxes in jurisdictions in which we do not currently do so or to collect additional taxes in a jurisdiction in which we currently collect taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest, could harm our business, financial condition and results of operations. Although we have reserved for potential payments of possible past tax liabilities in our financial statements, if these liabilities exceed such reserves, our financial condition will be harmed.

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

Our ability to use our deferred tax assets to offset future taxable income may be subject to certain limitations that could subject our business to higher tax liability.

We may be limited in the portion of net operating loss carryforwards, or NOLs, that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. The Tax Cuts and Jobs Act, or the Tax Act, made broad and complex changes to U.S. tax law, including changes to the uses and limitations of NOLs. For example, while the Tax Act allows for federal NOLs incurred in tax years beginning after December 31, 2017 to be carried forward indefinitely, the Tax Act also imposes an 80% limitation on the use of NOLs that are generated in tax years beginning after December 31, 2017. However, NOLs generated prior to December 31, 2017 will still have a 20-year carryforward period, but are not subject to the 80% limitation. As of December 31, 2019, we had federal and state NOLs of approximately \$65.9 million and \$57.5 million, respectively, to offset future taxable income. Certain of these federal and state net operating loss carryforwards will begin expiring in 2034. A lack of future taxable income would adversely affect our ability to utilize these NOLs. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We performed an ownership analysis and identified two previous ownership changes, as defined under Section 382 and 383 of the Code in 2013 and 2015. However, neither resulted in a material limitation that will reduce the total amount of our NOLs and credits that can be utilized. Future changes in our stock ownership, including this or future offerings, as well as other changes that may be outside of our control, could result in additional ownership changes under Section 382 of the Code. Our NOLs may also be impaired under similar provisions of state law. We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. On the basis of this evaluation, a full valuation allowance has historically been recorded to recognize only deferred tax assets that are more likely than not to be realized. Certain of our deferred tax assets may expire unutilized or underutilized, which could prevent us from offsetting future taxable income.

Changes in U.S. tax laws could have a material adverse effect on our business, financial condition and results of operations.

The Tax Act contains significant changes to U.S. tax law, including a reduction in the corporate tax rate and a transition to a new territorial system of taxation. The primary impact of the new legislation on our provision for income taxes was a reduction of the future tax benefits of our deferred tax assets as a result of the reduction in the corporate tax rate. The impact of the Tax Act will likely be subject to ongoing technical guidance and accounting interpretation, which we will continue to monitor and assess. As we expand the scale of our business activities, any changes in the U.S. taxation of

such activities may increase our effective tax rate and harm our business, financial condition and results of operations.

Our business is subject to the risks of natural disasters and other catastrophic events, and to interruption by man-made problems.

Significant natural disasters or other catastrophic events, such as earthquakes, fires, hurricanes, blizzards, or floods (many of which are becoming more acute and frequent as a result of climate change), or interruptions by strikes, crime, terrorism, pandemics, cyber-attacks, computer viruses, internal or external system failures, telecommunications failures, or power outages, could have an adverse effect on our business, results of operations and financial condition. For example, the outbreak of the novel coronavirus in early 2020 has had a significant impact on the global economy and consumer confidence. If the outbreak persists or worsens, it could continue to adversely impact the economy and consumer confidence, and could negatively impact our operations and our platform, each of which could seriously harm our business. Further, our headquarters is located in the San Francisco Bay Area, a region known for seismic activity and forest fires, and our operations team is located in Columbus, Ohio, a region subject to blizzards.

In addition, acts of war and other armed conflicts, disruptions in global trade, travel restrictions and quarantines, terrorism and other geo-political unrest could cause disruptions in our business and lead to interruptions, delays or loss of critical data. Any of the foregoing risks may be further increased if our business continuity plans prove to be inadequate and there can be no assurance that both personnel and non-mission critical applications can be fully operational after a declared disaster within a defined recovery time. If our personnel, systems or data centers are impacted, we may suffer interruptions and delays in our business operations. In addition, to the extent these events impact the ability of borrowers to timely repay their loans, our business could be negatively affected.

We may not maintain sufficient business interruption or property insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to provide our financial products and services.

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

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires our management to make estimates and assumptions that affect the amounts reported and disclosed in our consolidated financial statements and accompanying notes. We base our estimates and assumptions on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to fair value determinations, stock-based compensation, consolidation of variable interest entities, and provision for income taxes, net of valuation allowance for deferred tax assets. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations 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

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standards, or changes to existing standards, and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial condition, and profit and loss, or cause an adverse deviation from our revenue and operating profit and loss target, which may negatively impact our results of operations.

If we fail to 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 regulations could be impaired.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the . We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and significant management oversight. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business.

Further, weaknesses in our disclosure controls and internal control over financial reporting have been discovered in the past and may be discovered in the future. For example, we identified a material weakness in our internal control over financial reporting that contributed to the revision of our previously-issued 2017 and 2018 financial statements. A “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. This material weakness principally related to a lack of adequate review processes and controls within our accounting and finance organization and a lack of sufficient financial reporting and accounting personnel with the technical expertise to appropriately account for certain transactions including loan servicing and securitizations. During 2019, we took a number of actions to improve our internal control over financial reporting, such as hiring external specialists and personnel with technical accounting expertise, designing additional review procedures in our accounting and finance organization, and identifying and implementing improved processes and controls. Our management believes that these and other actions taken during 2019 have been fully implemented and are operating effectively. As a result, we have concluded that our remediation efforts have been successful and that the previously-identified material weakness in our internal controls has been remediated as of December 31, 2019.

However, we cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to identify or prevent future material weaknesses or

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deficiencies. The nature of our business is such that our financial statements involve a number of complex accounting policies, many of which involve significant elements of judgment, including determinations regarding the consolidation of variable interest entities, determinations regarding the fair value of financial assets and liabilities (including loans, notes receivable, payable to securitization note holders and residual certificate holders, notes payable and servicing assets and liabilities) and the appropriate classification of various items within our financial statements. See Note 1 to our consolidated financial statements for more information about our significant accounting policies. The inherent complexity of these accounting matters and the nature and variety of transactions in which we are involved require that we have sufficient qualified accounting personnel with an appropriate level of experience and controls in our financial reporting process commensurate with the complexity of our business. While we believe we have sufficient internal accounting personnel and external resources and appropriate controls to address the demands of our business, we expect that the growth and development of our business will place significant additional demands on our accounting resources. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the . We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting. There can be no assurance that we will maintain internal control over financial reporting sufficient to enable us to identify or avoid material weaknesses in the future.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could materially and adversely affect our business, results of operations, and financial condition and could cause a decline in the trading price of our common stock.

Some of our market opportunity estimates, growth forecasts and key metrics included in this prospectus could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts included in this prospectus, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this prospectus relating to the size and expected growth of our target market may prove to be inaccurate. It is impossible to offer every loan product, term or feature that every customer wants or that any given bank partner is necessarily capable of supporting, and our competitors may develop and offer loan products, terms or features that we do not offer. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the

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loans covered by our market opportunity estimates will generate any particular level of revenues for us. Even if the markets in which we compete meet the size estimates and growth forecasted in this prospectus, we may be unable to address these markets successfully and our business could fail to grow for a variety of reasons outside of our control, including competition in our industry. We regularly review and may adjust our processes for calculating our key metrics to improve their accuracy. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be adversely affected.

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

In the ordinary course of business, we have been named as a defendant in various legal actions, including class actions and other litigation. Generally, this litigation arises from the dissatisfaction of a consumer with the products or services offered on our platform; some of this litigation, however, has arisen from other matters, including claims of violation of laws related to do-not-call, credit reporting and collections. All such legal actions are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. In addition, certain actions may include claims for indeterminate amounts of damages. Our involvement in any such matter also could cause significant harm to our or our bank partners' reputations and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. If resolved against us, legal actions could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business.

In addition, a number of participants in the consumer financial services industry have been the subject of putative class action lawsuits, state attorney general actions and other state regulatory actions, federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive or abusive acts or practices, violations of state licensing and lending laws, including state usury and disclosure laws, actions alleging discrimination on the basis of race, ethnicity, gender or other prohibited bases, and allegations of noncompliance with various state and federal laws and regulations relating to originating, servicing, and collecting consumer finance loans and other consumer financial services and products. The current regulatory environment, increased regulatory compliance efforts and enhanced regulatory enforcement have resulted in us undertaking significant time-consuming and expensive operational and compliance improvement efforts, which may delay or preclude our or our bank partners' ability to provide certain new products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have a material adverse effect on our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes may result in a separate fine assessed for each statutory and regulatory violation or substantial damages from class action lawsuits, potentially in excess of the amounts we earned from the underlying activities.

Some of our agreements used in the course of our business include arbitration clauses. If our arbitration agreements were to become unenforceable for any reason, we could experience an increase to our consumer litigation costs and exposure to potentially damaging class action lawsuits, with a potential material adverse effect on our business and results of operations.

We contest our liability and the amount of damages, as appropriate, in each pending matter. The outcome of pending and future matters could be material to our results of operations, financial condition and cash flows, and could materially adversely affect our business.

In addition, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted borrowers. These self-identified issues and voluntary remediation payments could be significant, depending on the issue and the number of borrowers impacted, and could generate litigation or regulatory investigations that subject us to additional risk.

We are subject to or facilitate compliance with a variety of federal, state, and local laws, including those related to consumer protection and loan financings.

We must comply with regulatory regimes or facilitate compliance with regulatory regimes on behalf of our bank partners that are independently subject to federal and/or state oversight by bank regulators, including those applicable to our referral and marketing services, consumer credit transactions, loan servicing and collection activities and the purchase and sale of whole loans and other related transactions. Certain state laws generally regulate interest rates and other charges and require certain disclosures. In addition, other federal and state laws may apply to the origination, servicing and collection of loans originated on our platform, the purchase and sale of whole loans or asset-backed securitizations. In particular, certain laws, regulations and rules we or our bank partners are subject to include:

- state lending laws and regulations that require certain parties to hold licenses or other government approvals or filings in connection with specified activities, and impose requirements related to loan disclosures and terms, fees and interest rates, credit discrimination, credit reporting, servicemember relief, debt collection, repossession, unfair or deceptive business practices and consumer protection, as well as other state laws relating to privacy, information security, conduct in connection with data breaches and money transmission;
- the Truth-in-Lending Act and Regulation Z promulgated thereunder, and similar state laws, which require certain disclosures to borrowers regarding the terms and conditions of their loans and credit transactions, require creditors to comply with certain lending practice restrictions, limit the ability of a creditor to impose certain loan terms and impose disclosure requirements in connection with credit card origination;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, and similar state fair lending laws, which prohibit creditors from discouraging or discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act;
- the Fair Credit Reporting Act and Regulation V promulgated thereunder, imposes certain obligations on users of consumer reports and those that furnish information to consumer reporting agencies, including obligations relating to obtaining consumer reports, marketing using consumer reports, taking adverse action on the basis of information from consumer reports, addressing risks of identity theft and fraud and protecting the privacy and security of consumer reports and consumer report information;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service, and analogous state laws prohibiting unfair, deceptive or abusive acts or practices;
- the Credit Practices Rule which (i) prohibits lenders from using certain contract provisions that the Federal Trade Commission has found to be unfair to consumers; (ii) requires lenders to advise consumers who co-sign obligations about their potential liability if the primary obligor fails to pay; and (iii) prohibits certain late charges;
- the Fair Debt Collection Practices Act and similar state debt collection laws, which provide guidelines and limitations on the conduct of third-party debt collectors (and some limitation on creditors collecting their own debts) in connection with the collection of consumer debts;
- the Gramm-Leach-Bliley Act and Regulation P promulgated thereunder, which includes limitations on financial institutions' disclosure of nonpublic personal information about a

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consumer to nonaffiliated third parties, in certain circumstances requires financial institutions to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information and requires financial institutions to disclose certain privacy notices and practices with respect to information sharing with affiliated and unaffiliated entities as well as to safeguard personal borrower information, and other privacy laws and regulations;

- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Servicemembers Civil Relief Act, which allows military members to suspend or postpone certain civil obligations, requires creditors to reduce the interest rate to 6% on loans to military members under certain circumstances, and imposes restrictions on enforcement of loans to servicemembers, so that the military member can devote his or her full attention to military duties;
- the Military Lending Act, which requires those who lend to “covered borrowers”, including members of the military and their dependents, to only offer Military APRs (a specific measure of all-in-cost-of-credit) under 36%, prohibits arbitration clauses in loan agreements, and prohibits certain other loan agreement terms and lending practices in connection with loans to military servicemembers, among other requirements, and for which violations may result in penalties including voiding of the loan agreement;
- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide guidelines and restrictions on the electronic transfer of funds from consumers’ bank accounts, including a prohibition on a creditor requiring a consumer to repay a credit agreement in preauthorized (recurring) electronic fund transfers and disclosure and authorization requirements in connection with such transfers;
- the Telephone Consumer Protection Act and the regulations promulgated thereunder, which impose various consumer consent requirements and other restrictions in connection with telemarketing activity and other communication with consumers by phone, fax or text message, and which provide guidelines designed to safeguard consumer privacy in connection with such communications;
- the Federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 and the Telemarketing Sales Rule and analogous state laws, which impose various restrictions on marketing conducted use of email, telephone, fax or text message;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and which require creditors and loan servicers to obtain a consumer’s consent to electronically receive disclosures required under federal and state laws and regulations;
- the Right to Financial Privacy Act and similar state laws enacted to provide the financial records of financial institution customers a reasonable amount of privacy from government scrutiny;
- the Bank Secrecy Act and the USA PATRIOT Act, which relate to compliance with anti-money laundering, borrower due diligence and record-keeping policies and procedures;
- the regulations promulgated by the Office of Foreign Assets Control under the U.S. Treasury Department related to the administration and enforcement of sanctions against foreign jurisdictions and persons that threaten U.S. foreign policy and national security goals, primarily to prevent targeted jurisdictions and persons from accessing the U.S. financial system;

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- federal and state securities laws, including, among others, the Securities Act of 1933, as amended, or the Securities Act, the Exchange Act, the Investment Advisers Act of 1940, as amended, or the IAA, and the Investment Company Act of 1940, as amended, or the Investment Company Act, rules and regulations adopted under those laws, and similar state laws and regulations, which govern how we offer, sell and transact in our loan financing products; and
- other state-specific and local laws and regulations.

We may not always have been, and may not always be, in compliance with these and other applicable laws, regulations and rules. Compliance with these requirements is also costly, time-consuming and limits our operational flexibility. Additionally, Congress, the states and regulatory agencies, as well as local municipalities, could further regulate the consumer financial services industry in ways that make it more difficult or costly for us to offer our AI lending platform and related services or facilitate the origination of loans for our bank partners. These laws also are often subject to changes that could severely limit the operations of our business model. For example, in 2019, a bill was introduced in the U.S. Senate that would create a national cap of the lesser of 15% APR or the maximum rate permitted by the state in which the consumer resides. Although such a bill may never be enacted into law, if such a bill were to be enacted, it would greatly restrict the number of loans that could be funded through our platform. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to financial institutions also could impact the manner in which we conduct our business. The regulatory environment in which financial institutions operate has become increasingly complex, and following the financial crisis that began in 2008, supervisory efforts to apply relevant laws, regulations and policies have become more intense. Additionally, states are increasingly introducing and, in some cases, passing laws that restrict interest rates and APRs on loans similar to the loans made on our platform. For example, the governors of California and New York independently announced in 2020 proposed state budgets which, among other things, would strengthen state consumer protection authority of state regulators to police debt collections and unfair, deceptive or abusive acts and practices. Additionally, voter referendums have been introduced and, in some cases, passed, restrictions on interest rates and/or APRs. If such legislation or bills were to be propagated, or state or federal regulators seek to restrict regulated financial institutions such as our bank partners from engaging in business with Upstart in certain ways, our bank partners' ability to originate loans in certain states could be greatly reduced, and as a result, our business, financial condition and results of operations would be adversely affected.

Where applicable, we seek to comply with state broker, credit service organization, small loan, finance lender, servicing, collection, money transmitter and similar statutes. Nevertheless, if we are found to not comply with applicable laws, we could lose one or more of our licenses or authorizations, become subject to greater scrutiny by other state regulatory agencies, face other sanctions or be required to obtain a license in such jurisdiction, which may have an adverse effect on our ability to continue to facilitate loans, perform our servicing obligations or make our platform available to consumers in particular states, which may harm our business. Further, failure to comply with the laws and regulatory requirements applicable to our business and operations may, among other things, limit our ability to collect all or part of the principal or interest on Upstart-powered loans. In addition, non-compliance could subject us to damages, revocation of required licenses, class action lawsuits, administrative enforcement actions, rescission rights held by investors in securities offerings and civil and criminal liability, all of which would harm our business.

Internet-based loan origination processes may give rise to greater risks than paper-based processes.

We use the internet to obtain application information and distribute certain legally required notices to applicants and borrowers, and to obtain electronically signed loan documents in lieu of paper

documents with actual borrower signatures. These processes may entail greater risks than would paper-based loan origination processes, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that borrowers may challenge the authenticity of loan documents, and risks that despite internal controls, unauthorized changes are made to the electronic loan documents. In addition, our software could contain “bugs” that result in incorrect calculations or disclosures or other non-compliance with federal or state laws or regulations. If any of those factors were to cause any loans, or any of the terms of the loans, to be unenforceable against the borrowers, or impair our ability to service loans, the performance of the underlying promissory notes could be adversely affected.

If we are found to be operating without having obtained necessary state or local licenses, our business, financial condition and results of operations could be adversely affected.

Certain states have adopted laws regulating and requiring licensing by parties that engage in certain activities regarding consumer finance transactions, including facilitating and assisting such transactions in certain circumstances. Furthermore, certain states and localities have also adopted laws requiring licensing for consumer debt collection or servicing and/or purchasing or selling consumer loans. While we believe we have obtained or are in the process of obtaining all necessary licenses, the application of some consumer finance licensing laws to our AI lending platform and the related activities we perform is unclear. In addition, state licensing requirements may evolve over time, including, in particular, recent trends toward increased licensing requirements and regulation of parties engaged in loan solicitation and student loan servicing activities. If we were found to be in violation of applicable state licensing requirements by a court or a state, federal, or local enforcement agency, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties and other penalties or consequences, and the loans originated by our bank partners on our platform could be rendered void or unenforceable in whole or in part, any of which could have a material adverse effect on our business.

The CFPB is a relatively new agency that has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.

The CFPB, which commenced operations in July 2011, has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as the Truth in Lending Act and Regulation Z, the Equal Credit Opportunity Act, or the ECOA, and Regulation B, the Fair Credit Reporting Act, the Electronic Funds Transfer Act and Regulation E, among other regulations, and to enforce compliance with those laws. The CFPB supervises banks, thrifts and credit unions with assets over \$10 billion and examines certain of our bank partners. Further, the CFPB is charged with the examination and supervision of certain participants in the consumer financial services market, including short-term, small dollar lenders, and larger participants in other areas of financial services. The CFPB is also authorized to prevent “unfair, deceptive or abusive acts or practices” through its rulemaking, supervisory and enforcement authority. To assist in its enforcement, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including our loan products. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB may also request reports concerning our organization, business conduct, markets and activities and conduct on-site examinations of our business on a periodic basis if the CFPB were to determine, through its complaint system, that we were engaging in activities that pose risks to consumers.

Although we are the only online lending platform to have ever received a no-action letter from the CFPB with respect to our ECOA compliance as it pertains to underwriting applicants for unsecured non-revolving credit, there continues to be uncertainty about the future of the CFPB and as to how its

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strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected financial products and services, making them less attractive and restricting our ability to offer them. The CFPB could also implement rules that restrict our effectiveness in servicing our financial products and services.

Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of our or their services, or against our bank partners in connection with the products they offer on our platform, could result in reputational harm and adversely affect our business. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If future regulatory or legislative restrictions or prohibitions are imposed that affect our ability to offer certain of our products or that require us to make significant changes to our business practices, and if we are unable to develop compliant alternatives with acceptable returns, these restrictions or prohibitions could have a material adverse effect on our business. If the CFPB were to issue a consent decree or other similar order against us, this could also directly or indirectly affect our results of operations.

Although we have committed resources to enhancing our compliance programs, actions by the CFPB or other regulators against us, our bank partners or our competitors could result in reputational harm and a loss of bank partners, borrowers or investors in our loan funding programs. Our compliance and operational costs and litigation exposure could increase if and when the CFPB amends or finalizes any proposed regulations, including the regulations discussed above or if the CFPB or other regulators enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted.

We have been in the past and may in the future be subject to federal and state regulatory inquiries regarding our business.

We have, from time to time in the normal course of our business, received, and may in the future receive or be subject to, inquiries or investigations by state and federal regulatory agencies and bodies such as the CFPB, state Attorneys General, the SEC, state financial regulatory agencies and other state or federal agencies or bodies regarding the Upstart platform, including the marketing of loans for lenders, underwriting and pricing of consumer loans for our bank partners, our fair lending compliance program and licensing and registration requirements. We have addressed these inquiries directly and engaged in open dialogue with regulators. For example, following constructive and transparent discussions with the CFPB regarding the manner in which our platform operates in compliance with federal fair lending laws, we applied for and received a no-action letter from the CFPB that stated the CFPB had no present intent to recommend initiation of supervisory or enforcement action against us with respect to the ECOA as it pertains to underwriting applicants for unsecured non-revolving credit. Under the terms of the no-action letter, we are required to continue to share certain information with the CFPB regarding the loan applications we receive, how we decide which loans should be recommended to bank partners for approval and how we will mitigate risk to consumers, as well as information on how our AI models expand access to credit for traditionally underserved populations. Such no-action letter will expire on September 14, 2020. We intend to apply for relief under the CFPB's new no-action letter policies adopted in 2018, which replace the prior policy under which our current no-action letter was issued. We can provide no assurance that the CFPB will provide such relief or change its position regarding supervisory or enforcement action against us in the future. Moreover, were we determined to be conducting business contrary to the facts presented to, and relied

on, by the CFPB in issuing the no-action letter, we would be subject to heightened enforcement risk by the CFPB.

We have also received inquiries from state regulatory agencies regarding requirements to obtain licenses from or register with those states, including in states where we have determined that we are not required to obtain such a license or be registered with the state, and we expect to continue to receive such inquiries. Any such inquiries or investigations could involve substantial time and expense to analyze and respond to, could divert management's attention and other resources from running our business, and could lead to public enforcement actions or lawsuits and fines, penalties, injunctive relief, and the need to obtain additional licenses that we do not currently possess. Our involvement in any such matters, whether tangential or otherwise and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation, lead to additional investigations and enforcement actions from other agencies or litigants, and further divert management attention and resources from the operation of our business. As a result, the outcome of legal and regulatory actions arising out of any state or federal inquiries we receive could be material to our business, results of operations, financial condition and cash flows and could have a material adverse effect on our business, financial condition or results of operations.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of existing or new governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

We receive, transmit and store a large volume of personally identifiable information and other sensitive data from applicants and borrowers. Each bank partner can access information about their respective borrowers and declined applicants via daily loan reports and other reporting tools that are provided via the platform. For loan investors, while we generally limit access to personally identifiable information, we do share some personally identifiable information about borrowers with certain investors in our loan funding programs. There are federal, state and foreign laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and sensitive data. Specifically, cybersecurity and data privacy issues, particularly with respect to personally identifiable information are increasingly subject to legislation and regulations to protect the privacy and security of personal information that is collected, processed and transmitted. For example, the Gramm-Leach-Bliley Act includes limitations on financial institutions' disclosure of nonpublic personal information about a consumer to nonaffiliated third parties, in certain circumstances requires financial institutions to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information and requires financial institutions to disclose certain privacy notices and practices with respect to information sharing with affiliated and unaffiliated entities as well as to safeguard personal borrower information. In addition, the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020, requires, among other things, that covered companies provide disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales or retention of their personal information by us. The CCPA has been amended on multiple occasions and is the subject of proposed regulations of the California Attorney General that were originally published on October 11, 2019, and further amended February 10, 2020. Aspects of the CCPA and its interpretation remain unclear. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to further modify our data infrastructure and data processing practices and policies and to incur additional costs and expenses in an effort to continue to comply. Additionally, other U.S. states are proposing and enacting laws and regulations that impose obligations similar to the CCPA or that otherwise involve significant obligations and restrictions. Compliance with current and future borrower privacy data protection and information security laws and regulations could result in higher compliance, technical or operating costs. Further, any actual or perceived violations of these laws and regulations may require us to change our business practices, data infrastructure or operational structure, address legal claims and regulatory

investigations and proceedings and sustain monetary penalties and/or other harms to our business. We could also be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified such that we are required to alter our systems or change our business practices or privacy policies.

As the regulatory framework for artificial intelligence and machine learning technology evolves, our business, financial condition and results of operations may be adversely affected.

The regulatory framework for artificial intelligence and machine learning technology is evolving and remains uncertain. It is possible that new laws and regulations will be adopted in the United States, or existing laws and regulations may be interpreted in new ways, that would affect the operation of our platform and the way in which we use artificial intelligence and machine learning technology, including with respect to fair lending laws. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

If we are required to register under the Investment Company Act, our ability to conduct business could be materially adversely affected.

The Investment Company Act contains substantive legal requirements that regulate the manner in which “investment companies” are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our company or any affiliate being required to register as an investment company. In general, an “investment company” is a company that holds more than 40% of the total value of its assets (minus cash and government securities) in “investment securities.” For purposes of this test, while we do not think the loans held on our balance sheet are securities, the loans nonetheless could be deemed “investment securities,” which could in turn cause Upstart Holdings, Inc., Upstart Network, Inc., or an affiliate to be viewed as an “investment company” subject to regulation under the Investment Company Act. To provide clarity on this issue, we intend to apply for an exemptive order from the SEC finding that our company is not an investment company because it is primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities. We anticipate, but cannot guarantee, that an exemptive order under the Investment Company Act will be approved by the SEC prior to the sale of our common stock as described in this prospectus. If we are not successful in securing exemptive relief, there is risk that we could be subject to regulation under the Investment Company Act. In addition, exemptive orders provided by the SEC under the Investment Company Act are only effective as long as the facts and analysis upon which they are based do not materially change. It is possible that our business will change in the future in a way that causes the exemptive order to no longer apply to our business. If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which would adversely affect our business, financial condition and results of operations. If we were ever deemed to be in non-compliance with the Investment Company Act, we could also be subject to various penalties, including administrative or judicial proceedings that might result in censure, fine, civil penalties, cease-and-desist orders or other adverse consequences, as well as private rights of action, any of which could materially adversely affect our business.

If we are required to register under the Investment Advisers Act, our ability to conduct business could be materially adversely affected.

The IAA contains substantive legal requirements that regulate the manner in which “investment advisers” are permitted to conduct their business activities. We do not believe that we or our affiliates are required to register as an investment adviser with either the SEC or any of the various states, because our business consists of providing a platform for consumer lending and loan financing for

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which investment adviser registration and regulation does not apply under applicable federal or state law. However, one of our affiliates, Upstart Network, Inc., has notice filed as an exempt reporting adviser with the state of California based on its limited activities advising two funds.

While we believe our current practices do not require us or any of our other affiliates subsidiaries to register or notice file as an investment adviser, or require us to extend regulations related to Upstart Network, Inc.'s status as an exempt reporting adviser to our other operations, if a regulator were to disagree with our analysis with respect to any portion of our business, we or a subsidiary may be required to register or notice file as an investment adviser and to comply with applicable law. Registering as an investment adviser could adversely affect our method of operation and revenues. For example, the IAA requires that an investment adviser act in a fiduciary capacity for its clients. Among other things, this fiduciary obligation requires that an investment adviser manage a client's portfolio in the best interests of the client, have a reasonable basis for its recommendations, fully disclose to its client any material conflicts of interest that may affect its conduct and seek best execution for transactions undertaken on behalf of its client. The IAA also limits the ways in which a company can market its services and offerings. It could be difficult for us to comply with these obligations without meaningful changes to our business operations, and there is no guarantee that we could do so successfully. If we were ever deemed to be in non-compliance with applicable investment adviser regulations, we could also be subject to various penalties, including administrative or judicial proceedings that might result in censure, fine, civil penalties, cease-and-desist orders or other adverse consequences, as well as private rights of action, any of which could materially adversely affect our business.

If our transactions with investors in our loan funding programs are found to have been conducted in violation of the Securities Act or similar state law, or we have generally violated any applicable law, our ability to obtain financing for loans facilitated through our platform could be materially adversely affected, and we could be subject to private or regulatory actions.

Certain transactions in our loan funding programs are conducted pursuant to exemptions from the registration requirements of the Securities Act provided for in Regulation D or Section 4(a)(2) of the Securities Act. If any of these transactions were found to not be in compliance with the requirements necessary to qualify for these exemptions from Securities Act registration, or otherwise found to be in violation of the federal or state securities laws, our business could be materially adversely affected. The SEC or state securities regulators could bring enforcement actions against us, or we could be subject to private litigation risks as a result of any violation of the federal or state securities laws, which could result in civil penalties, injunctions and cease and desist orders from further violations, as well as monetary penalties of disgorgement, pre-judgment interest, rescission of securities sales, or civil penalties, any of which could materially adversely affect our business.

If we are found to be in violation of state or federal law generally, we also may be limited in our ability to conduct future transactions. For example, we could in the future become ineligible to sell securities under Regulation D if we become subject to "bad actor" disqualification pursuant to Rule 506(d) of Regulation D. Under Rule 506(d), issuers are ineligible "bad actors" if they or certain related persons, including directors and certain affiliates, are subject to disqualifying events, including certain cease-and-desist orders obtained by the SEC. If we were subject to this or other "bad actor" provisions of the securities laws, we may not be able to continue sales of whole loans, fractional interests in loans, or asset-backed securities, or we could be subject to significant additional expense associated with making our offerings, which would adversely affect our business, financial condition and results of operations.

If we are required to register with the SEC or under state securities laws as a broker-dealer, our ability to conduct business could be materially adversely affected.

We are not currently registered with the SEC as a broker-dealer under the Exchange Act or any comparable state law. The SEC heavily regulates the manner in which broker-dealers are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our being characterized as a broker-dealer, based on guidance published by the SEC and its staff. Among other reasons, this is because we do not believe we take any compensation that would be viewed as being based on any transactions in securities in any of our business lines. To the extent that the SEC or its staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. There can be no assurance that the laws and regulations governing our broker-dealer status or that SEC guidance will not change in a manner that adversely affects our operations. If we are deemed to be a broker-dealer, we may be required to institute burdensome compliance requirements and our activities may be restricted, which would adversely affect our business, financial condition and results of operations. We may also be subject to private litigation and potential rescission of certain investments investors in our loan financing products have made, which would harm our operations as well.

Similarly, we do not believe that our sales of whole loans and asset-backed securities will subject us to broker-dealer registration in any state in which we operate, primarily because we do not accept compensation that we believe could be viewed as transaction-based. However, if we were deemed to be a broker-dealer under a state's securities laws, we could face civil penalties, or costly registration requirements, that could adversely affect our business.

Anti-money laundering, anti-terrorism financing and economic sanctions laws could have adverse consequences for us.

We maintain a compliance program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act and U.S. economic sanctions laws administered by the Office of Foreign Assets Control. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering and terrorist financing and engaging in transactions involving sanctioned countries persons and entities. These controls include procedures and processes to detect and report suspicious transactions, perform borrower due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. No assurance is given that our programs and controls will be effective to ensure compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply with these laws and regulations could subject us to significant sanctions, fines, penalties, contractual liability to our bank partners or institutional investors, and reputational harm, all of which could harm our business.

Our securitizations, whole loan sales and warehouse facilities expose us to certain risks, and we can provide no assurance that we will be able to access the securitization or whole loan sales markets, or secured warehouse lines of credit, in the future, which may require us to seek more costly financing.

We have facilitated the securitizations, and may in the future facilitate securitizations, of certain loans acquired from our bank partners in order to allow certain of our originating bank partners, our whole loan purchasers and ourselves to liquidate their loans through the asset-backed securities

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markets or through other capital markets products. In term asset-backed securities transactions, we sell and convey pools of loans to a special purpose entity, or SPE. We likewise fund certain loans on our balance sheet by selling loans to two warehouse trust SPEs, which loan sales are partially financed with associated warehouse lines of credit from banks. Concurrently, each SPE issues notes or certificates pursuant to the terms of indentures and trust agreements, or in the case of the warehouse facilities, borrows money from banks pursuant to credit and security agreements. The securities issued by the SPEs in asset-backed securitization transactions and the lines of credit borrowed by the warehouse SPEs are each secured by the pool of loans owned by the applicable SPE. In exchange for the sale of a portion of a given pool of loans to the SPE, we and/or our whole loan purchasers who contribute loans to the transactions receive cash and/or securities representing equity interests in such SPE, which are the proceeds from the sale of the securities. The equity interests the SPEs are residual interests in that they entitle the equity owners of such SPEs, including us, to residual cash flows, if any, from the loans and to any assets remaining in such SPEs once the notes are satisfied and paid in full (or in the case of a revolving loan, paid in full and all commitments terminated). As a result of challenging credit and liquidity conditions, the value of the subordinated securities we or other transaction participants retain in such SPEs might be reduced or, in some cases, eliminated.

During the financial crisis that began in 2008, the securitization market was constrained, and this could occur again in the future. In addition, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements, including the Dodd-Frank Act and the Investment Company Act and the so-called "Volcker Rule," may affect the type of securitizations that we are able to complete.

Our securitizations are subject to regulation under federal law, and failure to comply with those laws could adversely affect our business.

Our loan securitizations and sales of asset-backed securities are subject to capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-based securities. These requirements, which are costly to comply with, could decrease investor demand for securities issued through our securitization transactions. For example, the Credit Risk Retention rule, codified as Regulation RR under the Exchange Act, was jointly adopted by the SEC, the Department of the Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the Department of Housing and Urban Development in 2014. Regulation RR generally requires the sponsor of asset-backed securities to retain not less than 5 percent of the credit risk of the assets collateralizing the securities, and generally prohibits the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained credit risk for a specified period of time, depending on the type of asset that is securitized. Some aspects of these risk retention rules have not been the subject of significant separate guidance. We believe, but cannot be certain, that we have conducted our business, and will continue to conduct our business, in such a way that we are compliant with these risk retention rules. However, if we have failed to comply, or should fall out of compliance with these rules, it could adversely affect our source of funding and our business.

We may also face regulatory risks related to compliance with Section 13 of the Bank Holding Company Act, commonly known as the "Volcker Rule," which prohibits banking entities from acquiring an ownership interest in entities that are investment companies for purposes of the Investment Company Act, or would be investment companies but for Sections 3(c)(1) or 3(c)(7) of the Investment Company Act, which are generally known as "private funds." This means that in order for a banking entity regulated under the Volcker Rule to purchase certain asset-backed securities issued by our affiliates, such affiliates may need to rely on another exemption or exception from being deemed

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“investment companies.” Currently, those affiliates generally rely on Rule 3a-7 under the Investment Company Act, which provides an exclusion to the definition of an investment company for issuers that pool income-producing assets and issue securities backed by those assets. However, if a regulator or other third party were to find or assert that our analysis under Rule 3a-7 (or, where applicable, some other exemption or exemption) is incorrect, banks that have purchased asset-backed securities may be able to rescind those sales, which would adversely affect our business. We believe, but cannot guarantee, that we have conducted our business, and will continue to conduct our business, in such a way that enables our applicable banking entity investors to be compliant with the Volcker Rule.

If it is not possible or economical for us to securitize loans in the future due to the applicable regulatory requirements, we would need to seek alternative financing to support our loan funding programs and to meet our existing debt obligations. Such funding may not be available on commercially reasonable terms, or at all. If the cost of such loan funding mechanisms were to be higher than our securitizations, the fair value of the loans would likely be reduced, which would negatively impact our results of operations. If we are unable to access such financing, our ability to originate loans and our results of operations, financial condition and liquidity would be materially adversely affected.

The gain on sale and related servicing fees generated by our whole loan sales, and the servicing fees based on sales of asset-backed securities and interests in our legacy fractional loan program, also represent a significant source of our earnings. We cannot assure you that our loan purchasers will continue to purchase loans or interests in loans on our platform (either through whole loan sales, sales of fractionalized interests in loans, or asset-backed securities) or that they will continue to purchase loans in transactions that generate the same spreads and/or fees that we have historically obtained. Factors that may affect loan purchaser demand for loans include:

- competition among loan originators that can sell either larger pools of loans than we are able to sell or pools of loans that have characteristics that are more desirable to certain loan purchasers than the characteristics that our loan pools have;
- the extent to which servicing fees and other expenses may reduce overall net return on purchased pools of loans;
- the actual or perceived credit performance and loan grade and term mix of the portfolios of loans offered for sale;
- loan purchasers’ sector and company investment diversification requirements and strategies;
- higher yielding investment opportunities at a risk profile deemed similar to our sold loan portfolios;
- borrower prepayment behavior within the underlying pools;
- regulatory or investment governance surrounding maintaining net asset value, mark-to-market and similar metrics surrounding pools of purchased loans; and
- the ability of our loan purchasers to access funding and liquidity channels, including securitization markets on terms they find acceptable to deliver an appropriate return net of funding costs, as well as general market trends that affect the appetite for loan financing investments.

Potential investors in our loan funding programs may also reduce the prices investors in those products are willing to pay for the loans or interests in loans they purchase during periods of economic slowdown or recession to compensate for any increased risks. A reduction in the sale price of the loans and loan financing products we sell would negatively impact our operations and returns. Any sustained decline in demand for loans or loan financing products, or any increase in delinquencies, defaults or foreclosures that result from economic downturns, may also reduce the price we receive on future loan sales.

RISKS RELATED TO THIS OFFERING AND OWNERSHIP OF OUR COMMON STOCK

An active trading market for our common stock may never develop or be sustained.

We plan to apply to list our common stock on the _____ under the symbol “UPST”. However, we cannot assure you that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the liquidity of any trading market, your ability to sell your shares of our common stock when desired, or the prices that you may obtain for your shares.

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

Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price of our common stock was determined through negotiation among us and the underwriters. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the trading price of our common stock following this offering is likely to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our common stock include:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of financial technology stocks;
- changes in operating performance and stock market valuations of other financial technology companies and technology companies that offer services to financial institutions;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new products, features, or services;
- the public’s reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- changes in prevailing interest rates;
- quarterly fluctuations in demand for the loans we facilitate through our platform;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;

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- compliance with government policies or regulations;
- the issuance of any cease-and-desist orders from regulatory agencies that we are subject to;
- developments or disputes concerning our intellectual property or other proprietary rights;
- actual or perceived data security breaches or other data security incidents;
- announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- recruitment or departure of key personnel; and
- general economic conditions and slow or negative growth of our markets.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigation has often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Certain insiders have significant voting power, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, officers, and each of our stockholders who own greater than 5% of our outstanding capital stock and their affiliates, in the aggregate, beneficially own a majority of the outstanding shares of our capital stock. As a result, these stockholders, if acting together, will be able to influence matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions, or other extraordinary 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, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale, and might ultimately affect the trading price of our common stock.

A substantial portion of the outstanding shares of our common stock after this offering will be restricted from immediate resale but may be sold on a stock exchange in the near future. The large number of shares of our capital stock eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.

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 after this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on shares of our common stock (after giving effect to the Capital Stock Conversion and the automatic net exercise of a preferred stock warrant) outstanding as of December 31, 2019, we will have _____ shares of our common stock outstanding immediately after this offering. Our executive officers, directors, and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us or have entered into lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for 180 days following the date of this prospectus. We refer to such period as

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the lock-up period. In addition, the underwriter representatives may, in their discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the lock-up period. See “Shares Eligible for Future Sale” for more information. Sales of a substantial number of such shares upon expiration, or the perception that such sales may occur, or early release of the lock-up, could cause our share price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

As a result of these agreements and the provisions of our investors’ rights agreement described further in the section titled “Description of Capital Stock—Registration Rights,” and subject to the provisions of Rule 144 or Rule 701 under the Securities Act, shares of our common stock will be available for sale in the public market as follows based on the shares of our capital stock outstanding as of December 31, 2019 (after giving effect to the Capital Stock Conversion):

- beginning on the date of this prospectus, all _____ shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus (subject to the terms of the lock-up agreements and market standoff agreements described above), an additional _____ shares of our common stock will be eligible for sale in the public market from time to time thereafter, of which _____ shares of our common stock will be subject to the volume and other restrictions of Rule 144, as described below.

Upon completion of this offering, stockholders owning an aggregate of up to _____ shares of our common stock will be entitled, under our investors’ rights agreement, to require us to register shares owned by them for public sale in the United States. In addition, we intend to file a registration statement to register shares reserved for future issuance under our equity compensation plans. Upon effectiveness of the registration statement of which this prospectus forms a part, subject to the satisfaction of applicable exercise periods and the expiration or waiver of the market standoff agreements and lock-up agreements referred to above, the shares issued upon exercise of outstanding stock options will be available for immediate resale in the United States in the open market.

Sales of our shares as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our common stock to fall and make it more difficult for you to sell shares of our common stock.

Our common stock does not provide any rights directly related to the loans we hold.

Investors in our common stock own a form of equity that may provide returns based on either an increase in the value of the stock or any distributions made to common stockholders. Investors will not, however, receive any interest in or fees based on the loans or other assets we hold on our balance sheet. In particular, investors in our common stock will not receive any distributions directly based on principal or interest payments made by borrowers on the loans we hold. Those loans are not directly related in any way to the common stock investors’ purchase.

You may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions or otherwise.

After this offering and the use of proceeds to us therefrom, we will have an aggregate of _____ shares of common stock authorized but unissued, and our amended and restated certificate of incorporation will authorize us to issue these shares of common stock and rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved _____ shares

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for issuance under our 2020 Equity Incentive Plan subject to adjustment in certain events. See “Executive Compensation—2020 Equity Incentive Plan.” Any common stock that we issue, including under our 2020 Equity Incentive Plan or other equity incentive plans that we may adopt in the future, could dilute the percentage ownership held by the investors who purchase common stock in this offering.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your investment.

The initial public offering price of our common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock of \$ _____ per share as of December 31, 2019. Investors purchasing shares of our common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of \$ _____ per share, based on an assumed initial public offering price of \$ _____ per share.

This dilution is due in large part to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering, and any previous exercise of stock options granted to our service providers. In addition, as of December 31, 2019, options to purchase 16,502,206 shares of our common stock were outstanding with a weighted-average exercise price of \$1.86 per share. The exercise of any of these options would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive less than the purchase price paid in this offering, if anything, in the event of our liquidation. See the section titled “Dilution” for more information.

We have broad discretion over the use of the net proceeds from this offering and we may not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. If our management fails to apply these proceeds effectively, such failure could adversely affect our business, results of operations, financial condition, and the price of our common stock. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our common stock.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect following this offering, contain provisions that may make the acquisition of our company more difficult, including the following:

- our Board of Directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;

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- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only the Chair of our Board of Directors, our Chief Executive Officer, or a majority of our entire Board of Directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- any amendment of the above anti-takeover provisions in our amended and restated certificate of incorporation or amended and restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of our common stock.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated bylaws will designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, will provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. The provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Additionally, nothing in our amended and restated bylaws precludes stockholders that assert claims under the Securities Act from bringing such claims in state or federal court, subject to applicable law.

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. This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find the exclusive-forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

Our common stock market price and trading volume could decline if equity or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our common stock will depend in part on the research and reports that equity or industry analysts publish about us or our business. The analysts' estimates are based upon

their own opinions and are often different from our estimates or expectations. 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 securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our common stock to decline.

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

We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, under the JOBS Act, emerging growth companies can delay the adoption of certain new or revised accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies or that have opted out of using such extended transition period, which may make comparison of our financial statements with those of other public companies more difficult. We may take advantage of these exemptions for so long as we are an “emerging growth company,” which could be as long as five years following the effectiveness of this offering. We expect, however, that we will cease being an “emerging growth company” prior to such time. We cannot predict if investors will find our common stock less attractive to the extent that we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

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

As a public company, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the 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. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

We also expect that being a public company will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage, incur substantially higher costs to obtain coverage or only obtain coverage with a significant deductible. These factors could also make it more difficult for us to attract and retain qualified executive officers and qualified members of our board of directors, particularly to serve on our audit committee and compensation committee.

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In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, 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, notwithstanding our efforts, we fail to comply with new laws, regulations and standards or our efforts differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected.

Our management team has limited experience managing a public company.

Our management team has limited or no experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. These new obligations and constituents will require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations, and financial condition.

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. In addition, the terms of our existing corporate debt agreements do, and any future debt agreements may, preclude us from paying dividends. As a result, capital appreciation of our common stock, if any, will be the only way for stockholders to realize any future gains on their investment for the foreseeable future.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws about us and our industry, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “seek,” “could,” “intend,” “target,” “aim,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this prospectus include statements about:

- our future financial performance, including our expectations regarding our revenue, our operating expenses, our ability to determine reserves and our ability to remain profitable;
- our ability to improve the effectiveness and predictiveness of our AI models and our expectations that improvements in our AI models can lead to higher approval rates and lower interest rates;
- our ability to increase the volume of loans facilitated by our AI lending platform;
- our ability to enter into new and maintain existing bank partnerships;
- our ability to successfully maintain a diversified loan funding strategy, including bank partnerships and whole loan sales and securitization transactions;
- our ability to maintain competitive interest rates offered to borrowers on our platform, while enabling our bank partners to achieve an adequate return over their cost of funding;
- our ability to successfully build our brand and protect our reputation from negative publicity;
- our ability to increase the effectiveness of our marketing strategies, including our direct consumer marketing initiatives;
- our expectations and management of future growth, including expanding the number of potential borrowers;
- our ability to successfully adjust our proprietary AI models, products and services in a timely manner in response to changing macroeconomic conditions and fluctuations in the credit market;
- our compliance with applicable local, state and federal laws;
- our ability to comply with and successfully adapt to complex and evolving regulatory environments, including regulation of artificial intelligence and machine learning technology;
- our expectations regarding regulatory support of our approach to AI-based lending;
- our ability to protect against increasingly sophisticated fraudulent borrowing and online theft;
- our ability to service loans and the ability of third-party collection agents, to pursue collection of delinquent and defaulted loans;
- our ability to successfully compete with companies that are currently in, or may in the future enter, the markets in which we operate;
- our expectations regarding new and evolving markets and our ability enter into new markets and introduce new products and services;
- our ability to effectively secure and maintain the confidentiality of the information received, accessed, stored, provided and used across our systems;

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- our ability to successfully obtain and maintain funding and liquidity to support continued growth and general corporate purposes;
- our ability to attract, integrate and retain qualified employees;
- our ability to effectively manage and expand the capabilities of our operations teams, outsourcing relationships and other business operations;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations regarding outstanding litigation and regulatory investigations;
- the increased expenses associated with being a public company; and
- our anticipated uses of net proceeds from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

INDUSTRY, MARKET AND OTHER DATA

Unless otherwise indicated, estimates and information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations, market position, market opportunity, and market size, are based on industry publications and reports generated by third-party providers, other publicly available studies, and our internal sources and estimates. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources. The content of, or accessibility through, the below sources and websites, except to the extent specifically set forth in this prospectus, does not constitute a portion of this prospectus and is not incorporated herein, and any websites are an inactive textual reference only.

The source of certain statistical data, estimates and forecasts contained in this prospectus are the following independent industry publications or reports:

- Adrian D. Garcia, Bankrate: JPM, Big Banks Spend Billions on Tech but Innovation Lags, July 2018.
- Bain & Company, Inc., Evolving the Customer Experience in Banking, 2017.
- Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union Administration and Office of the Comptroller of the Currency, Interagency Statement on the Use of Alternative Data in Credit Underwriting, December 2019.
- Eldar Beiseitov, Federal Reserve Bank of St. Louis: Unsecured Personal Loans Get a Boost From Fintech Lenders, July 2019.
- Bureau of Consumer Financial Protection, Policy on No-Action Letters, September 2019.
- Federal Home Loan Bank of San Francisco, Cost of Funds Index, December 2019.
- Federal Deposit Insurance Corporation, Statistics at a Glance, September 2019.
- The Federal Reserve Board, Statistical Release: Consumer Credit, December 2019.
- The Federal Reserve Board, Household Debt Service and Financial Obligations Ratios, December 2019.
- Forbes, citing Temkin Group Insight Report, NPS Benchmark Study, 2018, October 2018.
- Kathleen L. Kraninger, Consumer Financial Protection Bureau: Director Kraninger's Remarks at TCH-BPI Conference, November 2019.
- Kirsten Wysen, Open Source Solutions: Why Credit Scores and Payday Lending Matter for Health, October 2019.
- Kroll Bond Rating Agency, KBRA Surveillance Reports, December 2019.
- McKinsey Global Institute, Notes From the AI Frontier: Modeling the Impact of AI on the World Economy, September 2018.
- Naeem Siddiqi, Intelligent Credit Scoring: Building and Implementing Better Credit Risk Scorecards—2nd Edition, 2017.
- Northwestern Mutual, 2019 Planning & Progress Study: The Debt Debacle, 2019.

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- Patrice Ficklin and Paul Watkins, Consumer Financial Protection Bureau Blog: An Update on Credit Access and the Bureau's First No-Action Letter, August 2019.
- PricewaterhouseCoopers LLP, Experience Is Everything: Here's How to Get It Right, 2018.
- RedPoint Global and the Harris Poll, Addressing the Gaps in Customer Experience: A Benchmark Study Exploring the Ever Evolving Customer Experience and How Marketers and Consumers Are Adapting, March 2019.
- Rob Kaufman, myFico Blog: The History of the FICO Score, August 2018.

References to market size estimates are based on 2017 and 2018 U.S. loan origination data obtained from TransUnion in September 2019.

The Net Promoter Scores of our bank partners were derived through a third-party service that administers surveys to loan applicants immediately following the applicants' acceptance of a loan on Upstart's platform. Net Promoter Scores are calculated based on responses measured on a scale of one to ten to the survey question, "how likely is it that you would recommend us?" Responses of nine or 10 are considered "promoters," responses of seven or eight are considered neutral or "passives," and responses of six or less are considered "detractors." The number of detractors is subtracted from the number of promoters, and the resulting number is divided by the total number of respondents to obtain the Net Promoter Score using the methodology developed by Bain & Company, Inc. References to our bank partners' Net Promoter Scores are based on survey data gathered in the fourth quarter of 2019. Net Promoter Scores for other banks used for comparison were obtained from Forbes, citing the Temkin Group Insight Report, NPS Benchmark Study, 2018, October 2018.

The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$ _____, based upon the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, we estimate that the net proceeds to us would be approximately \$ _____, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds that we receive from this offering by approximately \$ _____, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of our common stock offered by us would increase or decrease the net proceeds that we receive from this offering by approximately \$ _____, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and enable access to the public equity markets for us and our stockholders.

We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds we receive from this offering to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering. Accordingly, we will have broad discretion in using these proceeds. Pending the use of proceeds from this offering as described above, we may invest the net proceeds that we receive in this offering in short-term, investment grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant. Additionally, our ability to pay cash dividends on our common stock is limited by restrictions under the terms of our credit facilities with Silicon Valley Bank.

CAPITALIZATION

The following table sets forth our cash and capitalization as of December 31, 2019 as follows:

- on an actual basis;
- on a pro forma basis, giving effect to (i) the Capital Stock Conversion, as if such conversions had occurred on December 31, 2019, (ii) the automatic net exercise of an outstanding warrant to purchase up to 600,208 shares of our Series B preferred stock and the reclassification of the associated warrant liability to additional paid-in capital and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware that will become effective immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis, giving effect to the pro forma adjustments set forth above and the sale and issuance by us of shares of our common stock in this offering, based upon the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and related notes, and the sections titled “Selected Consolidated Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that are included elsewhere in this prospectus.

<i>(In thousands, except share and per share amounts)</i>	As of December 31, 2019		
	Actual	Pro forma	Pro forma as adjusted ⁽¹⁾
Cash	\$ 44,389	\$ _____	\$ _____
Convertible preferred stock warrant liability	\$ 5,666	\$ —	\$ —
Total borrowings	118,609		
Convertible preferred stock, par value \$0.0001 per share: 53,927,657 shares authorized, 47,349,577 issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	162,546	—	—
Preferred stock, par value \$0.0001 per share: no shares authorized, issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Stockholders’ equity:			
Common stock, par value \$0.0001 per share: 90,000,000 shares authorized, 14,561,398 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; and shares authorized, shares issued and outstanding, pro forma as adjusted	2		
Additional paid-in capital	12,489		
Accumulated deficit	(75,205)		
Noncontrolling interests	1,026		
Total stockholders’ (deficit) equity	(61,688)		
Total capitalization	\$225,133	\$ _____	\$ _____

(1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the amount of our pro forma as adjusted cash, additional paid-in capital, total stockholders’ equity, and total capitalization by \$ _____.

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assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, additional paid-in capital, total stockholders' equity, and total capitalization by \$ _____, assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

If the underwriters' option to purchase additional shares of our common stock from us were exercised in full, pro forma as adjusted cash, additional paid-in capital, total stockholders' equity, total capitalization, and shares outstanding as of December 31, 2019 would be \$ _____, \$ _____, \$ _____, \$ _____, and _____, respectively.

The pro forma and pro forma as adjusted columns in the table above are based on _____ shares of our common stock (including shares of preferred stock issuable upon the automatic net exercise of a warrant to purchase Series B preferred stock and the Capital Stock Conversion) outstanding as of December 31, 2019, and exclude the following:

- 16,502,206 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.86 per share;
- 319,669 shares of our common stock issuable upon the exercise of warrants outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.77 per share;
- 1,757,974 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock issued after December 31, 2019, with a weighted-average exercise price of \$8.88 per share; and
- _____ shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:
 - _____ shares of our common stock to be reserved for future issuance under our 2020 Plan, which will become effective prior to the completion of this offering; and
 - 1,319,666 shares of our common stock reserved for future issuance under our 2012 Plan, which number of shares will be added to the shares of our common stock to be reserved for future issuance under our 2020 Plan upon its effectiveness, at which time we will cease granting awards under our 2012 Plan.

Our 2020 Plan will provide for annual automatic increases in the number of shares reserved thereunder and our 2020 Plan will also provide for increases to the number of shares that may be granted thereunder based on shares under our 2012 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled "Executive Compensation—Employee Benefit and Stock Plans."

DILUTION

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

Our historical net tangible book value per share is determined by dividing our total tangible assets less our convertible preferred stock and our total liabilities by the number of shares of our common stock outstanding. Our historical net tangible book value as of December 31, 2019 was \$ million, or \$ per share. Our pro forma net tangible book value as of December 31, 2019 was \$ million, or \$ per share, based on the total number of shares of our common stock outstanding as of December 31, 2019, after giving effect to (i) the Capital Stock Conversion, (ii) the automatic net exercise of an outstanding warrant to purchase shares of preferred stock resulting in the issuance of shares of our common stock and the related reclassification of our convertible preferred stock warrant liability to additional paid-in capital and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware that will become effective immediately prior to the completion of this offering.

After giving effect to the sale by us of shares of our common stock in this offering at the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2019 would have been \$, or \$ per share. This represents an immediate increase in pro forma net tangible book value of \$ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of \$ per share to investors purchasing shares of our common stock in this offering at the assumed initial public offering price. The following table illustrates this dilution:

Assumed initial public offering price per share	\$
Pro forma net tangible book value per share as of December 31, 2019	\$
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares of common stock in this offering	_____
Pro forma as adjusted net tangible book value per share immediately after this offering	_____
Dilution in pro forma net tangible book value per share to new investors in this offering	\$ _____

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma as adjusted net tangible book value per share to new investors by \$, and would increase or decrease, as applicable, dilution per share to new investors purchasing shares of common stock in this offering by \$, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares of our common stock offered by us would increase or decrease, as applicable, our pro forma as adjusted net tangible book value by approximately \$ per share and increase or decrease, as applicable, the dilution to new investors purchasing shares of common stock in this offering by \$ per share, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, the pro forma as adjusted net tangible book value per share of our common stock would be \$ _____ per share, and the dilution in pro forma net tangible book value per share to new investors purchasing shares of common stock in this offering would be \$ _____ per share.

The following table presents, as of December 31, 2019, after giving effect to the automatic net exercise of an outstanding warrant to purchase shares of our Series B preferred stock and the Capital Stock Conversion, the differences between the existing stockholders and the new investors purchasing shares of our common stock in this offering with respect to the number of shares purchased from us, the total consideration paid or to be paid to us, which includes net proceeds received from the issuance of our common stock, and the average price per share paid or to be paid to us at the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percentage	
Existing stockholders		%	\$	%	\$
New investors					\$
Totals		100%	\$	100%	

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by new investors and total consideration paid by all stockholders by \$ _____ million, assuming that the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of our common stock offered by us would increase or decrease the total consideration paid by new investors and total consideration paid by all stockholders by \$ _____, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock from us. If the underwriters' option to purchase additional shares of our common stock were exercised in full, our existing stockholders would own _____ % and our new investors would own _____ % of the total number of shares of our common stock outstanding upon completion of this offering.

The number of shares of our common stock that will be outstanding after this offering is based on _____ shares of our common stock (including the preferred stock issuable upon the automatic net exercise of a warrant to purchase Series B preferred stock and the Capital Stock Conversion) outstanding as of December 31, 2019, and excludes:

- 16,502,206 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.86 per share;
- 319,669 shares of our common stock issuable upon the exercise of warrants outstanding as of December 31, 2019, with a weighted-average exercise price of \$1.77 per share;

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- 1,757,974 shares of common stock issuable upon the exercise of options to purchase shares of our common stock issued after December 31, 2019, with a weighted-average exercise price of \$8.88 per share; and
- shares of our common stock reserved for future issuance under our equity compensation plans, consisting of:
 - shares of our common stock to be reserved for future issuance under our 2020 Plan, which will become effective prior to the completion of this offering; and
 - 1,319,666 shares of our common stock reserved for future issuance under our 2012 Plan, which number of shares will be added to the shares of our common stock to be reserved for future issuance under our 2020 Plan upon its effectiveness, at which time we will cease granting awards under our 2012 Plan.

Our 2020 Plan will provide for annual automatic increases in the number of shares reserved thereunder, and our 2020 Plan will also provide for increases to the number of shares that may be granted thereunder based on shares under our 2012 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefit and Stock Plans.”

To the extent that any outstanding options to purchase our common stock are exercised, or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated statements of operations data for the years ended December 31, 2017, 2018 and 2019 and the consolidated balance sheet data as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following selected consolidated financial and other data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

Consolidated Statements of Operations Data

<i>(In thousands, except share and per share amounts)</i>	Year Ended December 31,		
	2017	2018	2019
Revenue:			
Revenue from fees, net	\$ 51,161	\$ 88,482	\$ 159,847
Interest income and fair value adjustments, net	6,128	10,831	4,342
Total revenue	57,289	99,313	164,189
Operating expenses:			
Sales and marketing ⁽¹⁾	33,838	63,633	93,175
Customer operations ⁽¹⁾	10,232	15,416	24,947
Engineering and product development ⁽¹⁾	5,324	8,415	18,777
General, administrative, and other ⁽¹⁾	15,431	19,820	31,865
Total operating expenses	64,825	107,284	168,764
Loss from operations	(7,536)	(7,971)	(4,575)
Other income	330	487	1,036
Expense on warrants and convertible notes, net	(1,649)	(3,734)	(1,407)
Net loss before income taxes	(8,855)	(11,218)	(4,946)
Provision for income taxes	6	—	74
Net loss before attribution to noncontrolling interests	(8,861)	(11,218)	(5,020)
Net (loss) income attributable to noncontrolling interests	(1,144)	1,101	(4,554)
Net loss attributable to Upstart Holdings, Inc. common stockholders	\$ (7,717)	\$ (12,319)	\$ (466)
Net loss per common share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted ⁽²⁾	\$ (0.56)	\$ (0.87)	\$ (0.03)
Weighted-average number of shares outstanding used in computing net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted ⁽²⁾	13,873,810	14,128,183	14,335,611
Pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited) ⁽²⁾			\$
Weighted-average number of shares used to compute pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited) ⁽²⁾			\$

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

<i>(In thousands)</i>	Year ended December 31,		
	2017	2018	2019
Sales and marketing	\$ 32	\$ 183	\$ 278
Customer operations	124	178	433
Engineering and product development	574	753	1,803
General, administrative, and other	560	931	1,292
Total stock-based compensation	<u>\$ 1,290</u>	<u>\$ 2,045</u>	<u>\$ 3,806</u>

(2) See Note 16 to our consolidated financial statements for an explanation of the calculations of our basic and diluted net loss per share attributable to Upstart Holdings, Inc. common stockholders, pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

Consolidated Balance Sheet Data

<i>(In thousands)</i>	As of December 31,	
	2018	2019
Cash	\$ 73,038	\$ 44,389
Loans (at fair value)	502,666	232,305
Notes receivable and residual certificates (at fair value)	8,314	34,116
Total assets	645,908	393,462
Borrowings	74,983	118,609
Payable to securitization note holders and residual certificate holders (includes \$353,292 and \$89,672 at fair value, and \$61,439 and \$41,343 payable to related parties as of December 31, 2018 and 2019, respectively)	373,068	96,107
Total liabilities	542,655	292,604
Convertible preferred stock	157,923	162,546
Accumulated deficit	(75,078)	(75,205)
Total Upstart Holdings, Inc. stockholders' deficit	(66,671)	(62,714)
Noncontrolling interests	12,001	1,026
Total stockholders' deficit	(54,670)	(61,688)
Total liabilities, convertible preferred stock and stockholders' deficit	645,908	393,462

Key Operating Metrics

We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	Year Ended December 31,		
	2017	2018	2019
Number of Loans Transacted	70,457	114,125	215,122
Conversion Rate	8.1%	9.1%	13.1%
Percentage of Loans Fully Automated	34%	53%	66%

See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics" for a description of Number of Loans Transacted, Conversion Rate and Percentage of Loans Fully Automated.

Non-GAAP Financial Measures

<i>(In thousands)</i>	Year Ended December 31,		
	2017	2018	2019
Contribution Profit	\$ 9,265	\$ 13,098	\$ 48,940
Adjusted EBITDA	\$ (4,679)	\$ (6,226)	\$ 5,595

Contribution Profit

We define Contribution Profit as our revenue from fees, net less certain costs that we consider to be variable and closely correlated to our fee revenue. Our revenue from fees, net consists of platform and referral fees, net and servicing fees, net. Platform fees and referral fees are contracted for and charged separately, although they are generally combined for accounting purposes as they usually represent a single performance obligation. To derive Contribution Profit, we subtract from revenue from fees, net our borrower acquisition costs as well as our borrower verification and servicing costs. Borrower acquisition costs consist of our sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll related expenses for our business development and marketing teams, as well as other operational, brand awareness and marketing activities. Our borrower verification and servicing costs consist of payroll and other personnel related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel related expenses and stock-based compensation for certain members of our customer operations team whose work is not directly attributable to onboarding and servicing loans.

The following table provides a calculation of Contribution Profit for the years ended December 31, 2017, 2018 and 2019:

<i>(In thousands)</i>	Year Ended December 31,		
	2017	2018	2019
Referral fees, net	\$ 30,921	\$ 53,869	\$ 90,672
Platform fees, net	17,146	29,512	53,383
Servicing fees, net	3,094	5,101	15,792
Revenue from fees, net	51,161	88,482	159,847
Borrower acquisition costs	(32,777)	(61,658)	(89,569)
Borrower verification and servicing costs	(9,119)	(13,726)	(21,338)
Total direct expenses	(41,896)	(75,384)	(110,907)
Contribution Profit	\$ 9,265	\$ 13,098	\$ 48,940

See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures” for a reconciliation of loss from operations to Contribution Profit.

Adjusted EBITDA

We calculate Adjusted EBITDA as net loss attributable to Upstart Holdings, Inc. stockholders adjusted to exclude stock-based compensation expense, depreciation and amortization, expense on warrants and convertible notes, net and provision for income taxes. Adjusted EBITDA does include interest expense from corporate debt and warehouse credit facilities which is incurred in the course of earning corresponding interest income.

See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures” for a reconciliation of net loss attributable to Upstart Holdings, Inc. common stockholders to Adjusted EBITDA.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled "Risk Factors" and other parts of this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Upstart applies modern data science and technology to the process of underwriting consumer credit. By providing our bank partners with a proprietary AI-based origination platform, we help them originate credit with higher approval rates, lower loss rates and a high degree of automation. As our technology continues to improve and additional banks adopt our platform, consumers benefit from improved access to affordable and frictionless credit.

Since our inception, we have facilitated the origination of almost 450,000 personal loans that have generated more than 5.5 million repayment events. Our key milestones include:

Year	Cumulative Loan Value Transacted	Milestone
2014	\$35M	■ First Upstart-powered loan originated by our first bank partner.
2015	\$280M	■ First AI-enabled loan, trained exclusively on Upstart data.
2016	\$568M	■ First fully automated loan from application to funding.
2017	\$1,425M	■ Received first no-action letter issued by the CFPB. ■ Reached 1 million repayment events on our platform.
2018	\$2,913M	■ Majority of Upstart-powered loans become fully automated.
2019	\$5,638M	■ Reached 5 million repayment events on our platform. ■ First \$1 billion quarter of transacted loan volume.

We believe that banks will continue to be at the forefront of consumer lending in the United States. We believe AI lending will become increasingly critical as this industry continues to undergo a broad digital transformation. Our strategy is to partner with banks, providing them with a best-in-class AI lending platform that they can configure as they originate consumer loans under their own brand, according to their own business and regulatory requirements.

Consumers can obtain Upstart-powered loans in one of two ways: either by referral from Upstart.com to one of our bank partners, or directly through our bank partners' own websites, where our lending technology and experience is white-labeled. Our direct bank partner channel represents a small but growing portion of our overall volume, and we believe this portion will continue to grow over time as we onboard new bank partners. Consumers on our platform are currently offered unsecured

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personal loans ranging from \$1,000 to \$50,000 in size and at APRs typically ranging from approximately 6.5% to 35.99%. These loans are used for a variety of purposes, including credit card consolidation, refinancing of existing debt, home improvements and other personal uses.

Our bank partners can retain loans that align with their business and risk objectives. We then help our bank partners diversify the funding of their remaining loans to a broad base of approximately 70 institutional investors that fund or invest in Upstart-powered loans. In the fourth quarter of 2019, 21% of the loans funded through our platform were retained by the originating bank (up from 15% in the fourth quarter of 2018). 72% of loans were purchased by institutional investors through our loan funding programs in the fourth quarter of 2019 (down from 80% in the fourth quarter of 2018), and the remaining 7% were funded through our balance sheet (compared to 5% in the fourth quarter of 2018).

Our approach has allowed us to achieve rapid growth in recent years while simultaneously improving our margin profile. The Number of Loans Transacted on our platform increased 88% from 114,125 in 2018 to 215,122 in 2019. Over the same period, revenue increased 65% from \$99.3 million to \$164.2 million. Net loss decreased from \$12.3 million in 2018 to \$0.5 million in 2019.

Our Economic Model

Upstart's revenues are primarily earned in the form of three separate usage-based fees, which can be either dollar or percentage based depending on the contractual arrangement. We charge our bank partners a referral fee of 3% to 4% of loan value each time we refer a borrower who obtains a loan. Separately, we charge bank partners a platform fee of approximately 2% of loan value each time they originate a loan using our platform. These fees are contracted for and charged separately, although they are generally combined for accounting purposes as they usually represent a single performance obligation.

We also charge the holder of the loan (either a bank or institutional investor) an ongoing 0.5% to 1% annualized servicing fee based on the outstanding principal over the lifetime of the loan for ongoing servicing of the loan. Taken together, these fees represented 97% of our revenue in 2019. In addition, we earn a small portion of our revenue from interest income and our securitization activities.

The below table summarizes the dollar value of our economics on an average-sized loan, based on our contractual rates that were in effect as of December 31, 2019.

	Paid By	Fees per Loan
Referral Fees	Bank partner	\$400-\$500 on origination
Platform Fees	Bank partner	\$200-\$300 on origination
Servicing Fees	Bank partner or institutional investor	0.5%-1% per year

Loans fall into one of two different economic profiles, depending on their source. Loans that are referred to banks through Upstart.com (98% of all loans in the fourth quarter of 2019) will incur variable costs for borrower acquisition, verification and servicing; in the fourth quarter of 2019 this category of loans generated a 38% contribution margin on average. The remaining 2% of loans in the fourth

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quarter of 2019 were sourced directly through bank partners and thus, we received no referral fee and incurred no acquisition cost; in the fourth quarter of 2019 this category of loans generated a 74% contribution margin. To the extent we are able to increase the number of loans sourced directly through our bank partners, our contribution margin would be positively impacted. The rising level of automation achieved through our increasingly sophisticated risk models and our evolving channel mix have contributed to continually improving loan unit economics over time.

The below table summarizes the contribution economics for loans originated by our bank partners in the fourth quarter of 2019:

Upstart.com Referred		%	Bank Sourced		%
Total Fees	\$787		Total Fees	\$338	
Referral Fees	\$449		Platform Fees	\$260	
Platform Fees	\$260		Servicing Fees	\$78	
Servicing Fees	\$78				
Variable Costs	\$489		Variable Costs	\$89	
Borrower Acquisition	\$400		Borrower Verification & Servicing	\$89	
Borrower Verification & Servicing	\$89				
Total Fees, Net of Variable Costs	\$298	38%	Total Fees, Net of Variable Costs	\$249	74%

Factors Affecting Our Performance

Continued Improvements to Our AI Models

Much of our historical growth has been driven by improvements to our AI models. These models benefit over time from a flywheel effect that is characteristic of machine learning systems: accumulation of repayment data leads to improved accuracy of risk and fraud predictions, which results in higher approval rates and lower interest rates, leading to increased volume, and consequently greater accumulation of repayment data. This virtuous cycle describes an important mechanism by which our business grows simply through model learning and recalibration. We expect to continue to invest significantly in the development of our AI models and platform functionalities.

Beyond the ongoing accumulation of repayment data used to train our models, we also frequently make discrete improvements to model accuracy by upgrading algorithms and incorporating new variables, both of which have historically resulted in higher approval rates, more competitive loan offers, increased automation, and faster growth. As a second order effect, the impact of these improvements on our conversion funnel also allow us to unlock new marketing channels over time that have previously been unprofitable.

We believe that ongoing improvements to our technology in this manner will allow us to further expand access and lower rates for creditworthy borrowers, which will continue to fuel our growth. Should the pace of these improvements slow down or cease, or should we discover forms of model upgrades which improve accuracy at the expense of volume, our growth rates could be adversely affected.

Bank and Market Adoption

Banks play two key roles in Upstart's ecosystem: funding loans and acquiring new customers. Banks tend to enjoy among the most efficient sources of funding due to their expansive base of deposits. As they adopt our technology and fund a growing proportion of our platform transactions, offers made to borrowers will typically improve, generally leading to higher conversion rates and faster growth for our platform. The number of loans funded and retained by originating banks in 2019 was 48,674, up from 11,714 in 2018. Historically, we have observed that each 100 basis point reduction in APR has led to an approximate 15% increase in our conversion rate.⁴⁵

New bank partners also represent additional acquisition channels through which we can reach and source prospective new borrowers, as these banks develop and implement their own digital and in-branch campaigns to drive traffic from their existing customer base to our platform. We view this emerging growth channel to be additive to the marketing acquisition programs we currently run at Upstart.

To provide funding support for our bank partners, we have built a broad network of institutional investors that can fund Upstart-powered loans through secondary loan purchasing, issuance of pass-through certificates and investment in asset-backed securitizations. This diverse network of capital helps to minimize our reliance on any one funding source. However, any trend towards reduced participation by banks will generally erode the overall competitiveness of the offers on our platform, and any declining trend in the participation of broader institutional investment markets with respect to funding availability for Upstart-powered loans could adversely affect our business.

Product Expansion and Innovation

We intend to continue developing new financial products that address a broader set of consumer needs over time. We believe that significant growth opportunities exist to apply our evolving technology to additional segments of credit, such as auto loans, student loans, credit cards, point-of-sale loans, and home equity lines of credit. In addition, we aim to serve a broader role of technology enablement for banks, which we believe will seek more comprehensive technology solutions from their suppliers. We will incur expenses and opportunity cost to develop and launch these products. Their monetization prospects are uncertain, and costs associated with developing and marketing new products might not be recovered, which could weigh on our top-line growth and profitability.

Impact of Macroeconomic Cycles

Economic cycles can impact our financial performance and related metrics, including consumer demand for loans, conversion rates and the interest rates our bank partners and institutional investors are willing to accept. In a potential downturn, we believe consumer lending will generally contract, including the volume transacted on our own platform. However, the performance of Upstart-powered loans through an economic downturn will be important in further validating our AI models with banks and institutional investors. If we are able to demonstrate the resilience of Upstart-powered loans through a macroeconomic cycle relative to general consumer credit, it could strengthen our competitive positioning as we emerge from such a downturn.

⁴⁵ In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart's funded borrower base as of December 31, 2017. Such results are the average of the differences between Upstart's AI models and each of the three bank models.

Key Operating Metrics

We focus on several key operating metrics to measure the performance of our business and help determine strategic direction.

	Year Ended December 31,		
	2017	2018	2019
Number of Loans Transacted	70,457	114,125	215,122
Conversion Rate	8.1%	9.1%	13.1%
Percentage of Loans Fully Automated	34%	53%	66%

Number of Loans Transacted

We define the Number of Loans Transacted as the transaction volume, measured by number of loans facilitated on our platform, between a borrower and originating bank. We believe this metric to be a good proxy for our overall scale and reach as a platform. The Number of Loans Transacted in 2019 was 215,122, up 88% from 114,125 in 2018.

Conversion Rate

We define Conversion Rate as the Number of Loans Transacted in a period divided by the number of rate inquiries received, which we record when a borrower requests a loan offer on our platform. We track this metric to understand the impact of improvements to the efficiency of our borrower funnel on our overall growth. Historically, our Conversion Rate has benefitted from improvements to our technology, which have made our evaluation of risk more accurate and our verification process more automated, or from the addition of bank partners that have made our offers more competitive. Our Conversion Rate was 13.1% in 2019, up 4% from 9.1% in 2018. Our ability to continue to improve our Conversion Rate depends in part on our ability to continue to improve our AI models and Percentage of Loans Fully Automated and the mix of marketing channels in any given period.

Percentage of Loans Fully Automated

A key driver of our contribution margin and operating efficiency is the Percentage of Loans Fully Automated, which is defined as the total number of loans in a given period originated end-to-end (from initial rate request to final funding) with no human involvement divided by the Number of Loans Transacted in the same period. The Percentage of Loans Fully Automated in 2019 was 66%, up from 34% in 2017, with fraud rates during the same period remaining generally flat or slightly declining, from an average of 0.25% in 2017 to an average of % in 2019. We believe our growth over the last several years has been driven in part by our ability to rapidly streamline and automate the loan application and origination process on our platform. We expect the Percentage of Loans Fully Automated to level off and remain relatively constant in the long term, and to the extent we expand our loan offerings beyond unsecured personal loans, we expect that such percentage may decrease in the short term.

Components of Results of Operations

Revenue from Fees, Net

Platform and Referral Fees, Net

We charge our bank partners platform fees in exchange for usage of our AI lending platform, which includes collection of loan application data, underwriting of credit risk, verification and fraud

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detection, and the delivery of electronic loan offers and associated documentation. We also charge referral fees to our bank partners in exchange for the referral of borrowers from Upstart.com. Referral fees are charged on a per borrower basis upon origination of a loan, net of any fees charged by the originating bank back to Upstart for services provided related to the origination process.

Servicing Fees, Net

Servicing fees are calculated as a percentage of outstanding principal and are charged monthly to any entities holding loans facilitated through our platform, to compensate us for activities we perform throughout the loan term, including collection, processing and reconciliations of payments received, investor reporting and borrower customer support. Servicing fees are recorded net of any gains, losses or changes to fair value recognized in the underlying servicing rights and obligations, which are carried as assets and liabilities on our consolidated balance sheet. Upstart acts as loan-servicer for substantially all outstanding loans facilitated through the Upstart platform.

Interest Income and Fair Value Adjustments, Net

Interest income and fair value adjustments, net is comprised of interest income, interest expense and net changes in the fair value of financial instruments held on our consolidated balance sheets as part of our ongoing operating activities, excluding loan servicing assets and liabilities, common stock warrant liabilities and convertible preferred stock warrant liabilities. Interest income and fair value adjustments, net also includes the full amount of net interest income and expense incurred by consolidated variable interest entities, or VIEs, the majority of which has been historically allocated to third parties in the line item net (loss) income attributable to noncontrolling interests on our consolidated statements of operations and comprehensive loss. Interest income and fair value adjustments, net can fluctuate based on the fair value of financial instruments held on our consolidated balance sheet. This amount has historically been a small percentage of our total revenue, and we do not manage our business with a focus on growing this component of revenue.

Sales and Marketing

Sales and marketing expenses primarily consist of costs incurred across various advertising channels, including expenses for partnerships with third parties providing borrower referrals, direct mail and digital advertising campaigns, as well as other expenses associated with building overall brand awareness and experiential marketing costs. Sales and marketing expenses also include payroll and other personnel-related costs, including stock-based compensation expense. These costs are recognized in the period incurred. We expect that our sales and marketing expenses will increase in absolute dollars and may fluctuate as a percentage of our total revenue from period to period as we hire additional sales and marketing personnel, increase our marketing activities and build greater brand awareness.

Customer Operations

Customer operations expenses include payroll and other personnel-related expenses, including stock-based compensation expense, for personnel engaged in borrower onboarding, loan servicing, customer support and other operational teams. These costs also include systems, third-party services and tools we use as part of loan servicing, information verification, fraud detection and payment processing activities. These costs are recognized in the period incurred. We expect that our customer operations expenses will increase in absolute dollars and may fluctuate as a percentage of our total revenue over time, as we expand our portfolio and increase the Number of Loans Transacted.

Engineering and Product Development

Engineering and product development expenses primarily consist of payroll and other personnel-related expenses, including stock-based compensation expense, for the engineering and product development teams as well the costs of systems and tools used by these teams. These costs are recognized in the period incurred. We expect that our engineering and product development expenses will increase in absolute dollars and may increase as a percentage of our total revenue over time, as we expand our engineering and product development team to continue to improve our AI models and develop new products and product enhancements.

General, Administrative and Other

General, administrative and other expenses consist primarily of payroll and other personnel-related expenses, including stock-based compensation expense, for legal and compliance, finance and accounting, human resources and facilities teams, as well as depreciation and amortization of property, equipment and software, professional services fees, facilities and travel expenses. These costs are recognized in the period incurred. Following the completion of this offering, we expect to incur additional general, administrative and other expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect to increase the size of our general and administrative function to support the growth of our business. As a result, we expect that our general, administrative and other expenses will increase in absolute dollars but may fluctuate as a percentage of our total revenue from period to period.

Other Income

Other income primarily consists of dividend income earned on our unrestricted cash balances and sublease income. Other income is recognized in the period earned.

Expense on Warrants and Convertible Notes, Net

Expense on warrants and convertible notes, net is primarily comprised of the net changes in the fair value of our common and convertible preferred stock warrant liabilities, as well as interest expense on convertible notes outstanding in 2017 and 2018.

Results of Operations

The following table summarizes our historical consolidated statements of operations data:

<i>(In thousands)</i>	Year Ended December 31,		
	2017	2018	2019
Revenue:			
Revenue from fees, net	\$51,161	\$ 88,482	\$ 159,847
Interest income and fair value adjustments, net	6,128	10,831	4,342
Total revenue	57,289	99,313	164,189
Operating expenses:			
Sales and marketing ⁽¹⁾	33,838	63,633	93,175
Customer operations ⁽¹⁾	10,232	15,416	24,947
Engineering and product development ⁽¹⁾	5,324	8,415	18,777
General, administrative, and other ⁽¹⁾	15,431	19,820	31,865
Total operating expenses	64,825	107,284	168,764
Loss from operations	(7,536)	(7,971)	(4,575)
Other income	330	487	1,036
Expense on warrants and convertible notes, net	(1,649)	(3,734)	(1,407)
Net loss before income taxes	(8,855)	(11,218)	(4,946)
Provision for income taxes	6	—	74
Net loss before attribution to noncontrolling interests	(8,861)	(11,218)	(5,020)
Net (loss) income attributable to noncontrolling interests	(1,144)	1,101	(4,554)
Net loss attributable to Upstart Holdings, Inc. common stockholders	<u>\$ (7,717)</u>	<u>\$ (12,319)</u>	<u>\$ (466)</u>

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

<i>(In thousands)</i>	Year ended December 31,		
	2017	2018	2019
Sales and marketing	\$ 32	\$ 183	\$ 278
Customer operations	124	178	433
Engineering and product development	574	753	1,803
General, administrative, and other	560	931	1,292
Total stock-based compensation	<u>\$ 1,290</u>	<u>\$ 2,045</u>	<u>\$ 3,806</u>

Revenue

Revenue from Fees, Net

The following table set forth our revenue from fees, net in the periods shown:

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018 % Change	2018 to 2019 % Change
	2017	2018	2019		
Platform and referral fees, net	\$48,067	\$83,381	\$144,055	73%	73%
Servicing fees, net	3,094	5,101	15,792	65%	210%
Total revenue from fees, net	<u>\$51,161</u>	<u>\$88,482</u>	<u>\$159,847</u>	73%	81%

2018 Compared to 2019

Revenue from fees, net increased \$71.4 million, or 81%, in the year ended December 31, 2019, compared to the prior year. The increase was primarily due to an increase of \$60.7 million in revenue

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from platform and referral fees, net. This increase was primarily driven by an 88% increase in the Number of Loans Transacted from 114,125 in 2018 to 215,122 in 2019. Servicing fees, net increased by \$10.7 million due to a doubling in average outstanding loan principal, as well as a downward revaluation to the net liability of our servicing obligation.

2017 Compared to 2018

Revenue from fees, net increased \$37.3 million, or 73%, in the year ended December 31, 2018 compared to the prior year, comprised primarily of an increase of \$35.3 million in revenue from platform and referral fees, net. This increase was primarily due to an 62% increase in the Number of Loans Transacted from 70,457 in 2017 to 114,125 in 2018.

Interest Income and Fair Value Adjustments, Net

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Interest income and fair value adjustments, net	\$6,128	\$10,831	\$4,342	77%	(60)%

2018 Compared to 2019

Interest income and fair value adjustments, net decreased \$6.5 million, or 60%, in the year ended December 31, 2019 compared to the prior year. The decrease was primarily driven by a decline in interest income due to a reduction of consolidated loan balances from securitization-related VIEs in the year ended December 31, 2019. This decrease was partially offset by a lower amount of fair value adjustments to consolidated assets held by securitization-related VIEs.

2017 Compared to 2018

Interest income and fair value adjustments, net increased \$4.7 million, or 77%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily driven by a rise in interest income due to growth in consolidated loan balances from securitization-related VIEs in the year ended December 31, 2018. The increase in the outstanding balance of loans on our consolidated balance sheets was primarily attributable to our securitization program, which launched in June of 2017 and increased during 2018.

Operating Expenses

Sales and Marketing

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Sales and marketing	\$33,838	\$63,633	\$93,175	88%	46%

2018 Compared to 2019

Sales and marketing expenses increased by \$29.5 million, or 46%, in the year ended December 31, 2019 compared to the prior year. The increase was primarily due to increased spending of \$26.8 million for partnerships with parties providing borrower referrals and a \$1.6 million increase in payroll and other personnel-related expenses driven by increased headcount, as well as a \$1.1 million increase in advertising and other traffic acquisition costs. As a percentage of total revenue, sales and marketing expenses decreased from 64% to 57%.

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2017 Compared to 2018

Sales and marketing expenses increased by \$29.8 million, or 88%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to increased spending of \$14.6 million in digital and direct mail advertising campaigns, as well as an increase of \$13.5 million in spending for partnerships with parties providing borrower referrals. As a percentage of total revenue, sales and marketing expenses increased from 59% to 64%.

Customer Operations

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Customer operations	\$10,232	\$15,416	\$24,947	51%	62%

2018 Compared to 2019

Customer operations expenses increased by \$9.5 million, or 62%, in the year ended December 31, 2019 compared to the prior year. The increase was primarily due to an increase of \$5.0 million in payroll and other personnel-related expenses due to increases in headcount, as well as increased spending of \$4.4 million in information verification and platform operations due to a growing volume of loans facilitated through our platform. As a percentage of total revenue, customer operations expenses decreased from 16% to 15%.

2017 Compared to 2018

Customer operations expenses increased by \$5.2 million, or 51%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to an increase of \$2.7 million in payroll and other personnel-related expenses due to increases in headcount, as well as increased spending of \$2.3 million related to information verification and platform operations due to a growing volume of loans facilitated through our platform. As a percentage of total revenue, customer operations expenses decreased from 18% to 16%.

Engineering and Product Development

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Engineering and product development	\$5,324	\$8,415	\$18,777	58%	123%

2018 Compared to 2019

Engineering and product development expenses increased by \$10.4 million, or 123%, in the year ended December 31, 2019 compared to the prior year. The increase was primarily due to an increase of \$8.9 million in payroll and other personnel-related expenses driven by an increase in headcount, as well as a \$1.5 million increase in spending on consultants and other engineering services. As a percentage of total revenue, engineering and product development expenses increased from 8% to 11%.

2017 Compared to 2018

Engineering and product development expenses increased by \$3.1 million, or 58%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to an increase of \$2.4 million in payroll and other personnel-related expenses driven by an increase in headcount, as

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well as a \$0.7 million increase in spending on consultants and other engineering services. As a percentage of total revenue, engineering and product development expenses decreased from 9% to 8%.

General, Administrative, and Other

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
General, administrative, and other	\$15,431	\$19,820	\$31,865	28%	61%

2018 Compared to 2019

General, administrative, and other expenses increased by \$12.0 million, or 61%, in the year ended December 31, 2019 compared to the prior year. The increase was primarily due to an increase of \$6.0 million in personnel-related costs as a result of increased headcount; an increase of \$2.6 million in office rent and other facility-related expenses due to the opening of our second office in Columbus, Ohio, and relocation of our headquarters from San Carlos, California to San Mateo, California; an increase of \$1.1 million in legal and compliance-related expenses; and an increase of \$1.0 million in professional services fees. As a percentage of total revenue, general, administrative, and other expenses decreased from 20% to 19%.

2017 Compared to 2018

General, administrative, and other expenses increased by \$4.4 million, or 28%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to an increase of \$3.4 million in personnel-related costs as a result of increased headcount; an increase of \$2.0 million in office and administrative related expenses; and an increase of \$0.7 million in legal and compliance-related expenses. This increase was partially offset by a \$2.2 million decrease in professional fees. As a percentage of total revenue, general, administrative, and other expenses decreased from 27% to 20%.

Other Income

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Other income	\$ 330	\$ 487	\$ 1,036	48%	113%

2018 Compared to 2019

Other income increased by \$0.5 million, or 113%, in the year ended December 31, 2019 compared to the prior year. The increase was primarily due to an increase in unrestricted cash balances held in interest-bearing deposit accounts throughout the year at commercial banks.

2017 Compared to 2018

Other income increased by \$0.2 million, or 48%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to an increase in unrestricted cash balances held in interest-bearing deposit accounts at commercial banks.

Expense on Warrants and Convertible Notes, Net

<i>(In thousands)</i>	Year Ended December 31,			2017 to 2018	2018 to 2019
	2017	2018	2019	% Change	% Change
Expense on warrants and convertible notes, net	\$1,649	\$3,734	\$1,407	126%	(62)%

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2018 Compared to 2019

Expense on warrants and convertible notes decreased by \$2.3 million, or 62%, in the year ended December 31, 2019 compared to the prior year. The decrease was primarily due to a decrease of \$2.1 million in the fair value of outstanding convertible preferred stock warrants as a result of warrants exercised or repurchased and retired during the year, and a decrease in interest expense on convertible notes of \$0.7 million as the convertible notes were converted into convertible preferred stock in 2018. The decrease was partially offset by an increase of \$0.5 million in the fair value of common stock warrants.

2017 Compared to 2018

Expense on warrants and convertible notes increased by \$2.1 million, or 126%, in the year ended December 31, 2018 compared to the prior year. The increase was primarily due to an increase of \$1.5 million in the fair value of outstanding convertible preferred stock warrants as well as an increase in interest expense on convertible notes of \$0.4 million, which were issued in September and October 2017 and converted into Series C-1 convertible preferred stock in June 2018.

Reconciliation of Non-GAAP Financial Measures

To supplement our consolidated financial statements prepared and presented in accordance with GAAP, we use the non-GAAP financial measures Contribution Profit and Adjusted EBITDA to provide investors with additional information about our financial performance and to enhance the overall understanding of our past performance and future prospects. We are presenting these non-GAAP financial measures because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple periods with the performance of other companies.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our consolidated financial statements prepared and presented in accordance with GAAP.

To address these limitations, we provide a reconciliation of Contribution Profit and Adjusted EBITDA to loss from operations and net loss attributable to Upstart Holdings, Inc. common stockholders, respectively. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Contribution Profit and Adjusted EBITDA in conjunction with their respective related GAAP financial measures.

Contribution Profit

We use Contribution Profit as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance. We believe Contribution Profit is useful to investors for period-to-period comparisons of our business and in evaluating and understanding our operating results and ability to scale. Contribution Profit is also useful to investors because our management uses Contribution Profit, in conjunction with financial measures prepared in accordance with GAAP, to evaluate our operating results and financial performance and the effectiveness of our strategies.

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Contribution Profit has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Contribution Profit is not a GAAP financial measure of, nor does it imply, profitability. Even if our revenue exceeds variable expenses over time, we may not be able to achieve or maintain profitability, and the relationship of revenue to variable expenses is not necessarily indicative of future performance. Contribution Profit does not reflect all of our variable expenses and involves some judgment and discretion around what costs vary directly with loan volume. Other companies that present contribution profit calculate it differently and, therefore, similarly titled measures presented by other companies may not be directly comparable to ours.

The following table presents a reconciliation of loss from operations to Contribution Profit:

<i>(In thousands)</i>	Year Ended December 31,		
	2017	2018	2019
Loss from operations	\$ (7,536)	\$ (7,971)	\$ (4,575)
Sales and marketing, net of borrower acquisition costs(1)	1,061	1,975	3,606
Customer operations, net of borrower verification and servicing costs(2).	1,113	1,690	3,609
Engineering and product development	5,324	8,415	18,777
General, administrative, and other	15,431	19,820	31,865
Interest income and fair value adjustments, net	(6,128)	(10,831)	(4,342)
Contribution Profit	\$ 9,265	\$ 13,098	\$48,940

(1) Borrower acquisition costs were \$32.8 million, \$61.7 million and \$89.6 million in 2017, 2018 and 2019, respectively. Borrower acquisition costs consist of our sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for our business development and marketing teams, as well as other operational, brand awareness and marketing activities.

(2) Borrower verification and servicing costs were \$9.1 million, \$13.7 million and \$21.3 million in 2017, 2018 and 2019, respectively. Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of our customer operations team whose work is not directly attributable to onboarding and servicing loans.

Adjusted EBITDA

We believe that Adjusted EBITDA is useful for investors to use in comparing our financial performance with the performance of other companies 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 interest expense, that can vary substantially from company to company depending upon their financing and capital structures, and the method by which assets were acquired; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, and facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

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

- Although depreciation expense is a non-cash charge, the assets being depreciated 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;

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- Adjusted EBITDA excludes stock-based compensation expense, which has 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;
- Adjusted EBITDA does not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us; and
- the expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

Because of these limitations, Adjusted EBITDA should be considered along with other operating and financial performance measures presented in accordance with GAAP. The following table provides a reconciliation of net loss attributable to Upstart Holdings, Inc. common stockholders to Adjusted EBITDA:

<i>(In thousands)</i>	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net loss attributable to Upstart Holdings, Inc. common stockholders	<u>\$(7,717)</u>	<u>\$(12,319)</u>	<u>\$ (466)</u>
Adjusted to exclude the following:			
Stock-based compensation	1,290	2,045	3,806
Depreciation and amortization	93	314	774
Expense on warrants and convertible notes, net ⁽¹⁾	1,649	3,734	1,407
Provision for income taxes	6	—	74
Adjusted EBITDA	<u>\$(4,679)</u>	<u>\$ (6,226)</u>	<u>\$5,595</u>

(1) Consists of fair value adjustments to our warrant liability and interest expense on convertible notes.

Liquidity and Capital Resources

Since inception, we have financed our operations, corporate investments, and capital expenditures primarily through the sale of convertible preferred stock, term loans and draws on our revolving credit facilities, and cash generated from operations. We have also periodically issued convertible promissory notes, none of which were outstanding as of December 31, 2019.

Our outstanding debt consists of borrowings from term loan agreements, advances on our revolving credit facilities, including our warehouse credit facilities, and amounts borrowed under loan and security agreements to finance risk retention balances for certain unconsolidated securitizations we sponsor. As of December 31, 2019, we had an aggregate principal balance of \$118.7 million outstanding, of which \$7.7 million is due within the next 12 months. See "Note 7. Borrowings" to our consolidated financial statements included elsewhere in this prospectus for further information.

As of December 31, 2019, our primary source of liquidity was cash of \$44.4 million. Changes in the balance of cash are generally a result of working capital fluctuations or the timing of purchases of loans facilitated through our platform. To finance purchases of certain loans facilitated through our platform, we rely on our warehouse credit facilities, which allow us to borrow up to an aggregate of \$252.0 million through special-purpose trusts, or warehouse trusts. Loans purchased by us are classified as held-for-investment and can be sold to third-party investors or in securitization transactions to generate additional liquidity. As of December 31, 2019, the outstanding principal amount of these loans was \$109.7 million.

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We believe that our cash on hand, funds available from our revolving credit facilities, amounts borrowed under our term loans, and our cash flow from operations will be sufficient to meet our liquidity needs for at least the next 12 months. Our future capital requirements will depend on multiple factors, including our revenue growth, working capital requirements, volume of loan purchases for product development purposes and our capital expenditures. Payments made to securitization notes and residual certificates holders have no material impact on our liquidity as borrower repayments of loans included as collateral in the related securitization are closely related to the payments made to holders of these instruments.

To the extent our cash balances, cash generated by operations, revolving credit facilities, term loans and the proceeds from this offering are insufficient to satisfy our liquidity needs in the future, we may need to raise additional capital through equity or debt financing and may not be able to do so on terms acceptable to us or at all. If we are unable to raise additional capital when needed, our results of operations and financial condition would be materially and adversely impacted.

Term Loans

In 2016, we, along with our wholly owned subsidiary, Upstart Network, Inc., or UNI, as the co-borrower, entered into a loan and security agreement, or LSA, with a third-party lender to obtain a term loan of \$5.5 million. The term loan matures on December 1, 2020 and is payable in monthly installments of principal and interest. The loan bears a floating interest of prime rate plus 1.75% per annum. In 2018, we entered into a mezzanine loan and security agreement with the same lender to obtain a second term loan of up to \$15.0 million, or the Mezzanine Loan. The Mezzanine Loan bears interest at the greater of prime rate plus 5.25% or 10.00% per annum and matures on October 1, 2021. As of December 31, 2019, the outstanding principal balance of these loans was \$17.2 million.

Revolving Credit Facility

As of December 31, 2019, our revolving credit facility has an aggregate credit limit of \$5.5 million and we were fully drawn on such facility. The outstanding principal and any accrued and unpaid interest is due and payable in full on June 1, 2020. Our revolving credit facility bears floating interest rates, payable on a monthly basis, and contains certain financial covenants. Failure to comply with these covenants may result in an acceleration of payment on the outstanding principal and accrued interest. Borrowings under the revolving credit facility are secured by all assets of the company, excluding assets of consolidated securitizations and cash and restricted cash related to other borrowing arrangements. As of December 31, 2018 and 2019, we were in compliance with all applicable covenants under our revolving credit facility.

Warehouse Credit Facilities

We have entered into two warehouse credit facilities with separate third-party lenders through our warehouse trusts, which are consolidated VIEs. As of December 31, 2019, the warehouse credit facilities have an aggregate credit limit of \$252.0 million, the entire amount of which is limited to be used to fund purchases of personal whole loans originated by certain bank partners on our platform; the assets of the warehouse trusts secure the facilities provided by the warehouse lenders and are not available to settle claims of our general creditors. As of December 31, 2019, we have borrowed an aggregate of \$79.1 million under the warehouse facilities. We may borrow under these warehouse credit facilities until May 2020. Repayment of any outstanding principal, together with any accrued and unpaid interest, is due and payable in May 2021. Our warehouse credit facilities bear floating interest rates, payable on a monthly basis, and contain certain financial covenants. Failure to comply with these covenants may result in an acceleration of payment on outstanding principal and accrued interest. As of December 31, 2018 and 2019, we were in compliance with all applicable covenants under the warehouse credit facilities.

Risk Retention Funding Loans

We obtained financing under two loan and security agreements to fund the purchase of securitization notes and residual certificates issued by certain of our consolidated VIEs in our sponsored securitization transactions. These purchases were made in the amounts required to satisfy the requirements of U.S. risk retention regulations. The loans under these agreements bear interest at rates of 4.00% and 4.33% per annum. Interest is paid using cash distributions received monthly on the related securitization notes and residual certificates held by these entities. As of December 31, 2019, the aggregate outstanding principal amount of these loans was \$17.0 million. These borrowings are solely obligations of these consolidated VIEs and are not available to satisfy potential claims of our creditors.

Cash Flows

The following table summarizes our cash flows during the periods indicated:

<i>(In thousands)</i>	Year ended December 31,		
	2017	2018	2019
Net cash provided by operating activities	\$ 10,357	\$ 50,338	\$ 31,582
Net cash (used in) provided by investing activities	(393,421)	(137,237)	45,433
Net cash provided by (used in) financing activities	412,715	135,766	(119,190)
Net increase (decrease) in cash and restricted cash	<u>\$ 29,651</u>	<u>\$ 48,867</u>	<u>\$ (42,175)</u>

Net Cash from Operating Activities

Our main sources of cash provided by operating activities are our revenue from fees earned under contracts with bank partners and loan investors and interest income we receive for loans held-for-investment.

Our main uses of cash in our operating activities include payments to marketing partners, vendor payments, payroll and other personnel-related expenses, payments for facilities, and other general business expenditures.

Net cash provided by operating activities was \$31.6 million in 2019, which primarily consisted of a net loss before attribution to noncontrolling interests of \$5.0 million, offset by a change in fair value of financial instruments of \$34.7 million. The change in fair value of financial instruments was primarily related to a \$42.1 million decrease in the fair value of loans held-for-investment, partially offset by a \$6.1 million decrease in the fair value of payable to securitization note holders and residual certificate holders.

Net cash provided by operating activities was \$50.3 million in 2018, which primarily consisted of a net loss before attribution to noncontrolling interests of \$11.2 million, offset by a change in fair value of financial instruments of \$42.3 million and a \$14.0 million change in net operating assets and liabilities. The change in fair value of financial instruments was primarily related to a \$45.8 million decrease in the fair value of loans held-for-investment. The change in net operating assets and liabilities was mainly related to a \$14.1 million increase in payable to investors.

Net cash provided by operating activities was \$10.4 million in 2017, which primarily consisted of a net loss before attribution to noncontrolling interests of \$8.9 million and a change in fair value of financial instruments of \$5.2 million, offset by a \$21.0 million change in net operating assets and liabilities. The change in fair value of financial instruments was primarily related to a \$12.3 million decrease in the fair value of payable to securitization note holders and residual certificate holders,

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partially offset by a \$9.5 million decrease in the fair value of loans held-for-investment. The change in net operating assets and liabilities was mainly related to a \$23.5 million increase in payable to investors.

Net Cash from Investing Activities

Our primary sources of cash from investing activities are principal repayments received on loans held-for-investment through credit facilities and held by consolidated securitizations, proceeds from the sale of loans and payments on residual certificates held for risk retention purposes in sponsored securitizations.

The primary use of cash for investing activities includes purchases of loans held-for investment, including loans collateralized in consolidated securitizations, as well as purchases of securitization notes and residual certificates to fulfill risk retention requirements in securitizations we have sponsored in the past.

Net cash provided by investing activities was \$45.4 million in 2019 as a result of \$207.0 million of principal payments received on loans and \$100.7 million in net proceeds from the sale of loans, which were partially offset by \$265.3 million in purchase of loans.

Net cash used in investing activities was \$137.2 million in 2018 as a result of \$421.1 million in purchases of loans, which was partially offset by \$238.0 million in principal payments received on loans and \$45.7 million in net proceeds from the sale of loans.

Net cash used in investing activities was \$393.4 million in 2017 as a result of \$513.9 million in purchases of loans, which was partially offset by \$76.2 million in principal payments received on loans and \$45.1 million in net proceeds from the sale of loans.

Net Cash from Financing Activities

The main sources of cash from financing activities include proceeds from issuance of securitization notes and residual certificates from consolidated securitizations, proceeds from borrowings, and proceeds from the issuance of convertible preferred stock, notes payable and convertible notes.

The primary uses of cash for financing activities include payments made to holders of securitization notes and residual certificates for consolidated securitizations and repayments of notes payable and borrowings.

Net cash used in financing activities was \$119.2 million in 2019 as a result of \$199.4 million in payment on notes payable and securitization notes and certificates, which was partially offset by \$43.6 million in net proceeds from borrowings and \$39.9 million in proceeds from issuance of notes payable.

Net cash provided by financing activities was \$135.8 million in 2018 as a result of \$285.0 million in proceeds from issuance of notes payable and securitization notes and certificates, \$51.1 million in net proceeds from borrowings and \$49.9 million in proceeds from the issuance of convertible preferred stock, net of issuance costs, which were partially offset by \$248.2 million in payment on notes payable and securitization notes and certificates.

Net cash provided by financing activities was \$412.7 million in 2017, primarily driven by \$432.3 million in proceeds from the issuance of notes payable and securitization notes and certificates.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

Our principal commitments consist of obligations under our loan purchase agreements, debt obligations related to our revolving credit facilities, term loans and risk retention funding loans, and operating leases for office spaces. The following table summarizes our contractual obligations as of December 31, 2019 and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods:

<i>(In thousands)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Loan purchase obligations ⁽¹⁾	\$ 51,854	\$ 51,854	\$ —	\$ —	\$ —
Term loans	17,200	2,200	15,000	—	—
Interest payments on term loans	3,089	1,727	1,362	—	—
Warehouse and revolving credit facilities	84,596	5,500	79,096	—	—
Risk retention funding loans	16,941	—	3,167	13,774	—
Operating lease obligations	19,566	4,117	8,593	5,959	897
Total contractual obligations	\$ 193,246	\$ 65,398	\$ 107,218	\$ 19,733	\$ 897

(1) Represents loans facilitated through our platform of which certain of our originating banks retain ownership for the duration of the holding period required by our contracts with the banks. This period is generally equal to three business days. We have committed to purchase the loans for the unpaid principal balance, plus accrued interest, at the conclusion of the required period.

For a discussion of our long-term debt obligations, operating lease obligations and loan repurchase agreement as of December 31, 2019, see “Note 7. Borrowings,” “Note 12. Leases,” and “Note 13. Commitments and Contingencies,” respectively, to our consolidated financial statements included elsewhere in this prospectus for further information.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities that are not reflected on our consolidated balance sheets, generally referred to as off-balance sheet arrangements. These activities involve transactions with unconsolidated VIEs, including our sponsored and co-sponsored securitization transactions, which we contractually service. We use these transactions to provide a source of liquidity to finance our business and to diversify our investor base. When required by law, we retain at least 5% of the credit risk of the securities issued in these securitizations. We also engaged in activities with a personal loan trust entity created to facilitate fractional loan transactions. As of December 31, 2019, the fractional loan program was closed to new investments. We provide additional information regarding transactions with unconsolidated VIEs in “Note 3. Securitizations and Variable Interest Entities” to our consolidated financial statements included elsewhere in this prospectus.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

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Our significant accounting policies are described in “Note 1. Description of Business and Significant Accounting Policies” to our consolidated financial statements included elsewhere in this prospectus. We believe that the accounting policies described below reflect our most critical accounting policies and estimates, which represent those that involve a significant degree of judgment and complexity. Accordingly, we believe these policies are critical in fully understanding and evaluating our reported financial condition and results of operations.

Variable Interest Entities

A legal entity is considered a VIE if it either has a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. Our variable interest arises from contractual, ownership, or other monetary interests in the entity. We consolidate a VIE when we are deemed to be the primary beneficiary. We determine whether we are the primary beneficiary if we have the power to direct activities that significantly impact the VIE’s economic performance and we have the obligation to absorb losses or receive benefits of the VIE that could be potentially significant to the VIE.

We are required to apply judgment in performing this assessment, including in identifying the activities that most significantly impact a VIE’s economic performance and determining significance of our obligation to absorb losses or receive benefits. Factors considered in assessing the significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held within the VIE’s capital structure; and the nature of or reason behind our interest in the entity.

At a VIE’s inception, we determine whether we are the primary beneficiary based on the facts and circumstances. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Fair Value of Loans, Notes Receivable and Residual Certificates, Payable to Securitization Note Holders and Residual Certificate Holders, and Notes Payable

We have elected the fair value option for loans, notes payable to investors who participate in the legacy fractional loan-related securities program, and financial instruments related to securitization transactions, including notes receivable and residual certificates representing required risk retention for sponsored non-consolidated securitizations, and amounts payable to note holders and residual certificate holders in consolidated securitizations. We believe the estimate of fair value of these financial instruments requires significant judgment. We use a discounted cash flow model to estimate the fair value of these financial instruments based on the present value of estimated future cash flows. This model uses both observable and unobservable inputs and reflects our best estimates of the assumptions a market participant would use to calculate fair value. Primary inputs that require significant judgment include discount rates, credit risk rates, and expected prepayment rates. These inputs are based on historical performance of loans facilitated through our platform, as well as the consideration of market participant requirements. See “Note 4. Fair Value Measurement” to our consolidated financial statements included elsewhere in this prospectus for additional information.

Fair Value of Loan Servicing Assets and Liabilities

We also record loan servicing assets and liabilities at estimated fair value when we transfer loans which qualify as sales under Topic 860, *Transfers and Servicing* with servicing rights retained or when we enter into servicing agreements with banks partners that retain Upstart-powered loans. Loan servicing assets and liabilities are reported in other assets and other liabilities on our consolidated balance sheets. The gain or loss on loan sale, as well as changes in the fair value of loan servicing

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assets and liabilities are reported in revenue from fees, net, on our consolidated statements of operations and comprehensive loss in the period in which the changes occur. We use a discounted cash flow model to estimate the fair values of loan servicing assets and liabilities. The cash flows in the valuation model represent the difference between the servicing fees charged to loan investors and an estimated market servicing fee. Since servicing fees are generally based on the monthly unpaid principal balance of the underlying loans, the expected cash flows in the model incorporate estimated credit risk and expected prepayments on the loans. These inputs are consistent with the assumptions used in the valuation of loans held-for-investment and related securitization notes and residual certificates. See “Note 4. Fair Value Measurement” to our consolidated financial statements included elsewhere in this prospectus for additional information.

Revenue Recognition

Our revenue consists of two components: revenue from fees, net and interest income and fair value adjustments, net.

Revenue From Fees, Net

The revenue from fees, net line item on the consolidated statements of operations is primarily comprised of platform and referral fees, net, which are recognized based on Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers* (Topic 606). Income historically recognized under Topic 860, *Transfers and Servicing* and Topic 310, *Receivables* is excluded from the scope of the standard; as such, we have concluded that interest income and fair value adjustments, net and income from servicing fees will not change under the standard. We adopted Topic 606 as of January 1, 2019, using the modified retrospective method for all contracts not completed as of the date of adoption. The adoption of Topic 606 had no material impact on our consolidated balance sheet, consolidated statement of operations and comprehensive loss and consolidated statement of cash flows as of the adoption date or for the year ended December 31, 2019.

Topic 606 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. The core principle, involving a five-step process, of the revenue model is that an entity recognizes 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.

Our arrangements for platform and referral services typically consist of an obligation to provide one or both of these services to customers on a when and if needed basis (a stand-ready obligation), and we recognize revenue as such services are performed, which coincides with the amount billable to the customer. Additionally, the services have the same pattern and period of transfer, and when provided individually or together, are accounted for as a single combined performance obligation representing a series of distinct days of service.

Our platform and referral fees represent variable consideration. Since the variable fees relate directly to the day the service is provided, they generally meet the criteria for allocating variable consideration entirely to one or more, but not all, performance obligations in a contract. Accordingly, when the requisite criteria are met, variable fees are allocated to and recognized on the day the services are provided.

We also charge an ongoing loan servicing fee to the holder of the loan (either a bank or institutional investor) based on a predetermined percentage of the outstanding principal balance. Loan servicing fees are recognized in the period the services are provided. Servicing fees, net also includes gains and losses on assets and liabilities recognized under loan servicing arrangements for loans

retained by bank partners or loans sold to institutional investors. Such gains or losses are recognized based on whether the benefits of servicing are expected to more than adequately compensate us for carrying out our servicing obligations. Servicing fees also include changes in fair value of loan servicing assets and liabilities in the periods presented.

Interest Income and Fair Value Adjustments, Net

Interest income and fair value adjustments, net is comprised of interest income, interest expense and net changes in fair value of financial instruments from our normal course of business held at fair value, including loans, notes receivable and residual certificates, payable to securitization note holders and residual certificate holders, and notes payable. We record these adjustments in earnings in the period incurred and include both realized and unrealized adjustments to the value of related assets and liabilities. See the subsection titled “Fair Value of Loans, Notes Receivable and Residual Certificates, Payable to Securitization Note Holders and Residual Certificate Holders, and Notes Payable” above for further details on the estimates of fair value of these assets and liabilities.

Stock-Based Compensation

We estimate the grant date fair value of stock options granted to employees and nonemployees using the Black-Scholes option-pricing model. The fair value of stock options that is expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period, which is typically the vesting period of the respective awards.

The Black-Scholes option-pricing model considers several variables and assumptions in estimating the grant date fair value of stock-based awards. These assumptions include:

- *Fair Value of Common Stock*—See the subsection titled “Common Stock Valuations” below.
- *Expected Term*—The expected term represents the period that the stock-based awards are expected to be outstanding. We determined the expected term for employee stock options based on historical terminations and exercise behavior, which factors in an extended post-termination exercise provision for vested awards for certain employees who provide more than three years of service. We use the contractual term for all nonemployee awards.
- *Expected Volatility*—Since we are not yet a public company and do not have any trading history for our common stock, the expected volatility is estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available.
- *Risk-Free Interest Rate*—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the stock option award.
- *Expected Dividend*—We have never paid dividends on our common stock since our inception, nor do we expect to pay dividends in the foreseeable future. Therefore, we used an expected dividend yield of zero.

See “Note 11. Equity Incentive Plans” of our consolidated financial statements included elsewhere in this prospectus for information concerning certain of the specific assumptions we used in applying the Black-Scholes option-pricing model to determine the estimated fair value of our stock options granted in the years ended December 31, 2018 and 2019. Such assumptions involved inherent uncertainties and the application of significant judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation could be materially different.

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Stock-based compensation expense was \$1.3 million, \$2.0 million and \$3.8 million during the years ended December 31, 2017, 2018 and 2019, respectively. As of December 31, 2019, we had \$15.3 million of total unrecognized stock-based compensation costs which we expect to recognize over a weighted-average period of 2.5 years. These amounts reflect our reassessment of the fair value of our common stock in the year ended December 31, 2019.

The intrinsic value of all outstanding options as of December 31, 2019 was approximately \$ _____ million, based on the initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, fair value estimated by the board of directors as of that date, of which approximately \$ _____ million is related to vested options and approximately \$ _____ million is related to unvested options.

Common Stock Valuations

Historically, for all periods prior to this initial public offering, since there has been no public market of our common stock to date, the fair value of the shares of common stock underlying our share-based awards was estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, input from management, valuations of our common stock prepared by unrelated third-party valuation firms in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, and our board of directors' assessment of additional objective and subjective factors that it believed were relevant, and factors that may have changed from the date of the most recent valuation through the date of the grant. These factors include, but are not limited to:

- our results of operations and financial position, including our levels of available capital resources;
- our stage of development and material risks related to our business;
- our business conditions and projections;
- the valuation of publicly traded companies in the financial technology sectors, as well as recently completed mergers and acquisitions of peer companies;
- the lack of marketability of our common stock as a private company;
- the prices at which we sold shares of our convertible preferred stock to outside investors in arms-length transactions;
- the rights, preferences, and privileges of our convertible preferred stock relative to those of our common stock;
- the likelihood of achieving a liquidity event for our securityholders, such as an initial public offering or a sale of our company, given prevailing market conditions;
- the hiring of key personnel and the experience of management;
- trends and developments in our industry; and
- external market conditions affecting the financial technology industry sector.

Our board of directors considered the fair value of our common stock by first determining the equity value of our company, and then allocating that value among the various classes of our equity securities to derive a per share value of our common stock.

The equity value of our company was determined using the market approach by reference to the closest round of equity financing, if any, preceding the date of valuation and analysis of the trading values of publicly traded companies deemed comparable to us.

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In allocating the equity value of our company among various classes of stock, for our valuations performed on and prior to June 30, 2019, we used the option pricing method, or OPM, backsolve method. In an OPM framework, the backsolve method for inferring the equity value implied by a recent financing transaction involves making assumptions for the expected time to liquidity, volatility and risk-free rate and then solving for the value of equity such that value for the most recent financing equals the amount paid. This method was selected as management concluded that the contemporaneous financing transaction was an arms-length transaction. Furthermore, as of June 30, 2019, we were at an early stage of development and future liquidity events were difficult to forecast.

For our valuations performed subsequent to June 30, 2019, we used a hybrid method of the OPM and the Probability-Weighted Expected Return Method, or PWERM. PWERM considers various potential liquidity outcomes. Our approach included the use of different timing of initial public offering scenarios and a scenario assuming continued operation as a private entity. Under the hybrid OPM and PWERM method, the per share value calculated under the OPM and PWERM are weighted based on expected exit outcomes and the quality of the information specific to each allocation methodology to arrive at a final estimated fair value per share value of the common stock before a discount for lack of marketability is applied.

In the course of preparing our consolidated financial statements with a retrospective view, we have reassessed the fair value of our common stock in 2019 solely for accounting purposes. For purposes of this determination, we determined that the reassessed fair value of our common stock increased on a linear basis between the dates of our third-party valuation reports. We believe that linear interpolation between these is appropriate as no single event caused the valuation of our common stock to increase.

Following the closing of this offering, our board of directors will determine the fair market value of our common stock based on its closing price as reported on the date of grant on the primary stock exchange on which our common stock is traded.

Recent Accounting Pronouncements

See “Note 1. Description of Business and Significant Accounting Policies” to our consolidated financial statements included in this prospectus for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this prospectus.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The JOBS Act does not preclude an emerging growth company from early adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. We early adopted ASU 2016-02, *Leases (Topic 842)* effective January 1, 2019 and have elected not to restate comparative periods presented in the consolidated financial statements. We expect to use the extended transition period for any other new or revised accounting.

Quantitative and Qualitative Discussions of Market Risk

We are exposed to market risks in the ordinary course of our business, which primarily relate to fluctuations in market discount rates, credit risks, and interest rates. We are exposed to market risk directly through loans and securities held on our consolidated balance sheets, access to the securitization markets, investor demand for unsecured personal loans facilitated through our platform, and availability of funding under our current credit facilities and term loans. Such fluctuations to date have not been significant.

Discount Rate Risk

Discount rate sensitivity refers to the risk of loss to future earnings, values or future cash flows that may result from changes in market discount rates.

Loans at Fair Value—As of December 31, 2019, we were exposed to market discount rate risk on \$141.6 million of loans held-for-investment in our consolidated balance sheet, excluding collateralized loans in consolidated securitizations which are subject to the measurement alternative. The fair value of these loans is estimated using a discounted cash flow methodology, where the discount rate represents an estimate of the required rate of return by market participants. The discount rates for loans facilitated through our platform may change due to changes in expected loan performance or changes in the expected returns of similar financial instruments available in the market. Any gains and losses from discount rate changes are recorded in earnings. As of December 31, 2019, a hypothetical 100 basis point and 200 basis point increase in discount rate would result in a \$1.9 million and \$3.8 million decrease, respectively, in the fair value of these loans.

Assets and Liabilities related to Securitization Transactions—As of December 31, 2019, we were exposed to discount rate risk on \$34.1 million of notes receivable and residual certificates and \$89.7 million of payable to securitization note holders and residual certificate holders. We assess the sensitivity of securitization notes and residual certificates by reviewing the average impact across all securitization transactions. As of December 31, 2019, a hypothetical 100 basis point and 200 basis point increase in discount rates would result in a decrease in fair value of these securities of 1.40% and 2.77%, respectively, on average across all securitizations.

Credit Risk

Credit risk refers to the risk of loss arising from individual borrower default due to inability or unwillingness to meet their financial obligations. The performance of certain financial instruments, including loans, securitization notes and residual certificates, on our consolidated balance sheets are dependent on the credit performance of loans facilitated by us. To manage this risk, we monitor borrower payment performance through our lending platform and utilize our AI capabilities to price loans in a manner that we believe is reflective of their credit risk.

The fair values of these loans, securitization notes, and residual certificates are estimated based on a discounted cash flow model which involves the use of significant unobservable inputs and assumptions. These instruments are sensitive to changes in credit risk.

Loans, at Fair Value—As of December 31, 2019, we were exposed to credit risk on \$141.6 million of loans in held-for-investment in our consolidated balance sheet, excluding collateralized loans in consolidated securitizations, which are subject to the measurement alternative. These loans bear fixed interest rates and are carried on our consolidated balance sheets at fair value. As of December 31, 2019, a hypothetical 10% and 20% increase in credit risk would result in a \$2.3 million and \$4.7 million decrease, respectively, in the fair value of loans held-for-investment (excluding loans held as collateral by consolidated securitizations).

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Assets and Liabilities related to Securitization Transactions—As of December 31, 2019, we were exposed to credit risk on \$34.1 million of notes receivable and residual certificates and \$89.7 million of payable to securitization note holders and residual certificate holders.

The securities issued in the securitizations are senior or subordinated based on the waterfall criteria of loan payments to each security class, with the residual interest, or the residual certificates, issued being the first to absorb credit losses in accordance with the waterfall criteria. Accordingly, the residual certificates are the most sensitive to adverse changes in credit risk rates. Depending on the specific securitization, a hypothetical increase in the credit risk rate of 10% to 20% would result in significant decreases in the fair value of the residual certificates. On average, a hypothetical increase in the credit risk rate of 20% would result in a 25% decrease in the fair value of the residual certificates. The remaining classes of securities, with the exception of those in the August 2018 securitization transaction, are all overcollateralized such that changes in credit risk rates are not expected to have significant impacts on their fair values.

As of December 31, 2019, we are exposed to credit risk of \$80.1 million related to cash and restricted cash held in business checking accounts and interest-bearing deposit accounts at various financial institutions in the United States. We are exposed to credit risk in the event of default by these financial institutions to the extent the amount recorded on our consolidated balance sheets exceeds the insured amounts by the Federal Deposit Insurance Corporation, or FDIC. We reduce credit risk by placing our cash and restricted cash in reputable institutions.

Interest Rate Risk

The interest rates charged on the loans that our bank partners originate are determined based upon a margin above a market benchmark at the time of onboarding. Increases in the market benchmark would result in increases in the interest rates on new loans. Increased interest rates may adversely impact the spending levels of our individual borrowers and their ability and willingness to borrow money. Higher interest rates often lead to higher payment obligations, which may reduce the ability of individual borrowers to remain current on their obligations to our bank partners and, therefore, lead to increased delinquencies, defaults, customer bankruptcies and charge-offs, and decreasing recoveries, all of which could have a material adverse effect on our business.

Term Loans, Warehouse Credit Facilities and Revolving Credit Facility—As of December 31, 2019, we are exposed to interest rate risk on \$101.8 million under the term loans and revolving credit facility arrangements which bear floating interest rates. Changes in interest rates may impact our cost of borrowing. Future funding activities under the revolving credit facilities may increase our exposure to interest rate risk, as the interest rates payable on such funding are tied to short-term market rates. From time to time, we enter into interest rate hedges in connection with our warehouse credit facilities.

Our inability or failure to manage market risks could harm our business, financial condition or results of operations.

BUSINESS

Overview

Our mission is to enable effortless credit based on true risk.

We are a leading, cloud-based AI lending platform. AI lending enables a superior loan product with improved economics that can be shared between consumers and lenders. Our platform aggregates consumer demand for high-quality loans and connects it to our network of Upstart AI-enabled bank partners. Consumers on our platform benefit from higher approval rates, lower interest rates, and a highly automated, efficient, all-digital experience. Our bank partners benefit from access to new customers, lower fraud and loss rates, and increased automation throughout the lending process. Since inception, our bank partners have originated almost 450,000 personal loans that have generated more than 5.5 million repayment events. In the fourth quarter of 2019, approximately 70% of Upstart-powered loans were entirely automated.

Credit is a cornerstone of the U.S. economy, and access to affordable credit is central to unlocking upward mobility and opportunity. The FICO score was invented in 1989 and remains the standard for determining who is approved for credit and at what interest rate.⁴⁶ While FICO is rarely the only input in a lending decision, most banks use simple rules-based systems that consider only a limited number of variables. Unfortunately, because legacy credit systems fail to properly identify and quantify risk, millions of creditworthy individuals are left out of the system, and millions more pay too much to borrow money.⁴⁷

The first generation of online lenders focused on bringing credit online. Analogous to earlier internet pioneers, these companies made shopping for and accessing credit simpler and easier for consumers and businesses. It was no longer necessary to stand in line at a bank branch, to sit across the desk from a loan officer and to wait weeks or months for a decision. These lenders enabled the emergence of personal loan products that were previously unprofitable for banks to offer. While they brought the credit process online, they inherited the decision frameworks that banks had used for decades and did not address the more rewarding and challenging opportunity of reinventing the credit decision.

We leverage the power of AI to more accurately quantify the true risk of a loan. Our AI models have been continuously upgraded, trained and refined for more than seven years. We have discrete AI models that target fee optimization, income fraud, acquisition targeting, loan stacking, prepayment prediction, identity fraud and time-delimited default prediction. Our models incorporate more than 1,500 variables and benefit from a rapidly growing training dataset that currently contains more than 5.5 million repayment events. The network effects generated by our constantly improving AI models provide a significant competitive advantage—more training data leads to higher approval rates and lower interest rates at the same loss rate.

We have been able to demonstrate through several studies that AI lending works. First, in 2019 the CFPB reported that a study by Upstart of its data using a methodology specified by the CFPB showed that our AI model approves 27% more borrowers than a high-quality traditional model, with a 16% lower average APR for approved loans.⁴⁸ Second, when compared to credit models from several large banks, our AI models approve approximately 2.7 times as many borrowers at the same loss

⁴⁶ Kaufman; see the section titled "Industry, Market and Other Data."

⁴⁷ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁴⁸ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

rate.⁴⁹ And finally, for pools of securitized loans, our realized loss rates were approximately half of those predicted by Kroll, a prominent credit rating agency.⁵⁰

Our AI models are provided to bank partners within a consumer-facing cloud application that streamlines the end-to-end process of originating and servicing a loan. We have built a configurable, multi-tenant cloud application designed to integrate seamlessly into a bank's existing technology systems. Our highly configurable platform allows each bank to define its own credit policy and determine the significant parameters of its lending program. Our AI models use and analyze data from all of our bank partners. As a result, these models are trained by every Upstart-powered loan, and each bank partner benefits from participating in a shared AI lending platform.

Consumers can discover Upstart-powered loans in one of two ways: either via Upstart.com or through a white-labeled product on our bank partners' own websites.

Loans issued through our platform can be retained by our originating bank partners or distributed to our broad base of approximately 70 institutional investors and buyers that fund or invest in Upstart-powered loans.

Our revenue is primarily comprised of fees paid by banks. We charge banks referral fees when consumers apply for loans through Upstart.com, platform fees for each loan originated and loan servicing fees as consumers repay their loans. None of these fees are contingent on credit performance. As a usage-based platform, we target positive unit economics on each transaction, resulting in a cash efficient business model that features both high growth rates and profitability.

We have achieved rapid growth while improving our margin profile in recent years. The number of loans facilitated on our platform increased by 88% from 114,125 in 2018 to 215,122 in 2019. Over the same period, revenue increased 65% from \$99.3 million to \$164.2 million. Net loss decreased from \$12.3 million in 2018 to \$0.5 million in 2019.

Industry Overview

Affordable Credit is Critical to Unlocking Upward Mobility and Opportunity

With \$4.2 trillion of consumer credit outstanding as of December 2019,⁵¹ credit is a cornerstone of the U.S. economy. Access to affordable credit is central to unlocking upward mobility and opportunity. Reducing the price of borrowing for consumers has the potential to dramatically improve the quality of life for millions of people. Studies have demonstrated a strong statistical link among access to affordable credit, personal well-being and income growth.⁵² The average American has approximately \$29,800 in personal debt.⁵³ While access to affordable credit has allowed Americans to purchase and improve their homes, buy cars, pay for college tuition and cover emergency expenses, high interest rates can negatively impact a consumer's financial health. The U.S. Federal Reserve reports that on average, 10% of household disposable personal income is spent on debt repayment.⁵⁴ In addition, 16% of Americans spend 50% to 100% of their monthly income repaying debt.⁵⁵

⁴⁹ In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart's funded borrower base as of December 31, 2017. Such results are the average of the differences between Upstart's AI models and each of the three bank models.

⁵⁰ In an internal study, Upstart compared the actual realized loss rates of Upstart loans securitized between June 2017 and September 2019 and the realized loss rate predictions for those loans obtained from KBRA Surveillance Reports published by Kroll Bond Rating Agency in December 2019.

⁵¹ Federal Reserve Consumer Credit; see the section titled "Industry, Market and Other Data."

⁵² Wyssen; see the section titled "Industry, Market and Other Data."

⁵³ Northwestern Mutual; see the section titled "Industry, Market and Other Data."

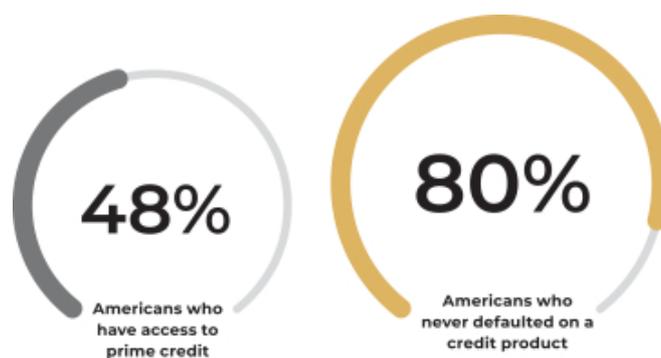
⁵⁴ Federal Reserve Household Debt; see the section titled "Industry, Market and Other Data."

⁵⁵ Northwestern Mutual; see the section titled "Industry, Market and Other Data."

Affordable Credit Is Inaccessible for Millions because Existing Systems Fail to Accurately Quantify Risk

The FICO score was invented in 1989 and has not fundamentally changed since that time.⁵⁶ The FICO score is used by over 90% of lenders to determine who is approved for credit and at what interest rate.⁵⁷ While FICO is rarely used in isolation, many credit models are simple rules-based systems. A leading expert found that bank credit models commonly incorporate eight to 15 variables, with the more sophisticated models using as many as 30.⁵⁸ Unsurprisingly, the world is more complicated than can be represented by these models, so they are limited in their ability to reliably estimate the probability of default.

Many borrowers suffer from the effects of inaccurate credit models. Many are approved for a loan that they ultimately will be unable to repay, negatively impacting both the consumer and the lender. Many others may be declined for a loan that they could have successfully repaid if given the opportunity—again doing harm to both consumer and lender. According to an Upstart retrospective study completed in December 2019, four out of five Americans who have taken out a loan have never defaulted, yet less than half of Americans have access to prime credit. Even consumers with high credit scores tend to pay too much for loans because the rates they pay effectively subsidize the losses from borrowers who default.



Banks Will Continue to be at the Forefront of Consumer Lending

Banks have been at the forefront of consumer lending in the U.S. for more than a century. They benefit from long-term structural advantages, including a low cost of funding, a unique regulatory framework, and high levels of consumer trust. Through large and reliable deposit bases, banks are able to maintain a very low cost of funds—approximately 1% on average.⁵⁹ These cost savings are passed through to borrowers in the form of lower interest rates, a significant competitive advantage over non-depository lending institutions. Banks also benefit from a regulatory framework that allows them to create nation-wide lending programs that are largely uniform. Given these advantages, we believe that a partnership-based bank enablement approach will be more successful than a disruption strategy.

Banks Must Undergo a Digital Transformation to Remain Competitive

The largest four U.S. banks spend an estimated \$38 billion on technology and innovation annually.⁶⁰ These four banks may attempt to build AI lending models over time, once general market

⁵⁶ Kaufman; see the section titled "Industry, Market and Other Data."

⁵⁷ Kaufman; see the section titled "Industry, Market and Other Data."

⁵⁸ Siddiqi; see the section titled "Industry, Market and Other Data."

⁵⁹ Federal Home Loan Bank of San Francisco; see the section titled "Industry, Market and Other Data."

⁶⁰ Garcia; see the section titled "Industry, Market and Other Data."

acceptance has been achieved. However, outside the largest four banks, there are approximately 5,300 FDIC insured institutions⁶¹ that are at risk of falling behind. Despite holding over \$8 trillion in deposits,⁶² we believe these banks, particularly small to medium-sized banks, have outdated technology and lack the technical resources of larger banks to fund the digitization process.

At the same time, consumers are increasingly seeking digital, personalized and automated experiences.⁶³ A 2017 Bain survey found that approximately 50% of the U.S. population would be comfortable buying financial products from technology companies.⁶⁴ We believe that as consumers, both young and old, move their financial lives online, small and medium-sized banks will be increasingly ill-equipped to serve them.

Increasing Recognition from Regulators

Many regulators including the FDIC, the OCC, the Federal Reserve and the CFPB increasingly recognize the opportunity to modernize techniques used in lending.⁶⁵ In December 2019, these agencies issued an inter-agency report in support of the use of alternative data in lending decisions.⁶⁶ Additionally, in November 2019, the CFPB director noted that despite external uncertainty regarding how AI will fit into regulatory frameworks, the CFPB is focused on ensuring a path to regulatory clarity because it recognizes the value AI lending products can offer consumers.⁶⁷ In fact, in 2017, the CFPB issued Upstart the first no-action letter regarding the use of alternative variables and AI and machine learning in credit decision-making.⁶⁸

The AI Opportunity

AI has the potential to add \$13 trillion to the current global economic output by 2030, a 16% increase over today's output.⁶⁹ According to the McKinsey Global Institute, AI will be slowly adopted in its early stages, followed by steep acceleration as the technology matures and companies learn how to best deploy it.⁷⁰ We believe the lending industry will follow this path.

Lending is a compelling application for AI. First, it involves sophisticated decisioning for events that occur millions of times each day. Second, there is an almost unlimited supply of data that has the potential to be predictive and improve the accuracy of credit decisions. Third, given the costs and risks associated with lending, the economic wins from AI are dramatic for both banks and consumers. This means that the significant investment required to overcome the technical and regulatory hurdles is well worth the effort.

With our seven-year head start, our AI lending platform is well-positioned to power a significant portion of the U.S. credit market. To date, we have focused on the unsecured personal loan market, the fastest-growing segment of consumer credit.⁷¹ In 2018, there were \$88 billion⁷² in U.S. unsecured

⁶¹ FDIC; see the section titled "Industry, Market and Other Data."

⁶² The dollar amount of deposits held by banks, other than the four largest banks, was aggregated by Upstart using data provided by the FDIC; see the section titled "Industry, Market and Other Data."

⁶³ Bain, PwC and RedPoint Global; see the section titled "Industry, Market and Other Data."

⁶⁴ Bain; see the section titled "Industry, Market and Other Data."

⁶⁵ FDIC Interagency Statement; see the section titled "Industry, Market and Other Data."

⁶⁶ FDIC Interagency Statement; see the section titled "Industry, Market and Other Data."

⁶⁷ Kraninger; see the section titled "Industry, Market and Other Data."

⁶⁸ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁶⁹ McKinsey; see the section titled "Industry, Market and Other Data."

⁷⁰ McKinsey; see the section titled "Industry, Market and Other Data."

⁷¹ Beiseitov; see the section titled "Industry, Market and Other Data."

⁷² Based on 2018 loan origination dollar amounts and 2017 loan origination dollar amounts provided by TransUnion.

personal loan originations, representing 20% growth over the prior year. In 2019, we facilitated the origination of \$2.7 billion in unsecured personal loans, or less than 5% of the total market.⁷³ We not only have a large opportunity to capture market share in unsecured personal loans, but by applying our AI models and technology to adjacent opportunities, we believe we are well-positioned to address the approximately \$899 billion⁷⁴ opportunity in U.S. auto loans, credit cards, student loans, point-of-sale loans and HELOCs. Over the longer term, we believe we are also capable of capturing market share in mortgage and small business lending.

Our AI Lending Platform

Our AI models are central to our value proposition and unique position in the industry. Our models incorporate more than 1,500 variables, which are analogous to the columns in a spreadsheet. They have been trained by more than 5.5 million repayment events, analogous to rows of data in a spreadsheet. Interpreting these more than 8 billion cells of data are increasingly sophisticated machine learning algorithms that enable a more predictive model.

These elements of our model are co-dependent; the use of hundreds or thousands of variables is impractical without sophisticated machine learning algorithms to tease out the interactions between them. And sophisticated machine learning depends on large volumes of training data. Over time, we have been able to deploy and blend more sophisticated modeling techniques, leading to a more accurate system. This co-dependency presents a challenge to others who may aim to short-circuit the development of a competitive model. While incumbent lenders may have vast quantities of historical repayment data, their training data lacks the hundreds of columns, or variables, that power our model. For more details regarding the variables, training data, and algorithms in our models, please see “Business—Evolution of Upstart’s AI Model.”

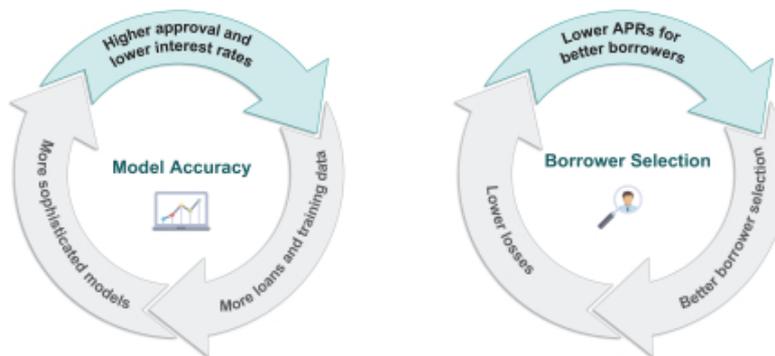
Despite their sophistication, our AI models are delivered to banks in the form of a simple cloud application that shields consumers from the underlying complexity. Additionally, our platform allows banks to tailor lending applications based on their policies and business needs. Our bank partners can configure many aspects of their lending programs, including factors such as loan duration, loan amount, minimum credit score, maximum debt-to-income ratio and return target by risk grade. Within the construct of each bank’s self-defined lending program, our platform enables the origination of conforming and compliant loans at a low per-loan cost.

Our platform benefits from powerful flywheel effects that drive continuous improvements as our business scales. Our platform benefits first from increasingly sophisticated models, variable expansion and rapid growth of training data. Upgrades to our platform allow us to offer higher approval rates and lower interest rates to consumers, which increases the number of borrowers on our platform. Upgrades to our platform also lead to better borrower selection, which lowers losses and lowers interest rates to borrowers. The flywheel effect created by self-reinforcing AI increases the economic opportunity that can be shared by borrowers and lenders over time.

⁷³ Based on 2018 loan origination dollar amounts provided by TransUnion.

⁷⁴ Based on 2018 loan origination dollar amounts provided by TransUnion.

Upstart's AI Flywheel



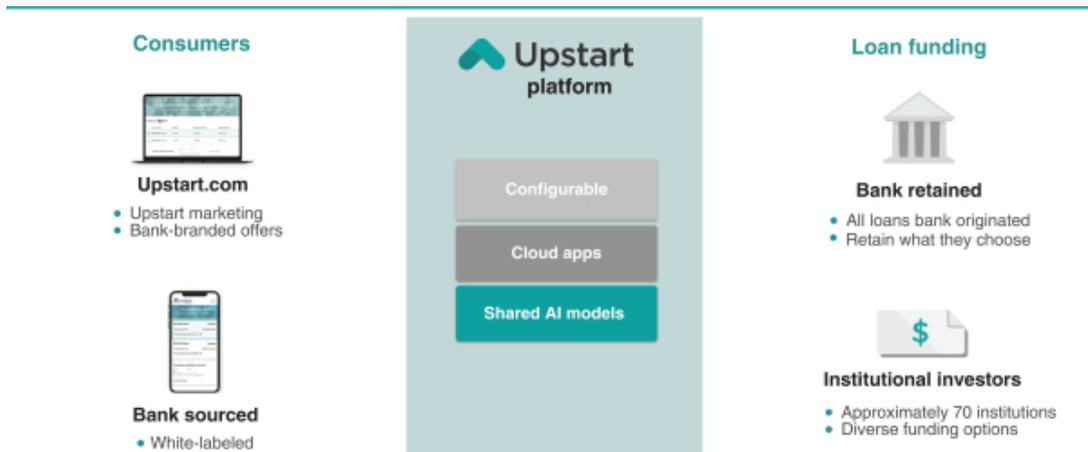
Our Ecosystem

Our platform connects consumers, banks and institutional investors through a shared AI lending platform. Because AI is a new and disruptive technology, and banking is a traditionally conservative industry, we have brought our technology to market in a way that allows us to grow rapidly and improve on our AI models, while allowing banks to take a prudent and responsible approach to assessing and adopting our platform.

On the consumer side, we aggregate demand on Upstart.com, where consumers are presented with bank-branded offers from our bank partners. In this way, we benefit banks who have adopted our AI lending technology. Bank partners can also offer Upstart-powered loans through a white-labeled interface on their own website or mobile application.

On the funding side, our bank partners can retain loans that align with their business and risk objectives, while the remainder can be sold to our network of institutional investors, which have far broader and more diverse capacity to absorb and distribute risk. This flexible approach allows banks to adopt AI lending at their own pace, while we continue to grow and improve our platform.

Upstart's Ecosystem



Value Proposition to Consumers

- *Higher approval rates and lower interest rates*—The CFPB reported that a study by Upstart of its data using a methodology specified by the CFPB, showed that our AI model approves 27% more borrowers than high-quality traditional lending models with a 16% lower average APR for approved loans.⁷⁵ Our analyses suggest that our loan offers have improved significantly over time relative to those of competitors.⁷⁶
- *Superior digital experience*—Whether consumers apply for a loan through Upstart.com or directly through a bank partner's website, the application experience is streamlined into a single application process and the loan offers provided are firm. In the fourth quarter of 2019, approximately 70% of Upstart-powered loans were instantly approved with no document upload or phone call required, an increase from 0% in late 2016.

Value Proposition to Bank Partners

- *Competitive digital lending experience*—We provide regional banks and credit unions with a cost effective way to compete with the technology budgets of their much larger competitors. The NPS for our bank partners' lending programs are approximately 80, well above published benchmarks for the largest banks.⁷⁷
- *Expanded customer base*—We refer customers that apply for loans through Upstart.com to our bank partners, helping them grow both loan volumes and number of customers. The most common age of Upstart-referred borrowers is 27 years old, a compelling demographic that is often challenging for banks to access.
- *Lower loss rates*—An internal study comparing our model to that of several large U.S. banks found that our model could enable these banks to lower loss rates by almost 75% while keeping approval rates constant.⁷⁸
- *New product offering*—Personal loans are the fastest-growing segment of credit in the U.S.⁷⁹ Our platform helps banks provide a product their customers want, rather than letting customers seek loans from competitors.
- *Institutional investor acceptance*—Analyses by credit rating agencies, loan and bond buying institutions, and credit underwriters help banks gain confidence that Upstart-powered loans are subject to significant and constant scrutiny from experts, the results of which are often publicly available.

Our Competitive Strengths

Constantly Improving AI Models

We have been building and refining our AI models for more than seven years, and they have led directly to our growth and profitability. Our models currently incorporate more than 1,500 variables and are trained by more than 5.5 million repayment events. Beyond the advantages accrued by our

⁷⁵ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁷⁶ Since 2017, Upstart has used a third-party service to perform quarterly comparative studies of the interest rates offered for Upstart-powered loans versus the interest rates offered by six other companies offering personal loans online.

⁷⁷ Upstart used a third-party service to administer surveys to loan applicants immediately following an applicant's acceptance of a loan on Upstart's platform. For further information, see the section titled "Industry, Market and Other Data."

⁷⁸ In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart's funded borrower base as of December 31, 2017. Such results are the average of the differences between Upstart's AI models and each of the three bank models.

⁷⁹ Beiseitov; see the section titled "Industry, Market and Other Data."

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constantly growing volume of training data, our data science team continues to update our modeling techniques regularly. Model and technology improvements have increased our conversion rate from the initial rate inquiry to funded loan by a factor of four since the beginning of 2016. We have a pipeline of potential model improvements that we expect will further increase our conversion rates in the future.

Flexible Two-Sided Ecosystem

We benefit from aggregating consumer demand on Upstart.com, referring consumers directly to our network of AI-enabled bank partners. Our consumer presence allows us to increase awareness of and interest in Upstart-powered loans, directly contributing to our own growth, as well as the growth and success of our bank partners' lending programs.

With an expanding list of bank partners, we can solve the borrowing needs of an increasingly diverse array of consumers. As more banks leverage the Upstart platform, consumers benefit from better offers of credit, while experiencing a consistently high-quality experience.

Capital Efficient Fee-Based Business

In 2019, we generated 97% of revenue from fees from banks and loan servicing. We have also achieved a high degree of automation, with approximately 70% of Upstart-powered loans approved instantly and fully automated in the fourth quarter of 2019, driving operating leverage and improving unit economics. We generated more than \$1 million of annualized revenue per employee in the fourth quarter of 2019.

Regulatory Compliance

We have worked with regulators since our inception to ensure we operate in compliance with applicable laws and regulations. AI lending expands access to affordable credit by constantly finding new ways to identify qualified borrowers, yet AI models must avoid unlawful disparate impact or statistical bias that would be harmful to protected groups. We have demonstrated to the CFPB that our platform does not introduce unlawful bias to the credit decision and we have developed sophisticated reporting procedures to ensure future versions of the model remain fair.⁸⁰

In September 2017, we received the CFPB's first no-action letter.⁸¹ A no-action letter reduces potential regulatory uncertainty for innovative products that may offer significant consumer benefit.⁸² At this time, we do not know of any other lending platforms that have received similar no-action letters for fair lending from the CFPB.

Our Growth Strategy

Model Improvements

Our growth has historically been driven by AI model improvements and technology upgrades, and we expect this trend to continue for the foreseeable future. Model upgrades typically result in higher approval rates, better loan offers, higher degrees of automation and other improvements that increase our total number of funded loans. As our model accuracy increases, we are able to re-target and approve consumers who previously visited our site but were not eligible for a loan. A more efficient funnel also has the effect of enabling new marketing and acquisition channels that may not have been economical in the past, providing a second-order growth driver.

⁸⁰ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁸¹ Ficklin and Watkins; see the section titled "Industry, Market and Other Data."

⁸² Bureau of Consumer Financial Protection, Policy on No-Action Letters, September 2019.

More Efficient Funding

Growth is also driven by a reduced cost of funding for Upstart-powered loans. This can happen because more banks adopt our platform, or existing partners increase their budget for Upstart-powered loans. Cost of funding can also be reduced as bank partners gain more confidence in our models and lower some of the constraints, they choose to place on their lending program. The cost of funding through institutional investors can also improve regularly, as credit rating agencies and loan and residual buyers gain confidence in the credit performance of Upstart-powered loans.

Our internal data suggests that each 100 basis point reduction in interest rate offered to the consumer increases conversion by 15%.⁸³ Therefore, reduced cost of funding can be a direct driver of growth.

Bank Distribution

Today, the vast majority of borrowers are referred to our bank partners via Upstart.com. But these banks are also beginning to offer Upstart-powered loans through their own websites, supported by their own marketing programs. We expect the bank-driven distribution of Upstart-powered loans to grow over time, as more bank partners roll out white-labeled versions of Upstart to serve their new and existing customers directly.

New Products

Personal loans are the fastest-growing segment of consumer credit in the U.S., but they are far from the largest.⁸⁴ As we apply our AI models and technology to other credit verticals, we will be able to serve the needs of more consumers and to play a broader technology enablement role for our bank partners. There is significant opportunity to expand from personal loans to auto loans, credit cards, student loans, point-of-sale loans and HELOCs. While not a core focus today, we believe that in the long term our platform is also well-positioned to address opportunities in mortgages and small business loans.

Our Platform

Our AI lending platform enables banks to provide consumers access to credit. The first credit product offered through our platform was an unsecured personal loan.

Consumers

We have built a mobile-responsive web application at Upstart.com, where consumers can quickly and easily inquire about a rate, evaluate and choose a loan offer, provide necessary information for verification and review required disclosures before final acceptance of the loan. A virtually identical experience is also offered as a white-labeled product on bank partners' websites. Further detail on our consumer experience is outlined below.

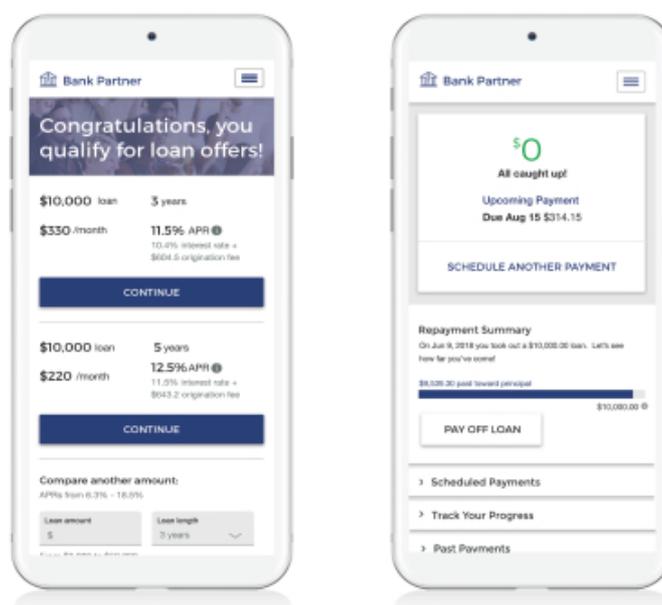
- *Rate inquiry*—To begin the process, consumers answer a series of questions in an online questionnaire. Questions cover basic personal information, educational background and employment history. The majority of consumers complete the questionnaire in less than five minutes.

⁸³ In a series of internal studies conducted in April 2016, September 2016 and January 2018, Upstart compared changes in conversion rates between test groups of Upstart loan applicants when loan offer APRs were increased or decreased for certain groups. The average change in conversion rates across the three studies is presented.

⁸⁴ Beiseitov; see the section titled "Industry, Market and Other Data."

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- **Offer presentation**—If a consumer is approved, a loan offer will be presented from one of our bank partners on Upstart.com. Consumers are typically able to review potential rates and fees for loans of different amounts and terms. Alternatively, if the rate inquiry was on a bank partner's website, consumers will only see loan offers from that specific bank partner. The loan offer presented will not change in later phases of the application as long as the information provided by the applicant is verified as accurate.
- **Verification**—If a consumer chooses to move forward with a loan offer, we proceed to verify the information provided by the consumer, including their identity, employment or income, education, and bank account information. For the majority of Upstart-powered loans, this process happens automatically and immediately, with no documentation upload or phone call required of the consumer. For applications flagged as involving higher fraud risk, there is a more extensive technology-enabled verification process.
- **Loan funding**—For a consumer who successfully completes the verification process and agrees to their loan terms, loan proceeds will typically be deposited in the consumer's bank account by our bank partner the next business day.
- **Repayment**—A consumer who accepts a loan is directed toward a servicing portal through which the consumer can manage their repayments. Monthly payment dates automatically default to a day when the consumer is most likely to have sufficient cash in their account, but consumers are able to adjust this date as necessary. Consumers can also make one-time pre-payments or make other adjustments as necessary, all from the Upstart-powered web application.



Bank Partners

Our platform is designed to help our bank partners originate loans according to their unique requirements. In order to do this, we provide a wide variety of options for banks to define and control their lending program.

- **Upstart.com referrals**—Once we aggregate consumer demand on our website, we pass those customers to our bank partners.

- *White-labeled product*—Bank partners can serve customers with a white-labeled Upstart application on their own website or mobile application.
- *Configurations*—Because banks have complete authority and control over their lending programs, our bank partners pre-determine many aspects of their loan offering, including interest rate and loan size ranges, maximum target loss rate, minimum credit score, maximum debt-to-income ratio, target returns for various risk profiles, fee structures and disclosures. Banks accepting referrals from Upstart.com sets maximum volume targets for each month, expressed in the form of monthly dollar originations. These attributes can be adjusted by bank partners as necessary.
- *Servicing*—While most bank partners choose to have us service their loans (through a white-labeled servicing portal), each has the option of directly servicing loans itself. Our servicing platform manages all communication with borrowers, credit reporting agencies, and when necessary, collections agencies.

Evolution of Upstart’s AI Model

The AI models underpinning the Upstart platform are central to its efficacy and the high-quality experience we provide to borrowers. Our models have evolved rapidly since our founding, as illustrated below.⁸⁵

	2014		2019		
Number of Variables	23 Education Standard credit attributes	58 Employment & affordability Education Standard credit attributes	212 Multi-bureau credit attributes Employment & affordability Education Standard credit attributes	1343 Digital signals Trended credit attributes Multi-bureau credit attributes Employment & affordability Education Standard credit attributes	1515 Unstructured credit data Digital signals Trended credit attributes Multi-bureau credit attributes Employment & affordability Education Standard credit attributes
Training Data Points	0 (3rd Party Data Only)	26,365	316,855	1,146,681	5,514,272
Modeling Techniques	Monte Carlo simulation Logistic regression	Probabilistic regression AVF Monte Carlo simulation Logistic regression	Stochastic gradient boosting Game-theoretic feature priority Probabilistic regression AVF Monte Carlo simulation Logistic regression	Dynamic equilibrium targeting Recursive AS model Stochastic gradient boosting Game-theoretic feature priority Probabilistic regression AVF Monte Carlo simulation Logistic regression	Bayesian HP optimization Discretized gradient boosting Dynamic equilibrium targeting Recursive AS model Stochastic gradient boosting Probabilistic regression Game-theoretic feature priority AVF Monte Carlo simulation Logistic regression
Model Applications	Binary default prediction	Identity fraud Default timing Binary default prediction	Acquisition targeting Loan stacking Prepayment Identity fraud Default timing Binary default prediction	Income fraud Acquisition targeting Loan stacking Prepayment Identity fraud Time-delimited default prediction Binary default prediction	Fee optimization Income fraud Acquisition targeting Loan stacking Time-delimited prepayment prediction Identity fraud Time-delimited default prediction Binary default prediction

The key aspects of our AI models include:

Variables

Variables in our AI models have increased from 23 in 2014 to more than 1,500 as of December 31, 2019. These include factors related to credit experience, employment, educational history, bank account transactions, cost of living and loan application interactions.

Training Data

As of December 31, 2019, our models have been trained by more than 5.5 million repayment events such as a successful repayment or a delinquency. Upstart’s models learn from repayment data even while loan principal remains outstanding, allowing the models to improve in real time.

⁸⁵ Dates for variables and training data correspond to: March 24, 2014, May 28, 2015, September 6, 2016, January 1, 2018 and December 31, 2019, respectively.

Modeling Techniques

Growth in training data has enabled the development of increasingly sophisticated modeling techniques. For example, while earlier versions of our AI models were centered on logistic regression, our more recent models incorporate stochastic gradient boosting. We expect that our data science investments and continued growth of training data will unlock even more powerful techniques over time.

Model Applications

While our first model focused on predicting the likelihood of loan default, we have since applied models throughout the process of credit origination. These models quantify and reduce risk in various ways, while also increasing automation and funnel conversion.

The currently active AI models within the Upstart platform—shared by and available to all Upstart’s bank partners—include:

- *Fee optimization*—optimizes assignment of origination fees;
- *Income fraud*—quantifies potential misrepresentation of borrower income;
- *Acquisition targeting*—identifies consumers likely to qualify for and have need for a loan;
- *Loan stacking*—identifies consumers likely to take out multiple loans in a short period of time;
- *Prepayment prediction*—quantifies the likelihood that a consumer will make payments on a loan earlier than originally scheduled;
- *Identity fraud*—quantifies the risk that an applicant is misrepresenting their identity; and
- *Time-delimited default prediction*—quantifies the likelihood of default for each period of the loan term.

Our Technology Infrastructure

Our cloud-based software platform incorporates modern technologies and software development approaches to allow for rapid development of new features.

Cloud-Native Technologies

We run our technology platform as containerized services on the AWS cloud. Our architecture is designed for high availability and horizontal scalability. Our primary development platforms are Ruby on Rails and Python, but our Kubernetes-based compute environment gives us the flexibility to run heterogeneous workloads with minimal operational overhead. We deploy new software regularly without platform downtime, allowing borrowers and banks to immediately benefit from the latest updates to our platform.

Data Integrity and Security

Our information security program governs how we safeguard the confidentiality, integrity, and availability of our consumer data. Our environment is continuously monitored with a suite of tools designed to detect security events in both internal and user-facing systems. We engage with third parties to audit our security program and to perform regular penetration tests of our Web application and cloud environment.

Configurable Multi-Tenant Architecture

Our multi-tenant architecture enables multiple lending partners to use the same version of our application while securely segmenting their data. Though all tenants are using the same version of our

platform, our software is designed to be highly configurable to meet the needs of our diverse bank partners, allowing customizations to everything from the applicant user interface to the core rules governing credit decisioning.

Machine Learning Platform

In order to support innovation in our underwriting, fraud detection and acquisition models, we have developed proprietary technologies to enable data scientists to develop, train, test and deploy new model updates with minimal engineering support. Our backend systems are designed to flexibly integrate with multiple third-party data sources to feed these models and support real-time decisioning.

Responsive Web Design

Our user interface is responsive to ensure applicants and borrowers have a smooth experience regardless of whether they are accessing our website from a desktop, mobile device or tablet.

Robust Reporting and Integration Capabilities

Our reporting APIs provide investors and bank partners the ability to access data through a programmatic interface. Our integration capabilities with bank partners include an ability to pre-fill applicant information via API and provide loan details in real-time to facilitate a seamless process from application to origination.

Consumer Marketing

Our growth and marketing approach is driven by the strength of our product and the interest rates we offer. While many lenders see consumer choice as a detractor from sales volume, we benefit when consumers compare our offers to other lenders' offers. Over time, our ability to offer lower rates than our competitors has improved significantly.⁸⁶ Because our model changes in real time, we are able to extend new offer loans to applicants who were previously not eligible or were previously quoted a higher rate.

Our growth and marketing initiatives are primarily focused on bringing potential borrowers to Upstart.com, where they can learn if they qualify for a loan from one of our bank partners and on what terms in only a few minutes. Our consumer acquisition channels combine a mix of online and offline, as well as paid and unpaid, channels. While we constantly experiment to expand and optimize our acquisition strategies, our largest channels include:

- *Marketing affiliates*—A variety of online media partners, such as loan aggregators, send us traffic on a cost per origination basis. Many loan aggregators also incorporate credit data to provide online prescreened offers, which leads to highly targeted and interested referrals. We currently have relationships with approximately 30 online media partners.
- *Direct mail*—We apply our strengths in data science to target individuals who both qualify for and may have a need for an Upstart-powered loan. The ability to analyze an individual's credit data to target and mail prescreened offers of credit gives this channel a meaningful data advantage over other channels.
- *Organic traffic*—As our brand recognition and reputation grow, an increasing number of potential borrowers come directly to Upstart.com simply by word of mouth.

⁸⁶ Since 2017, Upstart has used a third-party service to perform quarterly comparative studies of the interest rates offered for Upstart-powered loans versus the interest rates offered by six other companies offering personal loans online.

- *Email marketing*—We have an automated email program that sends customized messages and reminders to potential borrowers once they have created accounts to encourage them to complete their loan application.
- *Online advertising*—Search engines and social channels enable targeted outreach to potential borrowers with specific messages.
- *Podcast advertising*—We purchase 30 or 60-second advertising placements on podcasts with a listener base that we believe overlaps with Upstart’s target consumer base. These advertisements are designed by the Upstart team but are delivered to listeners by the podcast hosts.

Bank Partnerships

Outside of the four largest U.S. banks, there are approximately 5,300 FDIC insured institutions holding over \$8 trillion in deposits.⁸⁷ We predominantly target small to medium-sized banks with an appetite to invest in improved underwriting, digital originations and unsecured lending. As of December 31, 2019, our bank partners include Cross River Bank, FinWise Bank, First Federal Bank of Kansas City, First National Bank of Omaha, Kemba Financial Credit Union and TCF Bank. For the years ended December 31, 2017, 2018 and 2019, fees received from Cross River Bank accounted for 83%, 81% and 80% of our total revenue, respectively.

Our typical sales and onboarding process can be long and typically takes between six to 15 months. For three to six months, our sales team will work with a prospective bank partner to develop the business case for launching an Upstart-powered loan program and securing a line of business commitment. After this process is complete, the bank will typically spend three to six months conducting diligence, which includes sign-off from internal and external stakeholders, including regulators. Lastly, the bank will work with our solutions architecture and engineering team to integrate with our systems, which typically takes one to three months.

After launch, our account managers and customer success team provide ongoing support to the bank. This includes operational communications, quality assurance, assistance with regulatory requests and quarterly business reviews. Our focus on providing exceptional ongoing support has resulted in minimal bank partner attrition to date. Instead, our partners have expanded credit limits and increased originations. Additionally, many of our bank partners have expressed interest in new Upstart products.

Our platform includes a cloud-based web application for all user interactions, including rate inquiry, loan offer presentation, adverse action notification, bank account verification and connectivity, borrower identity and credential verification, disclosure presentation and loan servicing. The software includes a variety of embedded AI models supporting and automating fraud prevention, credit decisioning and borrower verification. Bank partners also have access to an administrative interface for reporting and program management. We also perform regulatory fairness tests on bank partners’ behalf.

Institutional Investors

Our platform allows bank partners to originate and retain loans that meet their business objectives. Because banks vary with respect to program objectives, risk tolerance and funding capacity, each bank’s program parameters can vary significantly. In the fourth quarter of 2019, approximately 21% of Upstart-powered loans originated by bank partners were retained by those bank partners.

⁸⁷ The dollar amount of deposits held by banks, other than the largest four banks, was aggregated by Upstart using data provided by the FDIC; see the section titled “Industry, Market and Other Data.”

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Upstart-powered loans originated by bank partners can be sold to institutional investors through a variety of funding structures developed and supported by Upstart. As of December 31, 2019, loans from our bank partners were purchased or funded by our broad base of approximately 70 institutional investors and buyers. By leveraging our institutional investors' broad and diverse capacity to absorb and distribute credit risk, we can develop our business and our AI models faster than if we relied only on the funding capacity of our bank partners. Accordingly, our growth is not limited by bank funding capacity or risk tolerance.

We began working with six institutional investors in 2015 and have relationships with approximately 70 institutional investors today. These relationships have allowed us to expand our model beyond the risk profile of a typical bank. The combination of bank and institutional investor funding provides our platform with competitive and diverse capital, without Upstart having to retain risk in its capital markets programs.

Operations

We have developed sophisticated tools that our internal operations team uses to support the origination and servicing of credit. While verification is primarily and increasingly handled by our software and AI models, we also offer Upstart-designed tools to guide credit analysts and fraud specialists in cases where our software is not yet able to sufficiently verify borrower information. By providing a prescriptive and unique path for each applicant, our system helps our operations team provide a streamlined experience for as many borrowers as possible.

Our operations teams, including credit analysts, fraud specialists, customer support and payments specialists, work to deliver a seamless user experience to consumers on behalf of our bank partners.

Customer operations is divided functionally by teams that focus on pre-origination experience (verification and customer support) and post-origination experience (loan servicing). Team members are distributed between our headquarters in San Mateo, California and our second office in Columbus, Ohio.

Verification and Customer Support Operations

This team focuses on the minority of borrowers whose applications are not entirely automated (currently approximately 30% of Upstart-powered loans) or any applicant who has questions or issues throughout the application process. While approximately 30% of Upstart-powered loans involve human intervention, the vast majority of these loans are not fraudulent. Thus, our team focuses on expediting applicants through the process to the extent possible, while identifying and rejecting fraudulent applications. Our operations team works closely with our engineering and data science teams to further increase our levels of automation.

Most prospective borrowers and applicants interact with Upstart via our online platform and help center, but we also make agent-based support readily available to all borrowers. For phone support, we partner with an external call center vendor and have a team of dedicated Upstart agents with specialized training.

Servicing Operations

Upstart-powered loans are serviced via our homegrown platform. For borrowers who miss payments, we focus on early intervention and attempt to reach them via emails, calls, texts and skip-trace to help bring their account current or offer hardship options. Borrowers on our platform are supported via a combination of internal payments specialists and a third-party service provider.

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We do not conduct collections activities in house. Accounts that are more than 30 days past due are referred to third-party collection agencies for collections. Debt collection calls and collection performance are reviewed regularly by our vendor management and quality assurance teams. Our operations and compliance teams each also perform onsite audits annually.

The average NPS for our bank partners' lending programs reached 80 in the fourth quarter of 2019, we believe due to our continued focus on the quality and speed of our customer interactions, particularly with respect to loans enabled through automation.⁸⁸

Competition

Consumer lending is a vast and competitive market, and we compete in varying degrees with all other sources of unsecured consumer credit, including banks, non-bank lenders (including retail-based lenders) and other financial technology lending platforms. Because personal loans often serve as a replacement for credit cards, we also compete with the convenience and ubiquity that credit cards represent.

On the bank partnership side, we compete with a variety of technology companies that aim to help banks with the digital transformation of their business, particularly with respect to all-digital lending. This includes new products from legacy bank technology providers as well as newer companies focused entirely on lending software infrastructure for banks. We may also face competition from banks or companies that have not previously competed in the consumer lending market, including companies with large and experienced data science teams and access to vast amounts of consumer-related information that could be used in the development of their own credit risk models.

We believe we compete favorably based on the following competitive factors:

- Constantly improving AI models;
- Compelling loan offers to consumers that improve regularly;
- Automated and user-friendly loan application process;
- Consistent and predictable loan performance;
- Cloud-native, multi-tenant architecture;
- Combination of technology and customer acquisition for bank partners;
- Robust and diverse loan funding program; and
- Brand recognition and trust.

Government Regulation

We and the loans made through our platform by our bank partners are subject to extensive and complex rules and regulations and examination by various federal, state and local government authorities. Failure to comply with any of the applicable rules and regulations may result in, among other things, revocation of required licenses or registration, loss of approved status, effective voiding or rescission of the loan contracts, class action lawsuits, administrative enforcement actions and civil and criminal liability. While compliance with such requirements is at times complicated by our novel business model, we believe we are, at a minimum, in substantial compliance with these rules and regulations.

⁸⁸ Upstart used a third-party service to administer surveys to loan applicants immediately following an applicant's acceptance of a loan on Upstart's platform. For further information, see the section titled "Industry, Market and Other Data."

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We are currently, and expect in the future, to be regulated by the CFPB. In addition to the CFPB, other state and federal agencies have the ability to regulate aspects of our business. For example, the Dodd-Frank Act, as well as many state statutes, provide a mechanism for state attorneys general to investigate us. In addition, as a result of our relationships with bank partners, we are subject to oversight by federal banking agencies, including the FDIC and the Federal Trade Commission has jurisdiction to investigate aspects of our business, including with respect to marketing practices. Further, we are subject to inspections, examinations, supervision and regulation by applicable agencies in each state in which we are licensed. Regulatory oversight of our business may change over time. By way of example, California's governor has proposed within the 2020-2021 state budget a California Consumer Financial Protection Law, which seeks to emulate the CFPB with respect to its enforcement and supervisory capabilities. We expect that regulatory examinations by both federal and state agencies will continue, and there can be no assurance that the results of such examinations will not have a material adverse effect on us.

Below, we summarize several of the material federal lending, servicing and related laws applicable to our business. Many states have laws and regulations that are similar to the federal consumer protection laws referred to below, but the degree and nature of such laws and regulations vary from state to state.

Federal Lending and Related Laws

Truth in Lending Act

The Truth in Lending Act, or TILA, and Regulation Z, which implements it, require creditors to provide consumers with uniform, understandable information concerning certain terms and conditions of their loan and credit transactions, and to comply with certain lending practice requirements and restrictions. These rules apply to loans facilitated through our platform, and we assist with compliance as part of the services we provide to our bank partners. For closed-end credit transactions, required disclosures include, among others, providing the annual percentage rate, the finance charge, the amount financed, the number of payments, the amount of the monthly payment, the presence and amount of certain fees, and the presence of certain contractual terms. TILA also regulates the advertising of credit and gives borrowers, among other things, certain rights regarding updated disclosures and the treatment of credit balances. We, on behalf of the applicable bank partner, provide applicants with a TILA disclosure when applicants complete their loan applications on our platform. If the applicant's request is not fully funded and the applicant chooses to accept a lesser amount offered, we provide an updated TILA disclosure on behalf of the applicable bank partner. We also seek to comply with TILA's disclosure requirements related to credit advertising and, to the extent that we hold or service loans, TILA's requirements related to treatment of credit balances for closed-end loans. We also can facilitate the origination of a limited number of credit card accounts through our platform. In connection with such accounts, TILA requires the provision of certain solicitation and account-opening disclosures. TILA also imposes requirements on the terms of credit card accounts, and the process of originating and servicing such accounts. Though our platform may facilitate the origination of credit card accounts by a bank partner, we do not originate or service such accounts at this time.

Equal Credit Opportunity Act

The Equal Credit Opportunity Act, or ECOA, prohibits creditors from discriminating against credit applicants on the basis of race, color, sex, age (provided that the applicant has the capacity to enter into a binding contract), religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act or certain state laws. Regulation B, which implements ECOA, restricts creditors from requesting certain types of information from loan

applicants or engaging in certain loan-related practices, and from using advertising or making statements that would discourage on a prohibited basis a reasonable person from making or pursuing an application. These requirements apply to bank partners for loans facilitated through our platform as well as to us as a service provider that assists in the process. We abide by policies and procedures implemented by our bank partners to comply with ECOA's provisions prohibiting discouragement and discrimination. ECOA also requires creditors to provide applicants with timely notices of adverse action taken on credit applications, including disclosing to applicants who have been declined their rights and the reason for their having been declined. On behalf of our bank partners, we provide prospective borrowers who apply for a loan through our platform but are denied credit with an adverse action notice in compliance with applicable requirements.

On February 5, 2020, a consumer advocacy group released a report alleging that lenders may charge higher rates to certain borrowers who attend community colleges or historically Black or Hispanic colleges or universities. To support this conclusion, the consumer advocacy group selectively compared the results from only a small number of consumer interest rate inquiries made to, among others, lenders using Upstart's platform. In addition, on February 13, 2020, we received an inquiry from certain members of the U.S. Senate seeking information regarding our compliance with ECOA. Upstart strongly disputes the underlying conclusions of the consumer advocacy group's report as it pertained to Upstart's practices, given that Upstart's model considers over 1,500 variables, all of which contribute to the quoted rate. Notwithstanding that we believe our model and our bank partners' lending facilitated by our model comply with ECOA, reports from consumer advocacy groups and associated legislative and/or regulatory inquiries could create negative publicity and increase the risk of private litigation or government enforcement.

Fair Credit Reporting Act

The federal Fair Credit Reporting Act, or FCRA, as amended by the Fair and Accurate Credit Transactions Act, and administered by the CFPB, promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. FCRA requires a permissible purpose to obtain a consumer credit report and requires that persons who report loan payment information to credit bureaus do so accurately and to resolve disputes regarding reported information timely. FCRA also imposes disclosure requirements on creditors who take adverse action on credit applications based on information contained in a credit report.

Under FCRA, certain information must be provided to applicants whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency, promptly update any credit information reported to a credit reporting agency about a customer and have a process by which customers may inquire about credit information furnished by us to a consumer reporting agency. We and our bank partners have a permissible purpose for obtaining credit reports on potential borrowers, and we also obtain explicit consent from borrowers to obtain such reports. As part of our loan servicing activities, we accurately report loan payment and delinquency information to appropriate consumer reporting agencies. We provide an adverse action notice to a rejected applicants on behalf of each bank partner on our platform at the time the applicant is rejected that includes all the required disclosures. We also have processes in place to ensure that consumers are given "opt-out" opportunities, as required by the FCRA, regarding the sharing of their personal information. We have also implemented an identity theft prevention program, as required by FCRA and its implementing regulations.

Fair Debt Collection Practices Act

The federal Fair Debt Collection Practices Act, or FDCPA, provides guidelines and limitations on the conduct of certain debt collectors in connection with the collection of consumer debts. The FDCPA

limits certain communications with third parties, imposes notice and debt validation requirements, and prohibits threatening, harassing or abusive conduct in the course of debt collection. While the FDCPA primarily applies to third-party debt collectors, debt collection laws of certain states impose similar requirements more broadly on creditors who collect their own debts. In addition, the CFPB prohibits unfair, deceptive or abusive acts or practices, or UDAAPs in debt collection, including first-party debt collection. We use our internal collection team and professional third-party debt collection agents to collect delinquent accounts. Any third-party debt collection agents we use are required to comply with the FDCPA and all other applicable laws in collecting delinquent accounts of borrowers. While our internal servicing team is not subject to the formal requirements of the FDCPA in most cases, we have established policies intended to substantially comply with the collection practice requirements under the FDCPA as a means of complying with more general UDAAP standards.

Privacy and Data Security Laws

The federal Gramm-Leach-Bliley Act, or GLBA, includes limitations on financial institutions' disclosure of nonpublic personal information about a consumer to nonaffiliated third parties, in certain circumstances requires financial institutions to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information and requires financial institutions to disclose certain privacy policies and practices with respect to information sharing with affiliated and nonaffiliated entities as well as to safeguard personal customer information. We collect and use a wide variety of information to help ensure the integrity of our services and to provide features and functionality to our customers. This aspect of our business, including the collection, use, and protection of the information we acquire from our own services as well as from third-party sources, is subject to laws and regulations in the United States. Accordingly, we publish our privacy policies and terms of service, which describe our practices concerning the use, transmission, and disclosure of information. We have a detailed privacy policy, which complies with GLBA and is accessible from every page of our website. We maintain consumers' personal information securely, and we do not sell, rent or share such information with third parties for marketing purposes unless previously agreed to by the consumer. In addition, we take measures to safeguard the personal information of borrowers and investors and protect against unauthorized access to this information. As our business continues to expand, and as state and federal laws and regulations continue to be passed and their interpretations continue to evolve, additional laws and regulations may become relevant to us.

Dodd-Frank Wall Street Reform and Consumer Protection Act

In July 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act is extensive and significant legislation that includes consumer protection provisions. Among other things, the Dodd-Frank Act created the CFPB, which commenced operations in July 2011 and has significant authority to implement and enforce federal consumer financial laws, such as the TILA and the ECOA. The CFPB is authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. The CFPB also engages in consumer financial education, requests data and promotes the availability of financial services to underserved customers and communities. The CFPB has regulatory and enforcement powers over most providers of consumer financial products and services, including us. It also has supervisory and examination powers over certain providers of consumer financial products and services, including large banks, payday lenders, "larger participants" in certain financial services markets defined by CFPB regulation, and non-bank entities determined to present a risk to consumers after notice and an opportunity to respond.

The CFPB has imposed, and will continue to impose, restrictions on lending practices, including with respect to the terms of certain loans. We and our bank partners are subject to the CFPB's enforcement authority and, although the number of public enforcement actions has decreased under

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the new CFPB leadership, it has not fully ceased, and could increase under different leadership. The CFPB may request reports concerning our organization, business conduct, markets and activities. In addition, the CFPB may, in connection with its supervisory authority, also conduct on-site examinations of our and our bank partners' businesses on a periodic basis, subject to whether the applicable bank partner satisfies the assets threshold for CFPB supervision. If the CFPB were to conclude that our loan origination assistance or servicing activities, or any loans originated by our bank partners on our platform, violate applicable laws or regulations, we could be subject to a formal or informal inquiry, investigation and/or enforcement action. Formal enforcement actions are generally made public, which carries reputational risk. In addition, the market price of our common stock could decline as a result of the initiation of a CFPB investigation of Upstart or even the perception that such an investigation could occur, even in the absence of any finding by the CFPB that we have violated any state or federal law. We are not currently subject to any enforcement actions by the CFPB.

For more information regarding the CFPB and the CFPB rules to which we are subject or may become subject, see "Risk Factors" included elsewhere in this prospectus.

Federal Trade Commission Act

Under Section 5 of the Federal Trade Commission Act, we and our bank partners are prohibited from engaging in unfair and deceptive acts and practices. For nonbank financial institutions, the FTC is the primary regulator enforcing this prohibition, and in recent years the FTC has been focused on practices of financial technology companies. Based on publicly available actions, the FTC's primary focus has been with respect to financial technology company marketing and disclosure practices. For instance, in October 2018 the FTC took action against student loan refinance lender SoFi, claiming that the company made prominent false statements regarding the average savings a consumer would realize over the lifetime of the loan if they refinanced with SoFi. In addition, SoFi allegedly exaggerated claims of anticipated borrower savings by excluding certain customer populations from the analysis. The FTC also is currently engaged in litigation with LendingClub regarding, among other things, the adequacy of its disclosures of an origination fee associated with the product. Based upon recent statements by FTC officials, we believe this scrutiny will continue in the near future.

Electronic Fund Transfer Act and NACHA Rules

The federal Electronic Fund Transfer Act, or EFTA, provides guidelines and restrictions on the electronic transfer of funds from consumers' bank accounts. Under EFTA, and Regulation E that implements it, we must obtain consumer consents prior to receiving electronic transfer of funds from consumers' bank accounts, and our bank partners may not condition an extension of credit on the borrower's agreement to repay the loan through preauthorized (recurring) electronic fund transfers. In addition to compliance with federal laws, transfers performed by ACH electronic transfers are subject to detailed timing and notification rules and guidelines administered by the National Automated Clearinghouse Association, or NACHA. While NACHA guidelines are not laws, failure to comply with them may nevertheless result in commercial harm to our business. All transfers of funds related to our operations conform to the EFTA, its regulations and NACHA guidelines. As part of our servicing activities, we obtain necessary electronic authorization from borrowers and investors for such transfers in compliance with such rules. The loans offered on our platform by our bank partners must also comply with the requirement that a loan cannot be conditioned on the borrower's agreement to repay the loan through recurring electronic fund transfers.

Electronic Signatures in Global and National Commerce Act

The federal Electronic Signatures in Global and National Commerce Act, or E-SIGN, and similar state laws, particularly the Uniform Electronic Transactions Act, or UETA, authorize the creation of

legally binding and enforceable agreements utilizing electronic records and signatures. ESIGN and UETA require businesses that want to use electronic records or signatures in consumer transactions and provide disclosures to consumers (otherwise required to be “in writing” in electronic form), to obtain the consumer’s consent to receive information electronically. When a consumer registers on our platform, we obtain his or her consent to transact business electronically, receive electronic disclosures and maintain electronic records in compliance with ESIGN and UETA requirements, and we maintain electronic signatures and records in a manner intended to support enforceability of relevant consumer agreements and consents.

Federal Marketing Regulations

The Telephone Consumer Protection Act, or TCPA, generally prohibits robocalls, including those calls made using an auto-dialer or prerecorded or artificial voice calls made to a wireless telephone without the prior express consent of the called party (or prior express written consent, if messages constitute telemarketing). In addition, the FTC Telemarketing Sales Rule implements the FTC’s Do-Not-Call Registry and imposes numerous other requirements and limitations in connection with telemarketing. Upstart’s policies address the requirements of the TCPA as well as FTC Telemarketing Sales Rule and other laws limiting telephone outreach. Furthermore, Upstart does not engage in certain activities covered by the TCPA, such as using an automated dialer.

The Federal Controlling the Assault of Non-Solicited Pornography and Marketing, or CAN-SPAM, Act makes it unlawful to send certain electronic mail messages that contain false or deceptive information and provide other protections for email users. CAN-SPAM also requires the need to provide a functioning mechanism that allows the recipient to opt-out of receiving future commercial e-mail messages from the sender of such messages. Upstart’s email communications with all consumers are formulated to comply with the CAN-SPAM Act.

Servicemembers Civil Relief Act

Under the Servicemembers Civil Relief Act, or SCRA, there are limits on interest rates chargeable to military personnel and civil judicial proceedings against them, and there are limitations on our ability to collect on a loan to servicemembers on active duty originated prior to the servicemember entering active duty status and, in certain cases, for a period of time thereafter. The SCRA allows military members to suspend or postpone certain civil obligations so that the military member can devote his or her full attention to military duties. The SCRA requires us to adjust the interest rate of borrowers who qualify for and request relief. If a borrower with an outstanding loan qualifies for SCRA protection the interest rate on their loan (including certain fees) will be reduced to 6% for the duration of the borrower’s active duty. During this period, any interest holder in the loan will not receive the difference between 6% and the loan’s original interest rate. As part of the services we provide, we require the borrower to send us a written request and a copy of the borrower’s mobilization orders to obtain an interest rate reduction on a loan due to military service. Other protections offered to servicemembers under the SCRA, including protections related to the collection of loans, do not require the servicemember to take any particular action, such as submitting military orders, to claim benefits.

Military Lending Act

Under the Military Lending Act, certain members of the armed forces serving on active duty and their dependents must be identified and be provided with certain protections when becoming obligated on a consumer credit transaction. These protections include: a limit on the Military Annual Percentage Rate (an all-in cost-of-credit measure which is the same as the APR for loans facilitated on our platform) of 36%, certain required disclosures before origination, a prohibition on charging prepayment penalties and a prohibition on arbitration agreements and certain other loan agreement terms. As part of the services we provide, we ensure compliance with the requirements of the Military Lending Act.

Bank Secrecy Act, USA PATRIOT Act, and U.S. Sanctions Laws

Under the Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, or USA PATRIOT ACT, and certain U.S. sanctions laws, our bank partners are required to maintain anti-money laundering, customer due diligence and record-keeping policies and procedures, which we perform on behalf of our bank partners, and to avoid doing business with certain sanctioned persons or entities or certain types of sanctioned activity in certain countries. We have implemented an AML program designed to prevent our platform from being used to facilitate money laundering, terrorist financing, and other illicit activity. Our AML program is designed to 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 Controls and equivalent foreign authorities. Our AML compliance program includes policies, procedures, reporting protocols, and internal controls, including the designation of an AML compliance officer, and is designed to address these legal and regulatory requirements and to assist in managing risk associated with money laundering and terrorist financing. With respect to new borrowers, we apply the customer identification and verification program rules and screen names against the list of specially designated nationals maintained by the U.S. Department of the Treasury and OFAC pursuant to the USA PATRIOT Act amendments to the Bank Secrecy Act and its implementing regulation.

Bankruptcy Code

Under the Bankruptcy Code, we are regulated and in certain circumstances prohibited by the automatic stay, reorganization plan and discharge provisions, among others, in seeking enforcement of debts against parties who have filed for bankruptcy protection. Our policies are designed to support compliance with the Bankruptcy Code as we service and collect loans.

State Lending Regulations

State Usury Limitations

With respect to bank partners that are subject to Section 521 of the Depository Institution Deregulation and Monetary Control Act of 1980, or DIDMCA, (for FDIC-insured, state banks originating loans on our platform, which represent the vast majority of loans originated) or Section 85 of the National Bank Act, or NBA, (for national banks originating loans on our platform), federal case law interpreting such provisions (including interpretations of the NBA under *Tiffany v. National Bank of Missouri* and *Marquette National Bank of Minneapolis v. First Omaha Service Corporation*), and relevant regulatory guidance (including FDIC advisory opinion 92-47) permit certain depository institutions to "export" requirements regarding interest rates and certain fees considered to be "interest" under federal law from the state or U.S. territory where the bank is located for all loans originated from such state, regardless of the usury limitations imposed by the state law of the borrower's residence or other states with which the loan may have a geographic nexus, unless the state has chosen to opt out of the exportation regime. We believe, however, if a state or U.S. territory in which we operate opted out of rate exportation, judicial interpretations support the view that such opt outs would apply only to loans "made" in those states. We believe that the "opt-out" of any state would not affect the ability of our platform to benefit from the exportation of rates. If a loan made through our platform by a bank partner were deemed to be subject to the usury laws of a state or U.S. territory that had opted-out of the exportation regime, if the loan were not originated in a manner that permitted exportation of interest rate requirements from the state we and our bank partners believed applied at the time of origination, if the loan bore interest or certain fees in excess of the amounts permitted by the state in which the loan was "made" for exportation purposes (or was otherwise in violation of such state's relevant usury and fee laws) or if the interest exportation authority were determined not to apply to a loan under any particular circumstances, we, our bank partners, or subsequent holders of such loans could become

subject to fines, penalties and possible forfeiture of amounts charged to borrowers, and we could decide not to permit bank partners to originate loans in that jurisdiction through our platform or our bank partners or loan investors could choose not to continue doing business with us in such jurisdiction or more broadly, which could adversely impact our growth.

There have also been recent judicial decisions that could affect the collectability of loans sold by our bank partners after origination and the exposure of loan purchasers to potential fines or other penalties for usury violations. See the section titled “Risk Factors” for more information about recent case law developments.

State Disclosure and Lending Practice Requirements

The loans originated on our platform by our bank partners may be subject to state laws and regulations that impose requirements related to loan disclosures and terms, credit discrimination, credit reporting, debt collection, and unfair or deceptive business practices. Our ongoing compliance program seeks to comply with these requirements.

State Licensing/Registration

We hold licenses, registrations, and similar filings so that we can conduct business, including providing origination assistance to lenders on our platform and servicing and collecting loans, in all states and the District of Columbia where our activities require such licensure, registration or filing. With respect to our securitization trusts, we have a national bank that serves as our owner trustee and is itself exempt from licensure. Although we are not aware of a state taking the position that the trust itself needs licensure, it is possible that a state or states could take such position in the future. Licenses granted by the regulatory agencies in various states are subject to periodic renewal and may be revoked or suspended for failure to comply with applicable state and federal laws and regulations. In addition, as the product offerings of Upstart or our bank partners change, as states enact new licensing requirements or amend existing licensing laws or regulations, or as states regulators or courts adjust their interpretations of licensing statutes and regulations, we may be required to obtain additional licenses. To that end, we have a small number of applications submitted and pending to obtain additional licenses, particularly with respect to obtaining additional authorization to engage in student loan servicing and collection activities. We are also typically required to complete an annual report (or its equivalent) to each state’s regulator. The statutes also typically subject us to the supervisory and examination authority of state regulators.

State licensing statutes impose a variety of requirements and restrictions, including:

- record-keeping requirements;
- collection and servicing practices;
- requirements governing electronic payments, transactions, signatures and disclosures;
- examination requirements;
- surety bond and minimum net worth requirements;
- financial reporting requirements;
- notification requirements for changes in principal officers, stock ownership or corporate control; and
- restrictions on advertising and other loan solicitation activity, as well as restrictions on loan referral or similar practices.

Federal Securities Regulations

Securities Act

We have relied upon the availability of Rule 506 of Regulation D to exempt our prior offerings of equity securities from registration under the Securities Act. Upstart and certain of our subsidiaries have also relied on Section 4(a)(2) of the Securities Act for placement of asset-backed securities, or ABS directly to investors or to investment bank initial purchasers, which have relied on Rule 144A and Regulation S exemptions from registration to place such ABS to qualified institutional buyers and non-U.S. investors, respectively.

Investment Company Act

The Investment Company Act contains substantive legal requirements that regulate the manner in which “investment companies” are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in Upstart or any of its subsidiaries being characterized as an investment company, including by relying on certain exemptions from registration as an investment company.

Investment Advisers Act

The Investment Advisers Act of 1940, as amended, or IAA, contains substantive legal requirements that regulate the manner in which “investment advisers” are permitted to conduct their business activities. We believe that our business consists of providing a platform for consumer lending for which investment adviser registration and regulation does not apply under applicable federal or state law, and do not believe that we or any of our subsidiaries are required to register as an investment adviser with either the SEC or any of the various states.

Broker-Dealer Regulations under the Exchange Act

We are not currently registered with the SEC as a broker-dealer under the Exchange Act or any comparable state law. The SEC heavily regulates the manner in which broker-dealers are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in Upstart being characterized as a broker-dealer, based on guidance published by the SEC and its staff.

ABS Risk Retention Rules

Regulation RR was jointly issued by a group of federal agencies under section 15G of the Exchange Act, as well as under the Federal Reserve Act, section 8 of the Federal Deposit Insurance Act, the Bank Holding Company Act of 1956, the Home Owners’ Loan Act of 1933; section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and the International Banking Act of 1978. Its purpose is to require securitizers to retain an economic interest in a portion of the credit risk for any asset that the securitizer transfers or sells to a third party. We believe we have structured our organization such that we are in compliance with Regulation RR and will continue to conduct our business in a manner that allows us to remain in compliance with this regulation.

Compliance

We review our policies and procedures to ensure compliance with applicable regulatory laws and regulations applicable to us and our bank partners. We have built our systems and processes with controls in place in order to permit our policies and procedures to be followed on a consistent basis. For example, to ensure proper controls are in place to maintain compliance with the consumer

protection related laws and regulations, we have developed a compliance management system consistent with the regulatory expectations published by governmental agencies. While no compliance program can assure that there will not be violations, or alleged violations, of applicable laws, we believe that our compliance management system is reasonably designed and managed to minimize compliance-related risks.

Intellectual Property

We protect our intellectual property through a combination of trademarks, domain names, copyrights and trade secrets, as well as contractual provisions and restrictions on access to or use of our proprietary technology. As of December 31, 2019, we had two patent applications in the United States related to our proprietary risk model. We may file additional patent applications or pursue additional patent protection in the future to the extent we believe it will be beneficial.

We have trademark rights in our name, our logo and other brand indicia, and have trademark registrations for select marks in the United States. We will pursue additional trademark registrations to the extent we believe it will be beneficial. We also have registered domain names for websites that we use in our business. We may be subject to third party claims from time to time with respect to our intellectual property.

Additionally, we rely upon unpatented trade secrets and confidential know-how and continuing technological innovation to develop and maintain our competitive position. We also enter into confidentiality and intellectual property rights agreements with our employees, consultants, contractors and business partners. Under such agreements, our employees, consultants and contractors are subject to invention assignment provisions designed to protect our proprietary information and ensure our ownership in intellectual property developed pursuant to such agreements.

For additional information about our intellectual property and associated risks, see the section titled “Risk Factors—Risks Related to Our Business and Industry.”

Employees

As of December 31, 2019, we had 273 full-time employees. We also engage temporary employees, contractors and consultants as needed to support our operations. None of our employees are either represented by a labor union or subject to a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Facilities

Our corporate headquarters are located in San Mateo, California and consist of approximately 48,000 square feet of space under a lease that expires in March 2024. We also lease and license facilities in Columbus, Ohio and New York, New York. We believe that our facilities are adequate for our current needs and that, if necessary, additional facilities will be available to accommodate the expansion of our business.

Legal Proceedings

From time to time, we and certain of our subsidiaries may be subject to legal proceedings and claims that arise in the ordinary course of business, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us

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in the form of letters and other communications. We are not currently subject to any legal proceedings that, if determined adversely to us, would, in our opinion, have a material adverse effect on our business, results of operations or financial condition. Future litigation may be necessary to defend ourselves or our partners by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of December 31, 2019:

Name	Age	Position(s)
<i>Executive Officers:</i>		
Dave Girouard	53	Co-Founder, Chief Executive Officer, Director
Sanjay Datta	46	Chief Financial Officer
Anna M. Counselman	39	Co-Founder, SVP, People and Operations
Paul Gu	29	Co-Founder, SVP, Product and Data Science, Director
Alison Nicoll	47	General Counsel
<i>Non-Employee Directors:</i>		
Mary Hentges	61	Director
Oskar Mielczarek de la Miel	46	Director
Ciaran O'Kelly	51	Director
Robert Schwartz	58	Director
Sukhinder Singh Cassidy	49	Director
Hilliard C. Terry III	50	Director

Executive Officers

Dave Girouard. Mr. Girouard is one of our co-founders and has served as our Chief Executive Officer and a member of our board of directors since our incorporation. From February 2004 to April 2012, Mr. Girouard served in various roles at Google, a technology company, most recently as President of Google Enterprise, where he helped build Google's cloud applications business worldwide, including product development, sales, marketing, and customer support. He started his career in Silicon Valley as a Product Manager at Apple, a technology company, and previously served as an associate in the consulting firm Booz Allen's Information Technology practice. Mr. Girouard's career began in software development with the Boston office of Accenture, a consulting firm. He graduated from Dartmouth College with a B.A. in Engineering Sciences and a B.E. in Computer Engineering. Mr. Girouard also holds an M.B.A. from the University of Michigan with High Distinction.

Mr. Girouard was selected to serve on our board of directors because of the perspective and experience he brings as our Chief Executive Officer and as one of our co-founders, as well as his extensive experience with technology companies.

Sanjay Datta. Mr. Datta has served as our Chief Financial Officer since December 2016. From June 2005 to December 2016, he served in various roles at Google, including as Vice President of Finance for Global Advertising, Finance Director of Corporate Revenue and Product Profitability, and in various international finance leadership positions based in Asia and Europe. Prior to Google, Mr. Datta worked at Artisan Capital, a private investment group, from November 2002 to May 2005, sourcing and reviewing equity investments, and worked at Deloitte Consulting, a consulting firm, from December 1998 to July 2000. Mr. Datta has a joint honors degree in Economics and Finance from McGill University in Montreal and an M.B.A. from Stanford University.

Anna M. Counselman. Ms. Counselman is one of our co-founders and has served in various roles since May 2012, including most recently as Senior Vice President, People and Operations. From

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February 2007 to May 2012, she served in various roles at Google, including most recently as Head of Premium Services & Customer Programs. Ms. Counselman graduated Summa Cum Laude from Boston University with a B.A. in Finance and Entrepreneurship.

Paul Gu. Mr. Gu is one of our co-founders and has served in various roles since April 2012, including most recently as our Senior Vice President, Product and Data Science. He has also served as a member of our board of directors since April 2015. Mr. Gu has a background in quantitative finance, built his first algorithmic trading strategies on the Interactive Brokers API at the age of 20 and previously worked in risk analysis at the D.E. Shaw Group, a hedge fund, in 2011. During college, Mr. Gu led underwriting for two non-profit microlenders in the United States. Mr. Gu studied economics and computer science at Yale University and then joined the Thiel Fellowship.

Mr. Gu was selected to serve on our board of directors because of the perspective and experience he brings as our Senior Vice President, Product and Data Science and as one of our co-founders, as well as his expertise in data science.

Alison Nicoll. Ms. Nicoll has served as our General Counsel since May 2012. From July 2006 to May 2012, Ms. Nicoll served as an associate General Counsel at PayPal, Inc., a financial services technology company, where she managed the North America legal team responsible for supporting multiple business units on issues ranging from corporate strategy, general commercial matters, regulatory developments and compliance, consumer protection, online and mobile payments and merchant payment acceptance. From 2003 to 2006, she also served as the General Counsel of TSYS Prepaid, a prepaid payments processing company. Ms. Nicoll holds a law degree from the University of Glasgow in Scotland and a Masters of Law from Columbia Law School.

Non-Employee Directors

Mary Hentges. Ms. Hentges has served as a member of our board of directors since December 2019. Ms. Hentges previously served as the Chief Financial Officer of Yapstone, Inc., a financial services company, from 2012 to 2014, the Chief Financial Officer of CBS Interactive, a media company, from 2010 to 2012, and the Chief Financial Officer of PayPal, Inc. from 2003 to 2010. Ms. Hentges also serves on the boards of the Kaiser Permanente Bernard J. Tyson School of Medicine, Arizona State University Foundation and Family Aid for Catholic Education. Additionally, Ms. Hentges is an advisor to Lendstreet, Inc., Jiko Group, Inc. and Relola, Inc. She is also a Certified Public Accountant (inactive). Ms. Hentges earned a B.S. in Accounting from Arizona State University in 1981.

Ms. Hentges was selected to serve on our board of directors because of her financial expertise and extensive experience as an executive in the technology industry.

Oskar Mielczarek de la Miel. Mr. Mielczarek de la Miel has served as a member of our board of directors since November 2016. Mr. Mielczarek de la Miel is an executive officer of Rakuten, Inc. a technology company, and is Managing Partner at Rakuten Capital, the corporate venture capital arm of Rakuten, Inc., where he manages Rakuten FinTech Fund and Rakuten Mobility Investment, corporate venture capital funds. He also serves on the board of directors for Rakuten Europe S.a.r.l., Maxi Mobility, Inc., Aura, Inc., Azimo, Ltd, 1XL PremFina, Ltd, Cyndx Holdco, Inc., Glovapp23, S.L., FeverLabs, Inc. and Contenidos y Marcas, S.L. Prior to joining Rakuten, Mr. Mielczarek de la Miel served in various roles in the financial industry, including in investment banking at J.P. Morgan and Merrill Lynch, financial services firms. Mr. Mielczarek de la Miel holds a B.A. from ICADE in Spain and an M.B.A. from Harvard Business School.

Mr. Mielczarek de la Miel was selected to serve on our board of directors because of his experience in the venture capital industry and his market knowledge and experience serving as a director of various private companies.

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Ciaran O'Kelly. Ciaran O'Kelly has served as a member of our board of directors since April 2018. From 2009 to 2013, Mr. O'Kelly served in various roles at Nomura Securities, a financial services firm, most recently as Senior Managing Director and Head of Equities, Americas. Prior to 2009, Mr. O'Kelly served in various roles at Bank of America and Salomon Smith Barney, financial services firms. He is currently a director of Square Financial Services, Inc., a technology company, and was previously a director of Bank of America Securities and Nomura Securities International. Mr. O'Kelly holds a B.A. in Business Studies from Dublin City University.

Mr. O'Kelly was selected to serve on our board of directors because of the perspective and extensive experience he brings from his background in financial services.

Robert Schwartz. Mr. Schwartz has served as a member of our board of directors since June 2015. Since June 2000, Mr. Schwartz has been Managing Partner of Third Point Ventures, the Menlo Park, California based venture capital arm of Third Point LLC, which is a registered investment adviser based in New York and the investment manager of the Third Point Funds. Mr. Schwartz is presently a director of Kentik, Kumu Networks, Packet, Aryaka, Precision Hawk, NepFin, Oryx Vision, R2 Semiconductor, Rubicon Labs, SentinelOne, and YellowBrick Data. He previously served on the board of Apigee (APIC) and the board of Enphase Energy until 2016. Previously, for 23 years, Mr. Schwartz was the President of RF Associates North, a privately held communications semiconductor manufacturer's representative firm. Mr. Schwartz holds a multi-discipline engineering degree from the University of California, Berkeley.

Mr. Schwartz was selected to serve on our board of directors because of his experience in the venture capital industry and his market knowledge and experience serving as a director of various private and public companies.

Sukhinder Singh Cassidy. Ms. Singh Cassidy has served as a member of our board of directors since February 2020. Since May 2018, Ms. Singh Cassidy has served as the President of StubHub, Inc., a technology company. From 2011 to September 2017, Ms. Singh Cassidy served in various roles at Joyus, Inc., an internet video shopping network, most recently as Founder and Chairman. She is currently a director of Urban Outfitters, Inc. Ms. Singh Cassidy previously served on the board of TripAdvisor, Inc and the board of Ericsson until 2018. Ms. Singh Cassidy holds a B.A. in Business Administration from the Ivey Business School at Western University.

Ms. Singh Cassidy was selected to serve on our board of directors because of her extensive experience as an executive in the technology industry and her experience serving as a director of a publicly traded company.

Hilliard C. Terry, III. Mr. Terry has served as a member of our board of directors since February 2019. From January 2012 to October 2018, he served as Executive Vice President and Chief Financial Officer of Textainer Group Holdings Limited, an intermodal marine container management and leasing company. Before joining Textainer, Mr. Terry was Vice President and Treasurer of Agilent Technologies, Inc., which he joined in 1999, prior to the company's initial public offering and spinoff from Hewlett-Packard Company. He previously held positions in investor relations and/or investment banking with Kenetech Corporation, an alternative energy company, VeriFone, Inc., a payments company, and Goldman Sachs & Co., a financial services firm. He is currently a director of Umpqua Holdings Corporation, a bank holding company. Mr. Terry holds a B.A. in Economics from the University of California, Berkeley and an M.B.A. from Golden Gate University.

Mr. Terry was selected to serve on our board of directors because of his financial expertise and experience in the banking industry.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our code of business conduct and ethics will be posted on the investor relations page on our website. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act.

Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our board of directors currently consists of eight directors. Pursuant to our current certificate of incorporation and amended and restated voting agreement, our current directors were elected as follows:

- Messrs. Girouard, Gu and O’Kelly and Ms. Hentges were elected as the designees nominated by holders of our common stock;
- Mr. Terry was elected as the designee nominated by holders of our preferred stock and common stock;
- Ms. Singh Cassidy was elected as the designee nominated by holders of our Series Seed preferred stock, Series A preferred stock and Series B preferred stock;
- Mr. Schwartz was elected as the designee nominated by holders of our Series C preferred stock; and
- Mr. Mielczarek de la Miel was elected as the designee nominated by holders of our Series C-1 preferred stock; and
- the holders of our Series D preferred stock have the right to elect a member of our board of directors, but such position is currently vacant.

Our amended and restated voting agreement will terminate and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. After this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Classified Board of Directors

We intend to adopt an amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering. Our amended and restated certificate of incorporation will provide that, immediately after the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of

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their respective three-year terms. Our current directors will be divided among the three classes as follows:

- the Class I directors will be [redacted] and [redacted], and their terms will expire at the annual meeting of stockholders to be held in 2021;
- the Class II directors will be [redacted] and [redacted], and their terms will expire at the annual meeting of stockholders to be held in 2022; and
- the Class III directors will be [redacted] and [redacted], and their terms will expire at the annual meeting of stockholders to be held in 2023.

Each director's term will continue until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment, and affiliations, our board of directors has determined that [redacted] do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the listing standards of the [redacted]. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

Lead Independent Director

Our board of directors intends to adopt corporate governance guidelines that will provide that one of our independent directors should serve as our Lead Independent Director at any time when our Chief Executive Officer serves as the Chairperson of our board of directors or if the Chairperson is not otherwise independent. Because Mr. Girouard is our Chairperson and is not an "independent" director as defined in the listing standards of [redacted], our board of directors has appointed [redacted] to serve as our Lead Independent Director. As Lead Independent Director, [redacted] will preside over periodic meetings of our independent directors, serve as a liaison between our Chairperson and our independent directors, and perform such additional duties as our board of directors may otherwise determine and delegate.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

Audit Committee

Our audit committee consists of _____, _____, and _____ with _____ serving as Chairperson, each of whom meets the requirements for independence under the listing standards of the _____ and SEC rules and regulations. Each member of our audit committee also meets the financial literacy and sophistication requirements of the listing standards of the _____. In addition, our board of directors has determined that _____ is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act. Following the completion of this offering, our audit committee will, among other things:

- select a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- help to ensure the independence and performance of the independent registered public accounting firm;
- discuss the scope and results of the audit with the independent registered public accounting firm, and review, with management and the independent registered public accounting firm, our interim and year-end results of operation;
- develop procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- review our policies on risk assessment and risk management;
- review related party transactions; and
- approve or, as required, pre-approve, all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the _____.

Compensation Committee

Our compensation committee consists of _____, _____, and _____, with _____ serving as Chairperson, each of whom meets the requirements for independence under the listing standards of the _____ and SEC rules and regulations. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3. Following the completion of this offering, our compensation committee will, among other things:

- review, approve, and determine, or make recommendations to our board of directors regarding, the compensation of our executive officers;
- administer our equity compensation plans;
- review and approve and make recommendations to our board of directors regarding incentive compensation and equity compensation plans; and
- establish and review general policies relating to compensation and benefits of our employees.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the _____.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of _____, _____ and _____, with _____ serving as Chairperson, each of whom meets the requirements for independence under the listing standards of the _____ and SEC rules and regulations. Following the completion of this offering, our nominating and corporate governance committee will, among other things:

- identify, evaluate, and select, or make recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
- evaluate the performance of our board of directors and of individual directors;
- consider and make recommendations to our board of directors regarding the composition of our board of directors and its committees;
- review developments in corporate governance practices;
- evaluate the adequacy of our corporate governance practices and reporting; and
- develop and make recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of the _____.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an executive officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or on our compensation committee.

Non-Employee Director Compensation

The table set forth below provides information regarding the compensation of our non-executive officer directors for service as directors during the year ended December 31, 2019. In 2019, we did not pay any compensation to any person who served as a non-employee member of our Board of Directors. Our employee directors, Messrs. Girouard and Gu, did not receive any compensation for their services as directors and therefore are not included in the table below. The compensation received by Messrs. Girouard and Gu as employees is set forth in the section titled "Executive Compensation—Summary Compensation Table."

Name	Option Awards⁽¹⁾⁽²⁾ (\$)
Mary Hentges ⁽³⁾	771,091
Oskar Mielczarek de la Miel	—
Ciaran O'Kelly	—
Andrew Palmer ⁽⁴⁾	—
Andrew Quigg ⁽⁵⁾	—
Robert Schwartz	—
Sukhinder Singh Cassidy ⁽⁶⁾	—
Hilliard C. Terry, III ⁽⁷⁾	328,871

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- (1) The amount reported represents the aggregate grant-date fair value of the stock options awarded to the director in 2019, calculated in accordance with Topic 718, "Compensation—Stock Compensation." Such grant-date fair value does not take into account any estimated forfeitures related to vesting conditions. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in Note 11 to our Consolidated Financial Statements. These amounts do not reflect the actual economic value that may be realized by the non-employee director.
- (2) The following table lists all outstanding equity awards held by non-executive officer directors as of December 31, 2019:

Name	Grant Date	Number of Shares Underlying Option Awards ^(a)	Option Exercise Price	Option Expiration Date
Mary Hentges	December 6, 2019	128,295 ^(b)	\$ 3.89	December 6, 2029
Oskar Mielczarek de la Miel	—	—	—	—
Ciaran O'Kelly	March 31, 2018	128,295 ^(c)	\$ 2.15	March 31, 2028
Andrew Palmer	—	—	—	—
Andrew Quigg	—	—	—	—
Robert Schwartz	—	—	—	—
Sukhinder Singh Cassidy	—	—	—	—
Hilliard C. Terry, III	March 29, 2019	128,295 ^(d)	\$ 3.80	March 29, 2029

- (a) Each of the outstanding equity awards listed in the table above was granted pursuant to our 2012 Plan.
- (b) The shares underlying this option vest, subject to Ms. Hentges' continued role as a service provider to us, in 24 equal monthly installments beginning on January 1, 2020.
- (c) The shares underlying this option vest, subject to Mr. O'Kelly's continued role as a service provider, in 24 equal monthly installments beginning on April 1, 2018.
- (d) The shares underlying this option vest, subject to Mr. Terry's continued role as a service provider to us, in 24 equal monthly installments beginning on March 1, 2019.
- (3) Ms. Hentges became a member of our board of directors in December 2019.
- (4) Mr. Palmer resigned from our board of directors in December 2019.
- (5) Mr. Quigg resigned from our board of directors in February 2020.
- (6) Ms. Singh Cassidy became a member of our board of directors in February 2020.
- (7) Mr. Terry became a member of our board of directors in February 2019.

Outside Director Compensation Policy

Prior to this offering, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors. From time to time, we have granted equity awards to certain non-employee directors to entice them to join our board of directors and for their continued service on our board of directors. We reimburse our directors for necessary and reasonable expenses associated with attending meetings of our board of directors or its committees. We anticipate adopting a formal compensation policy for our non-employee directors to provide cash and equity compensation to them following the completion of this offering.

We expect our board of directors will adopt and our stockholders will approve a new compensation policy for our non-employee directors that will be effective as of the date of the effectiveness of the registration statement of which this prospectus forms a part. This policy was developed with input from our independent compensation consultant regarding practices and compensation levels at comparable companies. It is designed to attract, retain, and reward non-employee directors.

Under this compensation policy, each non-employee director will receive the cash and equity compensation for board services described below. We also will continue to reimburse our non-employee directors for reasonable, customary and documented travel expenses to board of directors or committee meetings.

The compensation policy includes a maximum annual limit of \$ _____ of cash compensation and equity awards that may be paid, issued, or granted to a non-employee director in any fiscal year.

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For purposes of this limitation, the value of equity awards is based on the grant date fair value (determined in accordance with GAAP). Any cash compensation paid or equity awards granted to a person for their services as an employee, or for their services as a consultant (other than as a non-employee director), will not count for purposes of the limitation. The maximum limit does not reflect the intended size of any potential compensation or equity awards to our non-employee directors.

Cash Compensation

Following the completion of this offering, non-employee directors will be entitled to receive the following cash compensation for their services under the outside director compensation policy:

- \$ per year for service as a board member;
- \$ per year for service as chair of the board;
- \$ per year for service as a lead independent director;
- \$ per year for service as chair of the audit committee;
- \$ per year for service as a member of the audit committee;
- \$ per year for service as chair of the compensation committee;
- \$ per year for service as a member of the compensation committee;
- \$ per year for service as chair of the nominating and corporate governance committee; and
- \$ per year for service as a member of the nominating and corporate governance committee.

Each non-employee director who serves as the chair of a committee will receive only the additional annual cash fee as the chair of the committee, and not the annual fee as a member of the committee. All cash payments to non-employee directors are paid quarterly in arrears on a pro-rated basis.

Equity Compensation

Initial Award: Each person who first becomes a non-employee director after the date of the effectiveness of the registration statement of which this prospectus forms a part will receive, on the first trading date on or after the date on which the person first becomes a non-employee director, an initial award of _____, or the Initial Award, covering a number of shares of our common stock having a grant date fair value (determined in accordance with GAAP) equal to \$ _____ multiplied by the fraction obtained by dividing (i) the number of full months during the period beginning on the date the person first becomes a non-employee director and ending on the one-year anniversary of the date of the then-most recent annual meeting of our stockholders (or, if no annual meeting has occurred, _____), or the Initial Award Vesting Period, by (ii) 12, rounded to the nearest whole share. The Initial Award will vest in equal installments quarterly over the remaining quarterly vesting dates occurring during the period beginning on the date that is three months following the date that the Initial Award is granted and ending on the last day of the vesting period, or, if earlier, on the day before the annual meeting of our stockholders that follows the grant date of the Initial Award, subject to the non-employee director continuing to provide services to us through the applicable vesting date. If the person was a member of our board of directors and also an employee, becoming a non-employee director due to termination of employment will not entitle them to an Initial Award.

Annual Award: Each non-employee director automatically will receive, on the date of each annual meeting of our stockholders following the effective date of the policy, an annual award of _____, or an

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Annual Award, covering a number of shares of our common stock having a grant date fair value (determined in accordance with GAAP) of \$ _____, rounded to the nearest whole share. 1/4th of each Annual Award will vest on each of the first four quarterly vesting dates occurring after the grant date of the Annual Award, except that the fourth quarterly vesting date of each Annual Award will occur no later than the day before the annual meeting of our stockholders that follows the grant date of the Annual Award, subject to the non-employee director's continued service through the applicable vesting date.

Each non-employee director may elect to defer the delivery of the settlement of any Initial Award or Annual Award that would otherwise be delivered to such non-employee director on or following the date such award vests pursuant to the terms of a deferral election such non-employee director makes in accordance with the director compensation policy.

In the event of a "change in control" (as defined in our 2020 Plan), each non-employee director will fully vest in their outstanding company equity awards issued under the director compensation policy, including any Initial Award or Annual Award, immediately prior to the consummation of the change in control provided that the non-employee director continues to be a non-employee director through such date.

EXECUTIVE COMPENSATION

Our named executive officers, consisting of our principal executive officer and the next two most highly compensated executive officers, as of December 31, 2019, were:

- Dave Girouard, our Chief Executive Officer and member of our board of directors;
- Sanjay Datta, our Chief Financial Officer; and
- Paul Gu, our Senior Vice President of Product and Data Science and member of our board of directors.

Summary Compensation Table

The amounts below represent the compensation awarded to or earned by or paid to our named executive officers for the year ended December 31, 2019:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)⁽²⁾	All Other Compensation (\$)	Total (\$)
Dave Girouard ⁽³⁾ <i>Chief Executive Officer</i>	2019	360,000	—	—	—	—	360,000
Sanjay Datta <i>Chief Financial Officer</i>	2019	375,000	—	384,525	189,000	—	948,525
Paul Gu ⁽³⁾ <i>SVP, Product and Data Science</i>	2019	269,773	—	384,525	145,677	—	799,975

(1) The amount reported represents the aggregate grant-date fair value of the stock options awarded to the named executive officer in 2019, calculated in accordance with Topic 718, "Compensation—Stock Compensation." Such grant-date fair value does not take into account any estimated forfeitures related to vesting conditions. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in Note 11 to our Consolidated Financial Statements. These amounts do not reflect the actual economic value that may be realized by the named executive officer.

(2) The amounts reported represent the amounts earned by the named executive officers in calendar year 2019 under Upstart's 2019 Bonus Plan, as described in more detail below under "Employee Benefit and Stock Plans—2019 Bonus Plan." The amounts reported were paid out, less applicable withholdings, on February 14, 2020.

(3) Mr. Girouard and Mr. Gu serve on our board of directors but are not paid additional compensation for such service.

Outstanding Equity Awards at Year-End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2019:

Name	Grant Date ⁽¹⁾	Option Awards		Option Exercise Price (\$) ⁽²⁾	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Dave Girouard	September 20, 2016 ⁽³⁾	1,017,042	234,703	\$0.83	September 20, 2026
Sanjay Datta	December 28, 2016 ⁽⁴⁾	474,619	176,288	\$1.35	December 28, 2026
	December 28, 2016 ⁽⁵⁾	60,500	39,639	\$1.35	December 28, 2026
	December 18, 2017 ⁽⁶⁾	47,916	52,084	\$2.15	December 18, 2027
	March 29, 2019 ⁽⁷⁾	—	150,000	\$3.80	March 29, 2029
Paul Gu	May 11, 2012 ⁽⁸⁾	210,000	—	\$0.15	May 11, 2022
	August 21, 2012 ⁽⁹⁾	120,000	—	\$0.15	August 21, 2022
	May 23, 2013 ⁽¹⁰⁾	300,000	—	\$0.23	May 23, 2023
	June 19, 2014 ⁽¹¹⁾	270,000	—	\$0.43	June 19, 2024
	January 14, 2015 ⁽¹²⁾	200,000	—	\$0.60	January 14, 2025
	December 18, 2015 ⁽¹³⁾	244,791	5,209	\$1.17	December 18, 2025
	June 24, 2016 ⁽¹⁴⁾	256,249	43,751	\$1.17	June 24, 2026
	January 9, 2017 ⁽¹⁵⁾	182,291	67,709	\$1.35	January 9, 2027
	December 18, 2017 ⁽¹⁶⁾	95,833	104,167	\$2.15	December 18, 2027
	March 29, 2019 ⁽¹⁷⁾	—	150,000	\$3.80	March 29, 2029

- (1) Each of the outstanding equity awards listed in the table above was granted pursuant to our 2012 Plan.
- (2) This column represents the fair value of a share of our common stock on the grant date, as determined by our board of directors.
- (3) The shares underlying this option vest, subject to Mr. Girouard's continued role as a service provider to us, in 48 equal monthly installments beginning on October 1, 2016.
- (4) The shares underlying this option vest, subject to Mr. Datta's continued role as a service provider to us, as to 1/4th of the total shares on January 1, 2018 with 1/48th of the total shares vesting monthly thereafter. If Mr. Datta is terminated without Cause (as defined in our 2012 Plan) or Mr. Datta resigns for Good Reason (as defined in the applicable option agreement), and provided such termination or resignation occurs within one month prior to the consummation of a Change of Control (as defined in our 2012 Plan) or twelve months following the consummation of a Change of Control, then, subject to Mr. Datta's execution of a release of claims, 100% of the then-unvested shares subject to the option will accelerate and fully vest.
- (5) The shares underlying this option vest, subject to Mr. Datta's continued role as a service provider to us, as to 1/4th of the total shares on July 1, 2018 with 1/48th of the total shares vesting monthly thereafter. If Mr. Datta is terminated without Cause (as defined in our 2012 Plan) or Mr. Datta resigns for Good Reason (as defined in the applicable option agreement), and provided such termination or resignation occurs within one month prior to the consummation of a Change of Control (as defined in our 2012 Plan) or twelve months following the consummation of a Change of Control, then, subject to Mr. Datta's execution of a release of claims, 100% of the then-unvested shares subject to the option will accelerate and fully vest.
- (6) The shares underlying this option vest, subject to Mr. Datta's continued role as a service provider to us, in 48 equal monthly installments beginning on February 1, 2018.
- (7) The shares underlying this option vest, subject to Mr. Datta's continued role as a service provider to us, in 12 equal monthly installments beginning on February 1, 2021.
- (8) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, as to 1/4th of the total shares on May 1, 2013 with 1/48th of the total shares vesting monthly thereafter.
- (9) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, as to 1/4th of the total shares on September 1, 2013 with 1/48th of the total shares vesting monthly thereafter.
- (10) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, as to 1/4th of the total shares on May 1, 2014 with 1/48th of the total shares vesting monthly thereafter.
- (11) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, as to 1/4th of the total shares on April 1, 2015 with 1/48th of the total shares vesting monthly thereafter.
- (12) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 48 equal monthly installments beginning on February 1, 2015.

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- (13) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 48 equal monthly installments beginning on February 1, 2016.
- (14) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 48 equal monthly installments beginning on August 1, 2016.
- (15) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 48 equal monthly installments beginning on February 1, 2017.
- (16) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 48 equal monthly installments beginning on February 1, 2018.
- (17) The shares underlying this option vest, subject to Mr. Gu's continued role as a service provider to us, in 12 equal monthly installments beginning on February 1, 2021.

Executive Employment Agreements

Dave Girouard

Prior to the completion of this offering, we intend to enter into a continuing employment letter with Dave Girouard, our Chief Executive Officer, co-founder and member of our board of directors. The employment letter is not expected to have a specific term and will provide that Mr. Girouard is an at-will employee.

Sanjay Datta

Prior to the completion of this offering, we intend to enter into a continuing employment letter with Sanjay Datta, our Chief Financial Officer. The employment letter is not expected to have a specific term and will provide that Mr. Datta is an at-will employee.

Paul Gu

Prior to the completion of this offering, we intend to enter into a continuing employment letter with Paul Gu, our Senior Vice President of Product and Data Science, co-founder and member of our board of directors. The employment letter is not expected to have a specific term and will provide that Mr. Gu is an at-will employee.

Employee Benefit and Stock Plans

2020 Equity Incentive Plan

Prior to the completion of this offering, our board of directors is expected to adopt, and we expect our stockholders to approve, our 2020 Plan. We expect that our 2020 Plan will become effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. Our 2020 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, RSUs, performance units, and performance shares to our employees, directors, and consultants and our parent and subsidiary corporations' employees and consultants. We expect that our 2012 Plan will terminate immediately prior to effectiveness of the 2020 Plan with respect to the grant of future awards.

Authorized Shares

Subject to the adjustment provisions of and the automatic increase described in our 2020 Plan, a total of _____ shares of our common stock will be reserved for issuance pursuant to our 2020 Plan. In

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addition, subject to the adjustment provisions of our 2020 Plan, the shares reserved for issuance under our 2020 Plan also will include (i) any shares that, as of the trading day immediately prior to the effective date of the registration statement of which this prospectus forms a part, have been reserved but not issued pursuant to any awards granted under our 2012 Plan, and are not subject to any awards granted thereunder, plus (ii) any shares subject to stock options, RSUs or similar awards granted under our 2012 Plan that, on or after the effective date of the registration statement of which this prospectus forms a part, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by us for payment of an exercise price or for satisfying tax withholding obligations, or 2012 Plan forfeited to or repurchased by us due to failure to vest (provided that the maximum number of shares that may be added to our 2020 Plan pursuant to (i) and (ii) is _____ shares). Subject to the adjustment provisions of our 2020 Plan, the number of shares available for issuance under our 2020 Plan will also include an annual increase on the first day of each fiscal year beginning with the 2021 fiscal year, in an amount equal to the least of:

- _____ shares of our common stock;
- _____ % of the outstanding shares of our common stock on the last day of our immediately preceding fiscal year; or
- such number of shares of our common stock as the administrator may determine.

If an award granted under the 2020 Plan expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program or, with respect to restricted stock, RSUs, performance units, or performance shares, is forfeited to, or repurchased by, us due to failure to vest, then the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) which were subject thereto will become available for future grant or sale under the 2020 Plan (unless the 2020 Plan has terminated). With respect to stock appreciation rights, only the net shares actually issued will cease to be available under the 2020 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under the 2020 Plan (unless the 2020 Plan has terminated). Shares that have actually been issued under the 2020 Plan under any award will not be returned to the 2020 Plan; provided, however, that if shares issued pursuant to awards of restricted stock, RSUs, performance shares or performance units are repurchased or forfeited to us due to failure to vest, such shares will become available for future grant under the 2020 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale under the 2020 Plan. To the extent an award is paid out in cash rather than shares, the cash payment will not result in a reduction in the number of shares available for issuance under the 2020 Plan.

Plan Administration

Our board of directors or one or more committees appointed by our board of directors will administer our 2020 Plan. The compensation committee of our board of directors is expected to administer our 2020 Plan. In addition, if we determine it is desirable to qualify transactions under our 2020 Plan as exempt under Rule 16b-3, such transactions will be structured with the intent that they satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of our 2020 Plan, the administrator has the power to administer our 2020 Plan and make all determinations deemed necessary or advisable for administering the 2020 Plan, including the power to determine the fair market value of our common stock, select the service providers to whom awards may be granted, determine the number of shares covered by each award, approve forms of award agreements for use under the 2020 Plan, determine the terms and conditions of awards (including the exercise price, the time or times at which the awards may be exercised, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any award or the shares relating thereto), construe and interpret the terms of our 2020 Plan and awards granted under it, prescribe, amend, and

rescind rules and regulations relating to our 2020 Plan, including creating sub-plans, and modify or amend each award, including the discretionary authority to extend the post-termination exercisability period of awards (provided that no option or stock appreciation right will be extended past its original maximum term), temporarily suspend the exercisability of an award if the administrator deems such suspension to be necessary or appropriate for administrative purposes, and to allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award. The administrator may institute and determine the terms of an exchange program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have a higher or lower exercise price or different terms), awards of a different type or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator or (iii) the exercise or base price of an outstanding award is increased or reduced. The administrator's decisions, determinations, and interpretations are final and binding on all participants.

Stock Options

Stock options may be granted under our 2020 Plan in such amounts as the administrator will determine in accordance with the terms of the 2020 Plan. The exercise price of options granted under our 2020 Plan must at least be equal to the fair market value of our common stock on the date of grant. The term of an option will be stated in the award agreement and, in the case of an incentive stock option, may not exceed 10 years. With respect to any participant who owns stock representing more than 10% of the voting power of all classes of our outstanding stock, the term of an incentive stock option granted to such participant must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. After a participant ceases to provide service as an employee, director, or consultant, he or she may exercise his or her award for the period of time stated in his or her option agreement. In the absence of a specified time in an award agreement, if the cessation of service is due to death or disability, the option will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the option will remain exercisable for three months following the cessation of service. An option may not be exercised later than the expiration of its term. Subject to the provisions of our 2020 Plan, the administrator determines the other terms of options.

Stock Appreciation Rights

Stock appreciation rights may be granted under our 2020 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Stock appreciation rights will expire upon the date determined by the administrator and set forth in the award agreement. After a participant ceases to provide service as an employee, director, or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her award agreement. In the absence of a specified time in an award agreement, if the cessation of service is due to death or disability, the stock appreciation rights will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the stock appreciation rights will remain exercisable for three months following the cessation of service. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2020 Plan, the administrator determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash, shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock

Restricted stock may be granted under our 2020 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator (if any). The administrator will determine the number of shares of restricted stock granted to any employee, director, or consultant and, subject to the provisions of our 2020 Plan, will determine any terms and conditions of such awards. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units

RSUs may be granted under our 2020 Plan. RSUs are bookkeeping entries representing an amount equal to the fair market value of one share of our common stock. Subject to the provisions of our 2020 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria, and the form and timing of payment. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit or individual goals (including continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator in its discretion. The administrator, in its sole discretion, may pay earned RSUs in the form of cash, in shares or in some combination thereof. Notwithstanding the foregoing, the administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

Performance Units and Performance Shares

Performance units and performance shares may be granted under our 2020 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish performance objectives or other vesting provisions in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. The administrator may set performance objectives based upon the achievement of company-wide, divisional, business unit or individual goals (including continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator in its discretion. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. Performance units shall have an initial dollar value established by the administrator on or prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our common stock on the grant date. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares, or in some combination thereof.

Non-Employee Directors

Our 2020 Plan provides that all outside (non-employee) directors will be eligible to receive all types of awards (except for incentive stock options) under our 2020 Plan. In order to provide a maximum limit on the awards that can be made to our non-employee directors, our 2020 Plan provides that in any given fiscal year, a non-employee director will not be granted awards having a grant-date fair value greater than \$ _____, but this limit is increased to \$ _____ in connection with his or her initially

joining our board of directors (in each case, excluding awards granted to him or her as a consultant or employee). The grant-date fair values will be determined according to GAAP. The maximum limits do not reflect the intended size of any potential grants or a commitment to make grants to our outside directors under our 2020 Plan in the future.

Non-Transferability of Awards

Unless the administrator provides otherwise, our 2020 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime. If the administrator makes an award transferrable, such award will contain such additional terms and conditions as the administrator deems appropriate.

Certain Adjustments

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under our 2020 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2020 Plan or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in our 2020 Plan.

Dissolution or Liquidation

In the event of our proposed dissolution or liquidation, the administrator will notify participants as soon as practicable prior to the effective date of such proposed transaction and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control

Our 2020 Plan provides that in the event of our merger with or into another corporation or entity or a change in control (as defined in our 2020 Plan), each outstanding award will be treated as the administrator determines, including, without limitation, that (i) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices, (ii) upon written notice to a participant, that the participant's awards will terminate upon or immediately prior to the consummation of such merger or change in control, (iii) outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon consummation of such merger or change in control and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control, (iv) (A) the termination of an award in exchange for an amount of cash or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the administrator determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then such award may be terminated by us without payment), or (B) the replacement of such award with other rights or property selected by the administrator in its sole discretion or (v) any combination of the foregoing. The administrator will not be obligated to treat similarly all awards, all awards a participant holds, all awards of the same type, or all portions of awards.

In the event that the successor corporation does not assume or substitute for the award (or portions thereof), the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights (or portions thereof) that is not assumed or substituted for, all restrictions on restricted stock, RSUs, performance shares, and performance units

(or portions thereof) not assumed or substituted for will lapse, and, with respect to such awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable award agreement or other written agreement between participant and us or any parent or subsidiary. Additionally, in the event an option or stock appreciation right (or portions thereof) is not assumed or substituted in the event of a merger or change in control, the administrator will notify each participant in writing or electronically that the option or stock appreciation right (or its applicable portion), as applicable, will be exercisable for a period of time determined by the administrator in its sole discretion, and the option or stock appreciation right (or its applicable portion), as applicable, will terminate upon the expiration of such period.

With respect to awards granted to an outside director, in the event of a change in control, the outside director's options and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock and RSUs will lapse, and, with respect to awards with performance-based vesting, all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels and all other terms and conditions met.

Clawback

Awards will be subject to any clawback policy of ours and the administrator also may specify in an award agreement that the participant's rights, payments, and benefits with respect to an award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement or reacquisition upon the occurrence of certain specified events. The administrator may require a participant to forfeit, return, or reimburse us all or a portion of the award and any amounts paid under the award pursuant to the terms of the clawback policy or applicable laws.

Amendment and Termination

The administrator has the authority to amend, alter, suspend, or terminate our 2020 Plan provided such action does not impair the existing rights of any participant. Our 2020 Plan automatically will terminate in 20[30], unless we terminate it sooner.

2019 Bonus Plan

In May 2019, our board of directors adopted an annual bonus plan for calendar year 2019, which we refer to as the 2019 Bonus Plan. Mr. Datta and Mr. Gu were participants in the 2019 Bonus Plan. The 2019 Bonus Plan provided for non-equity incentive compensation based upon the combined achievement of individual and corporate performance goals over calendar year 2019. The corporate performance goals under the 2019 Bonus Plan consisted of revenue attainment and operating profit over calendar year 2019.

Under the 2019 Bonus Plan, bonus payments were determined by multiplying each participant's target bonus by (i) a factor determined by individual performance, capped at 150%, and (ii) a factor determined by the achievement of the corporate performance goals, capped at 200%. We refer to the attainment of such factors as individual and corporate multipliers, respectively.

The individual multiplier was based on achievement of individual goals over calendar year 2019. The individual multiplier scaled from 0% to 150% depending on our assessment of individual performance.

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The corporate multiplier was based on the product of (i) the revenue multiplier derived from the achievement of revenue attainment goals and (ii) the profitability multiplier derived from the achievement of operating profit goals over calendar year 2019. With respect to revenue attainment goals, the revenue multiplier scaled linearly from zero to 100% between 66% of the target revenue attainment goal and 100% of the target revenue attainment goal, and scaled linearly from 100% to 200% between 100% of the target revenue attainment goal and 166% of the target revenue attainment goal. With respect to operating profit goals, the profitability multiplier scaled linearly from zero to 100% between 0% of the target operating profit goal and 100% of the target operating profit goal, and scaled linearly from 100% to 200% between 100% of the target operating profit goal and 200% of the target operating profit goal.

In January 2020, our compensation committee reviewed achievement of the corporate performance goals for calendar year 2019, and approved a corporate multiplier of 120%.

The 2019 Bonus Plan required a participant's continued employment through the bonus payment date in order to receive a bonus for the applicable performance period.

401(k) Plan

We maintain a 401(k) plan for employees. The 401(k) is intended to qualify under Section 401(k) of the Code, so that contributions to the 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to the employees until withdrawn, and so that contributions made by us, if any, will be deductible by us when made. Employees may elect to reduce their current compensation by up to the statutorily prescribed annual limits and to have the amount of such reduction contributed to their 401(k) plans. The 401(k) plan permits us to make contributions up to the limits allowed by law on behalf of all eligible employees.

2012 Stock Plan

Our 2012 Plan was originally adopted by the board of directors of Upstart Network, Inc. in April 2012 and was assumed by Upstart Holdings, Inc. in December 2013 pursuant to a restructuring.

Our 2012 Plan provides for the grant of incentive stock options (within the meaning of Section 422 of the Code), or ISOs, to our employees and any of our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, or NSOs and restricted stock to our employees and consultants, and our parent, subsidiary, and affiliate corporations' employees and consultants. It is expected that as of one business day prior to the effectiveness of the registration statement of which this prospectus forms a part, our 2012 Plan will be terminated, and we will not grant any additional awards under our 2012 Plan thereafter. However, our 2012 Plan will continue to govern the terms and conditions of the outstanding awards previously granted under our 2012 Plan.

As of December 31, 2019, options to purchase 16,502,206 shares of our common stock were outstanding under our 2012 Plan.

Plan Administration

Our 2012 Plan is administered by our board of directors or one or more committees appointed by our board of directors. Each committee will consist of two or more members of our board of directors and will have such authority and be responsible for such functions as our board of directors has assigned to it (the board of directors, or its designated committee, the "administrator"). Our board of

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directors may also authorize one or more of our officers to administer the 2012 Plan within the parameters specified by the board of directors. All decisions, interpretations, and other actions of the administrator are final and binding on all participants and all persons deriving their rights from a participant.

Subject to the provisions of our 2012 Plan, the administrator has the power to determine the fair market value of shares of stock, to select the participants to whom awards may be granted, to determine the number of shares covered by an award, to approve the form(s) of agreement(s) and other related documents used under our 2012 Plan, to determine the term and conditions of awards, to amend awards or related agreements, to determine under what circumstances an option may be settled in cash, to institute an exchange program by which outstanding awards may be surrendered in exchange for awards with a higher or lower exercise price, to grant awards to foreign nationals or participants employed outside of the United States, and to construe and interpret the terms of the 2012 Plan and agreements related to awards.

Eligibility

Employees, consultants and directors of ours and employees, consultants or directors of our parent, subsidiary, and affiliate companies are eligible to receive awards. Only our employees or employees of our parent or subsidiary companies are eligible to receive incentive stock options.

Stock Options

Stock options have been granted under our 2012 Plan. Subject to the provisions of our 2012 Plan, the administrator determines the term of an option, the number of shares subject to an option and the time period in which an option may be exercised.

The term of an option is stated in the applicable award agreement, but the term of an option may not exceed 10 years from the grant date. The administrator determines the exercise price of options, which generally may not be less than 100% of the fair market value of our common stock on the grant date. However, an incentive stock option granted to a person who owns more than 10% of the total combined voting power of all classes of our outstanding stock or of our parent or any subsidiary may have a term of no longer than five years from the grant date and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. In addition, to the extent that the aggregate fair market value of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year (under all our plans and those of any parent or subsidiary) exceeds \$100,000, such options will be treated as nonstatutory stock options.

The administrator determines how a participant may pay the exercise price of an option, and the permissible methods are generally set forth in the applicable award agreement. If a participant's "continuous service status" (as defined in our 2012 Plan) terminates, that participant may exercise the vested portion of his or her option for the period of time stated in the applicable award agreement. If the award agreement does not specify the terms and conditions upon which an option shall terminate upon termination of a participant's continuous service status, the 2012 Plan provides that the vested portion of such option will (i) be exercisable for three months following the participant's termination for reasons other than death, disability or cause, (ii) be exercisable for twelve months following the participant's termination for reasons of death or disability, and (iii) terminate immediately upon the participant's termination for "cause," as defined in the 2012 Plan. In no event will an option remain exercisable beyond its original term. If a participant does not exercise his or her option within the time specified in the award agreement, the option will terminate. Except as described above, the administrator has the discretion to determine the post-termination exercisability periods for an option.

Restricted Stock

Restricted stock may be granted under our 2012 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator (if any). The administrator will determine the number of shares of restricted stock granted to any employee, consultant or director and, subject to the provisions of our 2012 Plan, will determine any terms and conditions of such awards. The restricted stock will vest at such rate as the administrator may determine. Once the restricted stock is purchased or issued, the participant will have the rights equivalent to those of a holder of capital stock. No adjustment will be made for a dividend or other right for which the record date is prior to the date the restricted stock is purchased or received, except as otherwise provided in the 2012 Plan.

Non-Transferability of Awards

Except as set forth in the 2012 Plan, awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a participant will not constitute a transfer. An option may be exercised during the lifetime of the holder of the option, only by such holder or a transferee permitted by the 2012 Plan.

The administrator may in its sole discretion grant nonstatutory stock options that may be transferred by instrument to an inter vivos or testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor or by gift to family members.

Certain Adjustments

In the event of a stock split, reverse stock split, stock dividend, combination, consolidation, reclassification of the shares or subdivision of the shares, proportionate adjustments will automatically be made in each of (i) the numbers and class of shares or other stock or securities: (x) available for future awards under the 2012 Plan and (y) covered by each outstanding award, (ii) the exercise price per share of each such outstanding option, and (iii) any repurchase price per share applicable to shares issued pursuant to any award. In the event of any increase or decrease in the number of issued shares effected without receipt of consideration by us, a declaration of an extraordinary dividend with respect to the shares payable in a form other than shares in an amount that has a material effect on the fair market value, a recapitalization (including a recapitalization through a large nonrecurring cash dividend), a rights offering, a reorganization, merger, a spin-off, split-up, change in corporate structure or a similar occurrence, the administrator at its sole discretion may make appropriate adjustments in one or more of the items listed in (i) through (iii) above.

Mergers and Consolidations

In the event of (i) a transfer of all or substantially all of our assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of us with or into another corporation, entity or person, or (iii) the consummation of a transaction, or series of related transactions, in which any person becomes the beneficial owner, directly or indirectly, of more than 50% of our outstanding capital stock (each a "corporate transaction"), each outstanding award will be treated as the administrator determines. The administrator's determination may be made without the consent of any participant and need not treat all outstanding awards in an identical manner. The administrator's determination may provide for one or more of the following without limitation with respect to each outstanding award: (i) the continuation of outstanding awards by us; (ii) the assumption of outstanding awards by the surviving corporation or its parent; (iii) the substitution by the surviving corporation or its parent of new options or equity awards for such awards; (iv) the cancellation of awards and a payment

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to the participants equal to the excess of (x) the fair market value of the shares subject to awards as of the closing date of the corporate transaction over (y) the exercise price or purchase price for the shares to be issued pursuant to the exercise of awards; or (v) the cancellation of awards for no consideration.

With respect to awards providing for accelerated vesting in connection with any termination of service that occurs on or after a corporate transaction, if the successor does not agree to assume the award, or to substitute an equivalent award or right for the award, then any acceleration of vesting that would otherwise occur upon such termination of service will occur immediately prior to, and contingent upon, the consummation of the corporate transaction.

Amendment and Termination

Our board of directors may amend or terminate our 2012 Plan at any time; provided, however no amendment or termination will be made that would materially and adversely affect the rights of any participant under any outstanding award, without his or her consent. To the extent necessary and desirable to comply with applicable laws, we will obtain the approval of holders of capital stock with respect to any amendments to our 2012 Plan as required. As noted above, it is expected that as of one business day prior to the effectiveness of the registration statement of which this prospectus forms a part, our 2012 Plan will be terminated, and we will not grant any additional awards under our 2012 Plan thereafter.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements, discussed in the sections titled “Management” and “Executive Compensation,” the following is a description of each transaction since January 1, 2017 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Equity Financings

Series D Convertible Preferred Stock Financing

From December 2018 to April 2019, we sold an aggregate of 6,010,911 shares of our Series D convertible preferred stock at a purchase price of \$9.000295 per share, for an aggregate purchase price of \$54.1 million. The following table summarizes purchases of our Series D convertible preferred stock by related persons:

Stockholder	Shares of Series D Convertible Preferred Stock	Total Purchase Price
Entities affiliated with Andrew Quigg ⁽¹⁾	3,011,011	\$ 27,099,987.26

- (1) Shares purchased by Progressive Investment Company, Inc. Andrew Quigg, a former member of our board of directors, is the Chief Strategy Officer of Progressive Insurance, an affiliate of Progressive Investment Company, Inc.

Investors' Rights Agreement

We are party to the IRA, which provides, among other things, that certain holders of our capital stock, including entities affiliated with Third Point Ventures LLC, or Third Point, Stone Ridge Trust V, Khosla Ventures, Rakuten, First Round Capital and Progressive have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. Entities affiliated with Dave Girouard, our co-founder, chief executive officer and a member of our board of directors, are party to the IRA. Robert Schwartz, a member of our board of directors, is affiliated with Third Point. Oskar Mielczarek de la Miel, a member of our board of directors, is affiliated with Rakuten. Andrew Quigg, a former member of our board of directors, is affiliated with Progressive. See the section titled “Description of Capital Stock—Registration Rights” for additional information regarding these registration rights.

Right of First Refusal

Pursuant to certain of our equity compensation plans and certain agreements with our stockholders, including an amended and restated right of first refusal and co-sale agreement, dated as of December 31, 2018, we or our assignees have a right to purchase shares of our capital stock which stockholders propose to sell to other parties. This right will terminate upon completion of this offering. Dave Girouard, our co-founder, chief executive officer and a member of our board of directors, and

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entities affiliated with Third Point, Stone Ridge Trust V, Khosla Ventures, Rakuten, First Round Capital and Progressive are party to the right of first refusal and co-sale agreement. Robert Schwartz, a member of our board of directors, is affiliated with Third Point. Oskar Mielczarek de la Miel, a member of our board of directors, is affiliated with Rakuten. Andrew Quigg, a former member of our board of directors, is affiliated with Progressive.

Voting Agreement

We are party to an amended and restated voting agreement, dated as of December 31, 2018, under which certain holders of our capital stock, including entities affiliated with Third Point, Stone Ridge Trust V, Khosla Ventures, Rakuten, First Round Capital and Progressive, have agreed to vote their shares of our capital stock on certain matters, including with respect to the election of directors. Upon completion of this offering, the voting agreement will terminate and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors. Dave Girouard, our co-founder, chief executive officer and a member of our board of directors, and entities affiliated with Third Point, Stone Ridge Trust V, Khosla Ventures, Rakuten, First Round Capital and Progressive are party to the voting agreement. Robert Schwartz, a member of our board of directors, is affiliated with Third Point. Oskar Mielczarek de la Miel, a member of our board of directors, is affiliated with Rakuten. Andrew Quigg, a former member of our board of directors, is affiliated with Progressive.

Transactions with Stone Ridge and Affiliated Entities

Convertible Promissory Notes

In September and October 2017, we issued two subordinated convertible promissory notes to Stone Ridge Trust V. Each of the notes had an aggregate principal amount of \$5.0 million, an interest rate of 8% per annum and a maturity date of June 30, 2018. On June 30, 2018, the outstanding principal and accrued and unpaid interest of \$10.6 million on the notes were converted into 2,932,657 shares of Series C-1 convertible preferred stock at a per share price of \$3.612, equal to the issue price in the Series C-1 financing round.

Warrants

In September and October 2017, we issued two preferred stock purchase warrants to Stone Ridge Trust V in connection with the convertible promissory notes described above. These warrants entitled Stone Ridge Trust V to purchase up to 415,234 shares of Series C-1 convertible preferred stock for a total of \$1.5 million. On June 30, 2018, each of the warrants were cancelled when the convertible promissory notes converted into shares of Series C-1 convertible preferred stock.

Whole Loan Purchases

Stone Ridge Trust V and certain affiliated entities purchased whole loans through our platform in the aggregate amount of \$509.5 million, \$411.9 million and \$173.2 million, in 2017, 2018 and 2019, respectively.

Securitization Transactions

As the sponsor of securitization transactions, we create several legal entities for the roles of depositors, issuers, and grantor trusts and majority-owned affiliates, or MOAs, for each securitization transaction. Concurrently with the closing of the 2017-1, 2017-2, and 2018-1 securitization

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transactions, we sold 80% of our ownership interests in the related MOAs to Stone Ridge Trust V in exchange for approximately \$8.0 million, \$7.8 million, and \$8.0 million, respectively. For more information about these transactions, see Note 3 to our consolidated financial statements.

In addition, Stone Ridge Trust V and certain affiliated entities also contributed approximately \$262.3 million, \$100.1 million and \$137.3 million in loans as collateral in private offering securitization transactions that we sponsored and serviced in 2017, 2018 and 2019, respectively. In connection with these contributions, Stone Ridge Trust V and certain affiliated entities received approximately \$62.8 million in asset-backed securities in 2017 and cash payments of \$202.5 million, \$100.1 million and \$138.5 million in 2017, 2018 and 2019, respectively.

As of December 31, 2018 and 2019, the balance of payable to securitization note holders and residual certificate holders due to Stone Ridge Trust V and certain affiliated entities was \$22.4 million and \$0, respectively.

Servicing Fees

We are the servicer of certain loans purchased and held by Stone Ridge Trust V and certain affiliated entities. In 2017, 2018 and 2019, we received servicing fees in the amount of \$1.4 million, \$2.1 million, and \$2.3 million, respectively, from Stone Ridge Trust V and certain affiliated entities.

Transactions with Third Point and Affiliated Entities

Convertible Promissory Note

In September 2017, we issued a subordinated convertible promissory note to Third Point Ventures LLC. The note had an aggregate principal amount of \$10.0 million, an interest rate of 8% per annum and a maturity date of June 30, 2018. On June 30, 2018, the outstanding principal and accrued and unpaid interest of \$10.6 million on the note was converted into 2,938,725 shares of Series C-1 convertible preferred stock at a per share price of \$3.612, equal to the issue price in the Series C-1 financing round.

Warrants

In September 2017, we issued a preferred stock purchase warrant to Third Point Ventures LLC in connection with the convertible promissory notes described above. The warrant entitled Third Point Ventures LLC to purchase up to 415,234 shares of Series C-1 preferred stock for a total of \$1.5 million. On June 30, 2018, the warrant was cancelled when the convertible promissory note converted into shares of Series C-1 convertible preferred stock.

Pass-Through Certificates

Certain entities affiliated with Third Point purchased approximately \$219.4 million and \$454.0 million in pass-through certificates backed by Upstart-powered loans in 2018 and 2019, respectively, from a series trust affiliated with Jefferies.

Securitization Transactions

In 2017 and 2018, certain entities affiliated with Third Point purchased approximately \$9.8 million and \$66.1 million of asset-backed securities, respectively, in private offering securitization transactions that we sponsored and serviced.

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In 2019, certain entities affiliated with Third Point contributed approximately \$358.5 million in loans as collateral in private offering securitization transactions that we sponsored and serviced through a series trust affiliated with Jefferies and related entities. In connection with these contributions, certain entities affiliated with Third Point received approximately \$53.5 million in asset-backed securities and cash payments of \$306.9 million.

As of December 31, 2018 and 2019, the balance of payable to securitization note holders and residual certificate holders due to certain entities affiliated with Third Point was \$61.4 million and \$41.3 million, respectively.

Servicing Fees

We are the servicer of certain loans purchased and held by certain entities affiliated with Third Point. In 2018 and 2019, we received servicing fees in the amount of \$0.3 million and \$0.7 million, respectively, from certain entities affiliated with Third Point.

Other Transactions

In 2017, 2018 and 2019, certain of our executive officers and directors participated in Upstart's platform by purchasing fractional interests in Upstart-powered loans from a sponsored trust entity. For more information about our fractional loan program, see Note 3 to our consolidated financial statements. The aggregate amount of the notes purchased and distributions received by such participating executive officers and directors are set forth below (*in thousands*):

For the year ended December 31,	Executive	Directors
2017	Officers	
Aggregate amount of loan-related securities purchased	\$ 2,277	\$ 50
Distributions received	2,525	39
2018		
Aggregate amount of loan-related securities purchased	\$ 654	\$ 71
Distributions received	2,148	58
2019		
Aggregate amount of loan-related securities purchased	\$ —	\$ 63
Distributions received	1,364	66

We have granted stock options to our executive officers and certain of our directors. See the sections titled "Executive Compensation—Outstanding Equity Awards at Year-End" and "Management—Non-Employee Director Compensation" for a description of these stock options.

We have entered into employment agreement and offer letters with certain of our executive officers that provide for, among other things, certain severance and change in control benefits. See the section titled "Executive Compensation—Executive Employment Agreements" for additional information.

Other than as described above under this section titled "Certain Relationships and Related Party Transactions," since January 1, 2017, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm's-length dealings with unrelated third parties.

Limitation of Liability and Indemnification of Officers and Directors

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except for liability for any:

- breach of their duty of loyalty to our company or our stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws and in indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of

settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement related to this offering will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Policies and Procedures for Related Party Transactions

Following the completion of this offering, our audit committee will have the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. Upon completion of this offering, our written policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Our audit committee charter provides that our audit committee shall review and approve or disapprove any related party transactions.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of December 31, 2019, and as adjusted to reflect the sale of our common stock in this offering assuming no exercise of the underwriters' option to purchase additional shares of our common stock, for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group; and
- each person or group of affiliated persons, known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 62,511,183 shares of our common stock (including the preferred stock issuable upon the exercise of a certain warrant and the Capital Stock Conversion) outstanding as of December 31, 2019. We have based our calculation of the percentage of beneficial ownership after this offering on _____ shares of our common stock issued by us in our initial public offering and _____ shares of common stock outstanding immediately after the completion of this offering, assuming that the underwriters will not exercise their option to purchase up to an additional _____ shares of our common stock from us. We have deemed shares of our common stock subject to stock options that are currently exercisable or exercisable within 60 days of December 31, 2019 to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Upstart Holdings, Inc., 2950 S. Delaware Street, Suite 300, San Mateo, California 94403.

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Name of Beneficial Owner	Total Number of Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned	
		Before the Offering	After the Offering
Named Executive Officers and Directors:			
Dave Girouard(2)	13,862,038	21.8%	
Sanjay Datta(3)	618,496	1.0	
Paul Gu(4)	2,015,623	3.1	
Mary Hentges(5)	5,345	*	
Oskar Mielczarek de la Miel	—	—	
Ciaran O'Kelly(6)	117,603	*	
Robert Schwartz	—	—	
Sukhinder Singh Cassidy	—	—	
Hilliard C. Terry, III(7)	58,801	*	
All executive officers and directors as a group (11 persons)(8)	18,708,946	27.4	
5% Stockholders:			
Entities affiliated with Third Point Ventures(9)	12,181,222	19.5	
Entities affiliated with Stone Ridge Trust V(10)	5,700,889	9.1	
Entities affiliated with Khosla Ventures(11)	5,248,588	8.4	
Entities affiliated with Rakuten(12)	3,321,879	5.3	
Entities affiliated with First Round Capital(13)	3,220,682	5.2	

* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

- (1) Represents shares beneficially owned by such individual or entity, and includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account.
- (2) Consists of (i) 12,792,840 shares held of record by the 2008 D&T Girouard Revocable Trust for which Mr. Girouard serves as trustee and (ii) 1,069,198 shares subject to options exercisable within 60 days of December 31, 2019 held by Mr. Girouard.
- (3) Consists of 618,496 shares subject to options exercisable within 60 days of December 31, 2019 held by Mr. Datta.
- (4) Consists of (i) 100,000 shares held of record by Mr. Gu and (ii) 1,915,623 shares subject to options exercisable within 60 days of December 31, 2019 held by Mr. Gu.
- (5) Consists of 5,345 shares subject to options exercisable within 60 days of December 31, 2019 held by Ms. Hentges.
- (6) Consists of 117,603 shares subject to options exercisable within 60 days of December 31, 2019 held by Mr. O'Kelly.
- (7) Consists of 58,801 shares subject to options exercisable within 60 days of December 31, 2019 held by Mr. Terry.
- (8) Consists of (i) 12,937,340 shares beneficially owned by our executive officers and directors and (ii) 5,771,606 shares subject to options exercisable within 60 days of December 31, 2019.
- (9) Consists of 12,181,222 shares held of record by Third Point Ventures LLC, as nominee for funds managed and/or advised by Third Point LLC. Third Point LLC and Daniel S. Loeb, managing member of Third Point LLC, may be deemed to have voting and investment power over such shares. The address for each of these entities is 55 Hudson Yards, New York, New York 10001.
- (10) Consists of 5,700,889 shares held of record by Millennium Trust Company LLC for the benefit of Stone Ridge Trust V, on behalf of its series Stone Ridge Alternative Lending Risk Premium Fund, or LENDX. Stone Ridge Asset Management LLC, or Stone Ridge, acts as the investment adviser to LENDX, and Stone Ridge is controlled by Ross Stevens. Each of Stone Ridge and Ross Stevens may be deemed to have voting and dispositive power of such shares held by LENDX. The address for each of these entities is 510 Madison Avenue, 21st Floor, New York, New York 10022.
- (11) Consists of 50,508 shares held of record by Khosla Ventures Seed B (CF), LP, or Seed B CF, 889,783 shares held of record by Khosla Ventures Seed B, LP, or Seed B, and 4,308,297 shares held of record by Khosla Ventures V, LP, or KV V, The general partner of Seed B CF and Seed B is Khosla Ventures Seed Associates B, LLC, or B Associates. VK Services, LLC, or VK Services, is the sole manager of B Associates. Vinod Khosla is the managing member of VK Services. Each of Mr. Khosla, VK Services and B Associates may be deemed to share voting and dispositive power of such securities held by Seed B CF and Seed B. Mr. Khosla, VK Services and B Associates disclaim beneficial ownership of such securities held by Seed B CF and Seed B, except to the extent of their respective pecuniary interests therein. The general partner of KV V is Khosla Ventures Associates V, LLC, or KVA V. VK Services, LLC, or VK Services, is the sole manager of KVA V. Vinod Khosla is the managing member of VK Services. Each of Mr. Khosla, VK Services and KVA V may be deemed to share voting and dispositive power of such securities held by KV V. Mr. Khosla, VK Services and KVA V disclaim beneficial ownership of such securities held by KV V, except to the extent of their respective pecuniary interests therein. The address for each of these entities is 2128 Sand Hill Road, Menlo Park, California 94025.
- (12) Consists of 3,321,879 shares held of record by Sparrowhawk SCSp. Sparrowhawk SCSp is controlled by Rakuten Capital SCSp, or Rakuten Capital. Rakuten Capital is controlled by Rakuten Capital Holdings S.a.r.l., or Holdings. Holdings is a

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wholly-owned subsidiary of Rakuten Europe S.a.r.l., or Rakuten Europe. Rakuten Europe is a wholly-owned subsidiary of Rakuten, Inc. Hiroshi Mikitani is the Chairman and Chief Executive Officer of Rakuten, Inc. Each of Rakuten Capital, Holdings, Rakuten Europe, Rakuten, Inc. and Mr. Mikitani may be deemed to hold voting and dispositive power with respect to these shares. The address for these entities is 2 Rue du Fossé, Luxembourg L-1536, Grand Duchy of Luxembourg. Subsequent to December 31, 2019, the shares held by Sparrowhawk SCSp were transferred to another entity affiliated with Rakuten, Inc.

- (13) Consists of 3,220,682 shares held of record by First Round Capital III, L.P., as nominee, a Delaware limited partnership, on behalf of First Round Capital III, LP, a Delaware limited partnership or, FRC III, First Round Capital III Partners Fund, LP, or FRC III Partners Fund, and First Round Capital III-A, LP, or FRC III-A, and together with FRC III and FRC III Partners Fund, the FRC III Funds. First Round Capital Management III, LP, a Delaware limited partnership, or FRC III GP, is the General Partner of the FRC III Funds. First Round Capital Management III, LLC, a Delaware limited liability company, is the General Partner of FRC III GP and has sole voting and investment power over the shares. A committee of three members controls First Round Capital Management III, LLC. The address for each of these entities is 2400 Market Street, Suite 237, Philadelphia, Pennsylvania 19103.

DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes certain important terms of our capital stock, as they are expected to be in effect immediately prior to the completion of this offering. We expect to adopt an amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering, and this description summarizes the provisions that are expected to be included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section titled "Description of Capital Stock," you should refer to our amended and restated certificate of incorporation, amended and restated bylaws, and amended and restated investors' rights agreement, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law. Immediately following the completion of this offering, our authorized capital stock will consist of _____ shares of capital stock, \$0.0001 par value per share, of which:

- _____ shares are designated as common stock; and
- _____ shares are designated as preferred stock.

Assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our common stock, which will occur immediately prior to the completion of this offering, as of December 31, 2019, there were _____ shares of our common stock outstanding, held by 109 stockholders of record, assuming (i) the Capital Stock Conversion, (ii) the automatic net exercise of the outstanding warrant to purchase shares of preferred stock resulting in the issuance of _____ shares of our common stock. Pursuant to our amended and restated certificate of incorporation, our board of directors will have the authority, without stockholder approval except as required by the listing standards of _____, to issue additional shares of our capital stock.

Common Stock

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See the section titled "Dividend Policy" for additional information.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation establishes a classified board of directors that is divided into three classes with staggered three-year terms. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Fully Paid and Non-Assessable

In connection with this offering, our legal counsel will opine that the shares of our common stock to be issued in this offering will be fully paid and non-assessable.

Preferred Stock

After the completion of this offering, no shares of our preferred stock will be outstanding. Pursuant to our amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering, our board of directors will have the authority, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Options

As of December 31, 2019, we had outstanding options to purchase an aggregate of 16,502,206 shares of our common stock, with a weighted-average exercise price of approximately \$1.86 per share, under our equity compensation plans.

Warrants

As of December 31, 2019, we had the following outstanding warrants:

- warrants to purchase 319,669 shares of our common stock with a weighted-average exercise price of \$1.77 per share; and
- a warrant to purchase 600,208 shares of our Series B preferred stock with an exercise price of \$0.01 per share. Unless earlier exercised, upon the completion of this offering, this warrant will automatically net exercise and convert into _____ shares of our Series B preferred stock, which will then convert into shares of our common stock in connection with the Capital Stock Conversion.

Registration Rights

After the completion of this offering, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act pursuant to the IRA. We and certain holders of our preferred stock are parties to the IRA. The registration rights set forth in the IRA will expire four years following the completion of this offering, or, with respect to any particular stockholder, when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act during any 90-day period. We will pay the registration expenses (other than underwriting discounts and commissions) of the holders of the shares registered pursuant to the demand registrations and piggyback registrations described below. Holders of our preferred stock participating in any S-3 registrations below will pay their own registration expenses. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. We expect that our stockholders will waive their rights under the IRA (i) to receive notice of this offering and (ii) to include their registrable shares in this offering. In addition, in connection with this offering, we expect that each stockholder that has registration rights will agree not to sell or otherwise dispose of any securities without the prior written consent of us and the underwriters for a period of 180 days after the date of this prospectus, subject to certain terms and conditions. See the section titled “Shares Eligible for Future Sale—Lock-Up and Market Standoff Agreements” for additional information regarding such restrictions.

Demand Registration Rights

After the completion of this offering, the holders of up to _____ shares of our common stock will be entitled to certain demand registration rights. At any time beginning six months after the effective date of this offering, the holders of at least 50% of these shares then outstanding can request that we register the offer and sale of their shares. Such request for registration must cover securities, the anticipated aggregate public offering price of which, after payment of underwriting discounts and commissions, is at least \$5,000,000. We are obligated to effect only two such registrations. If we determine that it would be seriously detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days.

Piggyback Registration Rights

After the completion of this offering, if we propose to register the offer and sale of our common stock under the Securities Act, in connection with the public offering of such common stock the holders of up to _____ shares of our common stock will be entitled to certain “piggyback” registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (i) a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered; (ii) a registration related to any employee benefit plan or a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act; or (iii) a registration on any registration form which does not include substantially the same information as would be required to be included in a registration statement covering the public offering of our common stock, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

S-3 Registration Rights

After 180 days following the completion of this offering, the holders of up to _____ shares of our common stock will be entitled to certain Form S-3 registration rights. The holders of at least 50% of

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these shares then outstanding may make a written request that we register the offer and sale of their shares on a registration statement on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request covers securities the anticipated aggregate public offering price of which, after payment of underwriting discounts and commissions, is at least \$1,000,000. These stockholders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request or if we have already previously effected three such registrations. Additionally, if we determine that it would be seriously detrimental to us and our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days.

Anti-Takeover Provisions

Certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, which are summarized below, may have the effect of delaying, deferring or discouraging another person from acquiring control of us. They are also designed, in part, to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We will be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by (i) directors who are also officers of the corporation and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing changes in control of our company.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

Board of Directors Vacancies

Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our board of directors and will promote continuity of management.

Classified Board

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors is classified into three classes of directors. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See the section titled "Management—Classified Board of Directors."

Stockholder Action; Special Meeting of Stockholders

Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, or our Chief Executive Officer, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting

The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Directors Removed Only for Cause

Our amended and restated certificate of incorporation will provide that stockholders may remove directors only for cause.

Amendment of Charter Provisions

Any amendment of the above provisions in our amended and restated certificate of incorporation would require approval by holders of at least % of our then outstanding capital stock.

Issuance of Undesignated Preferred Stock

Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Exclusive Forum

Our amended and restated bylaws will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law or our amended and restated certificate of incorporation or amended and restated bylaws, or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. Nothing in our amended and restated bylaws precludes stockholders that assert claims under the Securities Act from bringing such claims in state or federal court, subject to applicable law. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be . The transfer agent and registrar's address is .

Limitations of Liability and Indemnification

See the section titled "Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Officers and Directors."

Listing

We intend to apply for the listing of our common stock on under the symbol "UPST".

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, based on the number of shares of our capital stock outstanding as of December 31, 2019, we will have a total of _____ shares of our common stock outstanding. Of these outstanding shares, all _____ shares of our common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be, and shares subject to stock options will be upon issuance, deemed “restricted securities” as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. As a result of the lock-up and market standoff agreements described below and the provisions of our IRA described in the section titled “Description of Capital Stock—Registration Rights,” and subject to the provisions of Rule 144 or Rule 701, _____ shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all _____ shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus (subject to the terms of the lock-up and market standoff agreements described below) all remaining shares will become eligible for sale in the public market, of which _____ shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Lock-Up and Market Standoff Agreements

In connection with this offering, we and all directors and officers and the holders of substantially all of our outstanding shares of stock and stock options have agreed or will agree with the underwriters, subject to certain exceptions, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale of or otherwise transfer or dispose of, or hedge, any shares of our common stock, or any options or warrants to purchase any shares of our common stock, or any securities convertible into, exchangeable for or that represent the right to receive, shares of our common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman Sachs & Co. LLC, BofA Securities, Inc. and Citigroup Global Markets Inc. See the section titled “Underwriting.”

Certain of our employees, including our executive officers, and directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to our initial public offering described above.

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In addition, our executive officers, directors, and holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us under which they have agreed that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, they will not, without our prior written consent, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our common stock.

Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of our capital stock then outstanding, which will equal _____ shares immediately after the completion of this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales of our common stock made in reliance upon Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Registration Rights

Pursuant to the IRA, after the completion of this offering, the holders of up to _____ shares of our common stock, or certain transferees, will be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. See the section titled "Description of Capital Stock—Registration Rights" for a description of these registration rights. If the offer and sale of

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these shares of our common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.

Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the effectiveness of the registration statement of which this prospectus forms a part to register shares of our options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section titled “Executive Compensation—Employee Benefit and Stock Plans” for a description of our equity compensation plans.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the ownership and disposition of our common stock, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated thereunder, administrative rulings, and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below.

This summary does not address the tax considerations arising under the laws of any state, local or non-U.S. jurisdiction, or under U.S. federal gift and estate tax laws. In addition, this discussion does not address tax considerations applicable to a non-U.S. holder's particular circumstances or non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies or real estate investment trusts;
- persons subject to the alternative minimum tax or Medicare contribution tax on net investment income;
- tax-exempt organizations or governmental organizations;
- pension plans or tax-exempt retirement plans;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our stock;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- partnerships, entities or arrangements classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction or integrated investment;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an "applicable financial statement" (as defined in Section 451(b) of the Code);
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code; or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership, including an entity or arrangement classified as a partnership for U.S. federal income tax purposes, holds our common stock, the tax treatment of a partner generally will

depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the ownership and disposition of our common stock through a partnership.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership, and disposition of our common stock arising under the U.S. federal gift or estate tax rules or under the laws of any state, local, non-U.S., or other taxing jurisdiction or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder if you are any beneficial owner of our common stock that is not a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) and are not any of the following:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia or other entity treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more “U.S. persons” (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

Distributions

As described in the section titled “Dividend Policy,” we have never declared or paid cash dividends on our capital stock and do not anticipate paying any dividends on our capital stock in the foreseeable future. However, if we do make distributions on our common stock, those payments will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock as described below under “—Gain on Disposition of Our Common Stock.”

Except as otherwise described below in the discussion on effectively connected income and the sections titled “—Backup Withholding and Information Reporting” and “—FATCA,” any dividend paid to you generally will be subject to U.S. federal withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. If you are eligible for exemption of U.S. federal withholding tax pursuant to an income tax treaty, you may be entitled to a refund or credit of any excess tax withheld by timely filing an appropriate claim with the IRS.

In order to be subject to withholding at a reduced treaty rate, you must provide us with an IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8, including any

required attachments and your taxpayer identification number, certifying qualification for the exemption; additionally, you will be required to update such forms and certifications from time to time as required by law. If you hold our stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. You should consult your tax advisor regarding entitlement to benefits under any applicable income tax treaties.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by you in the United States) are generally exempt from such withholding tax. In order to obtain this exemption, you must provide us with an IRS Form W-8ECI, including any required attachments and your taxpayer identification number, certifying qualification for the exemption; additionally, you will be required to update such forms and certifications from time to time as required by law. Such effectively connected dividends, although not subject to withholding tax, are includable on your U.S. income tax return and taxed to you at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

Gain on Disposition of Our Common Stock

Except as otherwise described below in the section titled “–Backup Withholding and Information Reporting” and “–FATCA,” you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by you in the United States);
- you are a non-resident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and other conditions are met; or
- our common stock constitutes a “United States real property interest” by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our common stock, and, in the case where shares of our common stock are regularly traded on an established securities market, you own, or are treated as owning, more than 5% of our common stock at any time during the foregoing period.

We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion so assumes. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as a United States real property interest only if you actually or constructively hold more than 5% of such regularly traded common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our common stock.

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If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates (and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate), unless otherwise provided by an applicable income tax treaty. If you are a non-U.S. holder described in the second bullet above, you will generally be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale, which may be offset by U.S. source capital losses for the year (provided you have timely filed U.S. federal income tax returns with respect to such losses). You should consult your tax advisor regarding any applicable income tax or other treaties that may provide for different rules.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds from the disposition of our common stock made to you may be subject to information reporting and backup withholding at a current rate of 24% unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8. Any documentation provided to an applicable withholding agent may need to be updated in certain circumstances. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person.

Information reporting and backup withholding generally will apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a foreign broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld under the backup withholding rules. If backup withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

FATCA

The Foreign Account Tax Compliance Act and the rules and Treasury regulations promulgated thereunder, or collectively, FATCA, generally impose U.S. federal withholding tax at a rate of 30% on dividends on and (subject to the proposed Treasury regulations discussed below) the gross proceeds from a sale or other disposition of our common stock paid to a "foreign financial institution" (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and

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debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends on and (subject to the proposed Treasury regulations discussed below) the gross proceeds from a sale or other disposition of our common stock paid to a “non-financial foreign entity” (as specially defined for purposes of these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none, or otherwise establishes and certifies to an exemption. The withholding provisions under FATCA generally apply to dividends on our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of our common stock on or after January 1, 2019, proposed Treasury regulations provide that the withholding provisions under FATCA do not apply with respect to the payment of gross proceeds from a sale or other disposition of our common stock. These proposed Treasury regulations may be relied upon by taxpayers until final Treasury regulations are issued. An intergovernmental agreement between the United States and your country of tax residence may modify the requirements described in this paragraph. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding, and disposing of our common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter will severally agree to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC, BofA Securities, Inc. and Citigroup Global Markets Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman Sachs & Co. LLC	
BofA Securities, Inc.	
Citigroup Global Markets Inc.	
Jefferies LLC	
Barclays Capital Inc.	
Total	

The underwriters will be committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters will have an option to buy up to an additional _____ shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	No Exercise	Full Exercise
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. After the initial offering of our common stock, the representatives may change the offering price and the other selling terms. The offering of our common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and holders of substantially all of our common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of such agreement continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated among the representatives and us. Among the factors to be considered in determining the initial public offering price of our common stock, in addition to prevailing market

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conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to apply to have our common stock approved for listing on the _____ under the symbol "UPST".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the _____, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ _____ million.

We will agree to reimburse the underwriters for expenses related to any applicable state securities filings and to the Financial Industry Regulatory Authority, Inc. incurred by them in connection with this offering in an amount up to \$ _____. We will also agree to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to

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the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses. An affiliate of Goldman Sachs & Co. LLC serves as a lender under a revolving credit facility entered into with one of our consolidated variable interest entities. Goldman Sachs & Co. LLC or other affiliates of the same serve or have served as securitizer for certain consumer loans originated by our bank partners, or co-sponsor for, initial purchaser with respect to, or an investor in, certain of such securitizations. Jefferies LLC or other affiliates of the same have also served as purchaser and securitizer for certain consumer loans originated by our bank partners, or initial purchaser with respect to those and certain other securitizations of consumer loans originated by our bank partners.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

European Economic Area

In relation to each Member State of the European Economic Area (each a “Member State”), no common stock has been offered or will be offered pursuant to the offering to the public in that Member State prior to the publication of a prospectus in relation to our common stock which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) by the underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior written consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Member State who initially acquires any common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed with us and the representatives that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any common stock being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Member State to qualified investors, in circumstances in which the prior written consent of the representatives has been obtained to each such proposed offer or resale.

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We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any common stock to be offered so as to enable an investor to decide to purchase or subscribe for our common stock, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to the company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to our common stock in, from or otherwise involving the United Kingdom.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

Our common stock may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“Companies (Winding Up and Miscellaneous Provisions) Ordinance”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“Securities and Futures Ordinance”), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up

and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to our common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our common stock may not be circulated or distributed, nor may our common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where our common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired our common stock under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“Regulation 32”).

Where our common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired our common stock under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be

offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares of common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of our common stock should conduct their own due diligence on such shares. If you do not understand the contents of this prospectus, you should consult an authorized financial advisor.

Switzerland

The common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the common stock or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, our company or our common stock has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority and the offer of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of common stock.

VALIDITY OF COMMON STOCK

Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, which has acted as our counsel in connection with this offering, will pass upon the validity of the shares of our common stock being offered by this prospectus. The validity of the shares of common stock offered by this prospectus will be passed upon for the underwriters by Sullivan & Cromwell LLP, Palo Alto, California.

EXPERTS

The consolidated financial statements included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have submitted with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains an Internet website that contains reports, proxy statements, and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements, and other information with the SEC. We also maintain a website at www.Upstart.com. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Upstart Holdings, Inc.

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Upstart Holdings, Inc.

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Upstart Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Upstart Holdings, Inc. and subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders’ deficit and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

San Francisco, CA
March 3, 2020

We have served as the Company’s auditor since 2015.

Upstart Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	<u>December 31,</u>		Pro Forma December 31, 2019 <i>(unaudited)</i> (Note 1)
	<u>2018</u>	<u>2019</u>	
Assets			
Cash	\$ 73,038	\$ 44,389	
Restricted cash	49,204	35,678	
Loans (at fair value)	502,666	232,305	
Notes receivable and residual certificates (at fair value)	8,314	34,116	
Property, equipment, and software, net	1,502	6,030	
Operating lease right of use assets	—	16,190	
Other assets (includes \$1,410 and \$4,725 at fair value as of December 31, 2018 and 2019, respectively)	11,184	24,754	
Total assets(a)	<u>\$645,908</u>	<u>\$393,462</u>	
Liabilities, Convertible Preferred Stock, and Stockholders' Deficit			
Liabilities:			
Accounts payable	\$ 2,923	\$ 6,559	
Payable to investors	21,154	19,620	
Notes payable (at fair value; includes \$2,447 and \$0 payable to related parties as of December 31, 2018 and 2019, respectively)	53,174	—	
Borrowings	74,983	118,609	
Payable to securitization note holders and residual certificate holders (includes \$353,292 and \$89,672 at fair value, and \$61,439 and \$41,343 payable to related parties as of December 31, 2018 and 2019, respectively)	373,068	96,107	
Other liabilities (includes \$11,086 and \$12,446 at fair value as of December 31, 2018 and 2019, respectively)	17,353	34,648	
Operating lease liabilities	—	17,061	
Total liabilities(a)	<u>542,655</u>	<u>292,604</u>	
Commitments and Contingencies			
Convertible preferred stock, \$0.0001 par value; 53,927,657 shares authorized as of December 31, 2018 and 2019, respectively; aggregate liquidation preference of \$162,757 and \$166,257 as of December 31, 2018 and 2019, respectively; 46,882,877 and 47,349,577 shares issued and outstanding as of December 31, 2018 and 2019 respectively; no shares outstanding as of December 31, 2019, pro forma (unaudited)	157,923	162,546	
Stockholders' deficit:			
Common stock, \$0.0001 par value; 90,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 12,991,270, and 14,561,398 shares issued and outstanding as of December 31, 2018 and 2019, respectively; shares outstanding as of December 31, 2019 pro forma (unaudited)	1	2	
Additional paid-in capital	8,406	12,489	
Accumulated deficit	(75,078)	(75,205)	
Total Upstart Holdings, Inc. stockholders' deficit	<u>(66,671)</u>	<u>(62,714)</u>	
Noncontrolling interests	12,001	1,026	
Total stockholders' deficit	<u>(54,670)</u>	<u>(61,688)</u>	
Total liabilities, convertible preferred stock, and stockholders' deficit	<u>\$645,908</u>	<u>\$393,462</u>	

Upstart Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

(a) The following table presents information on assets and liabilities related to variable interest entities ("VIEs") that are consolidated by Upstart Holdings, Inc. at December 31, 2018 and 2019. The assets in the table below may only be used to settle obligations of consolidated VIEs and are in excess of those obligations. The holders of the beneficial interests do not have recourse to the general credit of Upstart Holdings, Inc. The assets and liabilities in the table below include third-party assets and liabilities of consolidated VIEs and exclude intercompany balances that eliminate in consolidation.

	December 31,	
	2018	2019
Assets		
Restricted cash	\$ 32,225	\$ 13,839
Loans (at fair value)	501,959	231,109
Notes receivable and residual certificates (at fair value)	8,291	30,266
Other assets	2,854	453
Total assets	<u>\$ 545,329</u>	<u>\$ 275,667</u>
Liabilities		
Accounts payable	\$ 12	\$ 60
Payable to investors	4,382	—
Notes payable (at fair value)	53,174	—
Borrowings	53,968	96,037
Payable to securitization note holders and residual certificate holders (includes \$353,292 and \$89,672 at fair value, and \$61,439 and \$41,343 payable to related parties as of December 31, 2018 and 2019, respectively)	373,068	96,107
Other liabilities	1,611	1,103
Total liabilities	<u>\$ 486,215</u>	<u>\$ 193,307</u>

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

Upstart Holdings, Inc.

Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Year Ended December 31,		
	2017	2018	2019
Revenue:			
Revenue from fees, net	\$ 51,161	\$ 88,482	\$ 159,847
Interest income and fair value adjustments, net	6,128	10,831	4,342
Total revenue	57,289	99,313	164,189
Operating expenses:			
Sales and marketing	33,838	63,633	93,175
Customer operations	10,232	15,416	24,947
Engineering and product development	5,324	8,415	18,777
General, administrative, and other	15,431	19,820	31,865
Total operating expenses	64,825	107,284	168,764
Loss from operations	(7,536)	(7,971)	(4,575)
Other income	330	487	1,036
Expense on warrants and convertible notes, net	(1,649)	(3,734)	(1,407)
Net loss before income taxes	(8,855)	(11,218)	(4,946)
Provision for income taxes	6	—	74
Net loss before attribution to noncontrolling interests	(8,861)	(11,218)	(5,020)
Net (loss) income attributable to noncontrolling interests	(1,144)	1,101	(4,554)
Net loss attributable to Upstart Holdings, Inc. common stockholders	\$ (7,717)	\$ (12,319)	\$ (466)
Net loss per common share attributable to Upstart Holdings, Inc. stockholders, basic and diluted	\$ (0.56)	\$ (0.87)	\$ (0.03)
Weighted-average number of shares outstanding used in computing net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted	13,873,810	14,128,183	14,335,611
Pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited)			\$
Weighted-average number of shares used to compute pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited)			

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

Upstart Holdings, Inc.

Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit

(In thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Upstart Holdings, Inc. Stockholders' Deficit	Noncontrolling Interests	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balances as of December 31, 2016	35,137,187	\$ 87,756	12,480,195	\$ 1	\$ 4,564	\$ (55,042)	\$ (50,477)	\$ —	\$ (50,477)
Issuance of Series C-1 convertible preferred stock	307,825	1,112	—	—	—	—	—	—	—
Issuance of common stock warrants	—	—	—	—	42	—	42	—	42
Issuance of common stock upon exercise of stock options	—	—	272,010	—	142	—	142	—	142
Stock-based compensation expense	—	—	—	—	1,290	—	1,290	—	1,290
Contributions of interests in consolidated VIEs	—	—	—	—	—	—	—	16,689	16,689
Return of capital to interests in consolidated VIEs	—	—	—	—	—	—	—	(2,238)	(2,238)
Net loss	—	—	—	—	—	(7,717)	(7,717)	(1,144)	(8,861)
Balances as of December 31, 2017	35,445,012	\$ 88,868	12,752,205	\$ 1	\$ 6,038	\$ (62,759)	\$ (56,720)	\$ 13,307	\$ (43,413)
Issuance of Series C-1 convertible preferred stock upon conversion of convertible promissory notes	5,871,382	21,210	—	—	—	—	—	—	—
Issuance of Series D convertible preferred stock, net of issuance costs of \$2,255	5,566,483	47,845	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	239,065	—	323	—	323	—	323
Stock-based compensation expense	—	—	—	—	2,045	—	2,045	—	2,045
Contributions of interests in consolidated VIEs	—	—	—	—	—	—	—	9,166	9,166
Return of capital to interests in consolidated VIEs	—	—	—	—	—	—	—	(11,573)	(11,573)
Net (loss) income	—	—	—	—	—	(12,319)	(12,319)	1,101	(11,218)
Balance as of December 31, 2018	46,882,877	\$ 157,923	12,991,270	\$ 1	\$ 8,406	\$ (75,078)	\$ (66,671)	\$ 12,001	\$ (54,670)
Issuance of Series D convertible preferred stock, net of issuance costs of \$8	444,428	3,992	—	—	—	—	—	—	—
Issuance of Series B convertible preferred stock upon exercise of convertible preferred stock warrants	300,103	1,631	—	—	—	—	—	—	—
Repurchase and retirement of Series C convertible preferred stock	(277,831)	(1,000)	—	—	—	339	339	—	339
Exercise of common stock warrants	—	—	1,297,884	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	272,244	1	277	—	278	—	278
Stock-based compensation expense	—	—	—	—	3,806	—	3,806	—	3,806
Return of capital to interests in consolidated VIEs	—	—	—	—	—	—	—	(4,960)	(4,960)
Deconsolidation of interests in consolidated VIEs	—	—	—	—	—	—	—	(1,461)	(1,461)
Net loss	—	—	—	—	—	(466)	(466)	(4,554)	(5,020)
Balance as of December 31, 2019	47,349,577	\$ 162,546	14,561,398	\$ 2	\$ 12,489	\$ (75,205)	\$ (62,714)	\$ 1,026	\$ (61,688)

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

Upstart Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2017	2018	2019
Cash flows from operating activities			
Net loss before attribution to noncontrolling interests	\$ (8,861)	\$ (11,218)	\$ (5,020)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Change in fair value of financial instruments	(5,201)	42,282	34,716
Stock-based compensation	1,290	2,045	3,806
Loss on loan servicing arrangements and sale of noncontrolling interests, net	1,515	2,169	856
Depreciation and amortization	93	314	774
Noncash interest expense	42	19	74
Gain on repurchased and retired convertible preferred stock warrants	—	—	(3,657)
Accrued interest on convertible notes	416	794	—
Net changes in operating assets and liabilities:			
Purchase of loans for immediate resale to investors	(580,438)	(1,115,049)	(1,779,180)
Proceeds from immediate resale of loans to investors	580,438	1,115,049	1,779,180
Other assets	(4,147)	(3,001)	(11,957)
Operating lease liability and right-of-use asset	—	—	871
Accounts payable	946	1,118	3,613
Payable to investors	23,525	14,100	(14,875)
Other liabilities	739	1,716	22,381
Net cash provided by operating activities	<u>10,357</u>	<u>50,338</u>	<u>31,582</u>
Cash flows from investing activities			
Principal payments received for loans held by consolidated securitizations	49,556	199,325	158,921
Net proceeds from sale of loans	45,084	45,698	100,678
Principal payments received for loans held-for-investment	26,660	38,678	48,124
Principal payments received for notes receivable and repayments of residual certificates	—	1,229	8,760
Purchase of loans held-for-investment	(102,541)	(169,442)	(265,286)
Purchase of notes receivable and residual certificates	—	—	(485)
Purchase of property and equipment	—	(148)	(4,004)
Capitalized software costs	(773)	(896)	(1,275)
Purchase of loans held by consolidated securitizations	(411,407)	(251,681)	—
Net cash (used in) provided by investing activities	<u>(393,421)</u>	<u>(137,237)</u>	<u>45,433</u>
Cash flows from financing activities			
Payments made on securitization notes and certificates	(49,262)	(226,775)	(176,742)
Repayments of borrowings	(111,139)	(92,954)	(109,939)
Repayments of notes payable	(13,634)	(21,468)	(22,637)
Distributions made to noncontrolling interests	(2,238)	(11,238)	(4,960)
Repurchase and retirement of convertible preferred stock warrants	—	—	(1,426)
Repurchase and retirement of convertible preferred stock	—	—	(661)
Proceeds from borrowings	118,780	144,048	153,491
Proceeds from issuance of notes payable	31,399	42,537	39,863
Proceeds from issuance of convertible preferred stock, net of issuance costs	1,112	49,925	1,912
Proceeds from exercise of convertible preferred stock warrants	—	—	1,631
Proceeds from exercise of stock options	142	323	278
Proceeds from issuance of securitization notes and certificates	400,866	242,454	—

Upstart Holdings, Inc.
Consolidated Statements of Cash Flows—(Continued)
(In thousands)

	Year Ended December 31,		
	2017	2018	2019
Proceeds from sale of noncontrolling interests	\$ 16,689	\$ 8,914	\$ —
Proceeds from issuance of convertible notes	20,000	—	—
Net cash provided by (used in) financing activities	<u>412,715</u>	<u>135,766</u>	<u>(119,190)</u>
Net increase (decrease) in cash and restricted cash	29,651	48,867	(42,175)
Cash and restricted cash			
Beginning of period	43,724	73,375	122,242
End of period	<u>\$ 73,375</u>	<u>\$ 122,242</u>	<u>\$ 80,067</u>
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 9,603	\$ 26,676	\$ 26,871
Cash paid for amounts included in the measurement of lease liabilities	—	—	1,905
Supplemental disclosures of non-cash operating activities			
Total right-of-use assets capitalized	\$ —	\$ —	\$ 16,190
Supplemental disclosures of non-cash investing and financing activities			
Derecognition of loans held-for-investment in consolidated VIE	\$ —	\$ —	\$ 154,864
Derecognition of payable to securitization note holders and residual certificate holders	—	—	80,825
Derecognition of notes payable held in consolidated VIE	—	—	69,419
Securities retained under consolidated securitization transactions	—	9,501	31,160
Transfer of notes receivable and residual certificate on deconsolidation of VIE	—	—	3,699
Conversion of notes as part of issuance of convertible preferred stock	—	21,210	—
Accrued convertible preferred stock issuance costs included in other liabilities	—	2,080	—

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

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

1. Description of Business and Significant Accounting Policies

Description of Business

Upstart Holdings, Inc. and its subsidiaries (together “Upstart,” or the “Company”) apply modern data science and technology to the process of originating consumer credit. The Company helps bank partners originate credit by providing them with a proprietary, cloud-based, artificial intelligence lending platform. As the Company’s technology continues to improve and additional banks adopt the Upstart platform, consumers benefit from improved access to affordable and frictionless credit.

Upstart Network, Inc. was incorporated in Delaware in 2012. Pursuant to a restructuring, Upstart Holdings, Inc. was incorporated in December 2013 and became the holding company of Upstart Network, Inc. The Company currently operates in the United States and is headquartered in San Mateo, California. The Company’s fiscal year ends on December 31.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities (“VIEs”). All intercompany accounts and transactions have been eliminated. The Company’s functional and reporting currency is the U.S. dollar.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Significant estimates and assumptions made in the accompanying consolidated financial statements, which Management believes are critical in understanding and evaluating the Company’s reported financial results include: (i) fair value determinations, (ii) stock-based compensation, (iii) consolidation of VIEs, and (iv) provision for income taxes, net of valuation allowance for deferred tax assets. The Company bases its estimates on various factors it believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could affect the results of operations reported in future periods.

Unaudited Pro Forma Balance Sheet Information

The unaudited pro forma balance sheet information as of December 31, 2019 is presented as though all of the Company’s outstanding shares of convertible preferred stock have been converted into shares of common stock upon the completion of an initial public offering (“IPO”) of the Company’s common stock. In addition, the pro forma balance sheet information assumes the reclassification of the convertible preferred stock warrant liability to additional paid-in capital upon completion of the IPO, as the warrants to purchase convertible preferred stock will be automatically net exercised. The unaudited pro forma balance sheet information does not assume any proceeds from the IPO.

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements*****Variable Interest Entities***

A legal entity is considered a VIE if it has either a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. The Company's variable interests arise from contractual, ownership, or other monetary interests in the entity. The Company consolidates a VIE when it is deemed to be the primary beneficiary. The Company determines it is the primary beneficiary if it has the power to direct activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses or the right to receive benefits of the VIE that could be potentially significant to the VIE. The Company assesses whether or not it is the primary beneficiary of a VIE on an ongoing basis.

Noncontrolling Interests

Noncontrolling interests represent a portion of the equity of consolidated VIEs that are not held by the Company. These interests are recognized as a result of the admission of non-voting members into consolidated VIEs that hold financial instruments for risk retention purposes for sponsored securitizations. Earnings and losses associated with these VIEs are allocated to noncontrolling interests proportionally to their variable interests in these entities in the period they are incurred. Cash distributions to holders of noncontrolling interests are made in the period following the allocation of earnings and losses. Noncontrolling interests and associated earnings are disclosed as separate line items on the consolidated balance sheets and consolidated statements of operations and comprehensive loss, respectively.

Cash and Restricted Cash

Cash consists of bank deposits held in business checking and interest-bearing deposit accounts. As of December 31, 2018 and 2019, the Company did not have any cash equivalent balances, defined as highly liquid financial instruments purchased with original maturities of three months or less.

Restricted cash primarily consists of bank deposits that are: (i) received from borrowers for interest and applied to loans as part of loan servicing, but not yet distributed to investors; (ii) received from investors as collateral for financing of loan purchases on the Upstart platform but not yet invested in issued loans; and (iii) collateral for a letter of credit the Company is required to maintain under its operating lease agreement.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows (in thousands):

	December 31,		
	2017	2018	2019
Cash	\$ 42,020	\$ 73,038	\$ 44,389
Restricted cash	31,355	49,204	35,678
Total cash and restricted cash	<u>\$ 73,375</u>	<u>\$ 122,242</u>	<u>\$ 80,067</u>

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Financial Instruments not Measured at Fair Value

The Company's financial instruments not measured at fair value consist primarily of cash, restricted cash, and other assets (excluding certain financial instruments, which are measured at fair value), accounts payable, payable to investors, and other liabilities (excluding certain financial instruments, including loan servicing assets and liabilities, common stock warrant liabilities and convertible preferred stock warrant liabilities, which are measured at fair value). The carrying values of these financial instruments are considered to be representative of their respective fair values due to their short-term nature.

Similarly, distributions payable to investors in securitization transactions, included in payable to securitization note holders and residual certificates holders in the Company's consolidated balance sheets, are settled monthly as part of the waterfall payments and are not carried at fair value. Payable to investors includes amounts of loan repayments not yet distributed to investors, as well as amounts received from investors but not yet invested directly in whole loans or notes payable. Borrowings are presented at par, net of debt issuance costs and amortized over the contractual term, with accrued interest included as part of accounts payable on the consolidated balance sheets. The carrying value of borrowings approximates the fair value due to their relatively short maturities.

Fair Value Measurement

Assets and liabilities recorded at fair value on a recurring basis on the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be 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. The price used to measure fair value is not adjusted for transaction costs. The principal market is the market in which the Company would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability, it is assumed that the Company has access to the market as of the measurement date. If no market for the asset exists, or if the Company does not have access to the principal market, a hypothetical market is used.

The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2— Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis include loans, notes receivable and residual certificates, notes payable, payable to securitization note holders and residual certificate holders, other assets, common stock warrant liabilities, convertible preferred stock warrant liabilities, loan servicing assets and liabilities, and other liabilities. When developing fair value measurements, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

However, for certain instruments, the Company must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value. In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon the Company's own estimates, and the measurements reflect information and assumptions that management believes a market participant would use in pricing the asset or liability.

Transfer of Financial Assets

Upstart-powered loans originated by bank partners are either retained by the bank partners, purchased by the Company for immediate resale to institutional investors under loan sale agreements, or purchased and held by the Company. Loans retained and held on the Company's consolidated balance sheets are classified as held-for-investment and loans purchased for immediate resale to third-party investors are classified as held-for-sale. Immediate loan resales to institutional investors are accounted for as transfers of financial assets when the Company surrenders control of these loan assets. These sales typically occur shortly after the origination of the loans by the bank partner and the Company's subsequent acquisition of the loans from the originating bank partner. Loans sold to institutional investors are derecognized from the Company's consolidated balance sheets at the time of sale in accordance with Topic 860, *Transfers and Servicing*. The Company records an asset or a liability at fair value for its estimated post-sale servicing obligations. The Company also records liabilities at fair value for contingent obligations to repurchase loans that do not conform to the representations and warranties made to the loan purchaser at the time of sale. The net liability is included in other liabilities on the Company's consolidated balance sheets.

The Company retains certain loans purchased from originating bank partners upon completion of the required holding period primarily for product development purposes. Refer to "Note 4. Fair Value Measurement" for further details.

Loan Servicing Assets and Liabilities

Loan servicing assets and liabilities are recognized at fair value when the Company transfers loans, which qualify as sales under Topic 860 with servicing rights retained or when the Company enters into servicing agreements with bank partners who retain Upstart-powered loans. A loan servicing asset or liability exists depending on whether the revenue from servicing is expected to more than adequately compensate the Company for carrying out its servicing obligations.

Loan servicing assets and liabilities are recorded in other assets and other liabilities, respectively, in the consolidated balance sheets, with changes in fair value recorded in servicing revenue, net, which is part of revenue from fees, net in the consolidated statements of operations and comprehensive loss in the periods presented. Refer to "Note 2. Revenue" for further details.

Property, Equipment, and Software, Net

Property, equipment, and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets, which are generally three years for internally developed software, computer equipment, and furniture and fixtures. Leasehold improvements are depreciated over the shorter of the remaining lease term or the estimated useful life.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Internally developed software is capitalized upon completion of the preliminary project stage, when it becomes probable that the project will be completed, and the software will be used as intended. Capitalized costs primarily consist of salaries and payroll related costs for employees directly involved in development efforts. Costs related to the preliminary project stage and activities occurring after the implementation of the software are expensed as incurred. Costs incurred for software upgrades are capitalized if they result in additional functionalities or substantial enhancements.

The Company evaluates its long-lived assets for potential impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When such an event occurs, the Company determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset group's carrying value. If an asset group is considered impaired, it is written down to its fair value, which is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairments of long-lived assets as of December 31, 2018 and 2019.

Leases

As of January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Periods subsequent to the adoption date are presented and disclosed in accordance with Topic 842, *Leases*, while comparative periods continue to be presented and disclosed in accordance with legacy guidance in Topic 840, *Leases*.

The Company determines if an arrangement is or contains a lease at inception. Operating leases are recorded on the consolidated balance sheet with right-of-use assets representing the right to use the underlying asset and lease liabilities representing the obligation to make lease payments. Right-of-use assets ("ROU") and lease liabilities are recognized at lease commencement primarily based on the present value of lease payments over the lease term, and as necessary, at modification. The operating lease ROU assets also include any initial direct costs, lease payments made prior to lease commencement, and lease incentives received. Variable lease payments are expensed as incurred and are not included within the ROU asset and lease liability calculation. Variable lease payments primarily include reimbursements of costs incurred by lessors for common area maintenance and utilities. The Company's lease terms are the noncancelable period including any rent-free periods provided by the lessor and may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. At lease inception, and in subsequent periods as necessary, the Company estimates the lease term based on its assessment of extension and termination options that are reasonably certain to be exercised. Lease costs for lease payments are recognized on a straight-line basis over the lease term. As the rate implicit on the Company's leases is not readily determinable, the Company uses its secured incremental borrowing rate to determine the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term and in a similar economic environment. As of December 31, 2019, the Company did not have any finance leases.

The Company has elected not to separate lease and non-lease components for any leases within its existing classes of assets and, as a result, accounts for any lease and non-lease components as a single lease component. The Company does not have any material leases with a term of 12 months or less.

Upstart Holdings, Inc.

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Common Stock Warrant Liabilities

The Company issued common stock warrants in connection with loan agreements executed during the year ended December 31, 2018. These common stock warrants are exercisable at any time and have a repurchase option in the event of a qualified sale of the Company. Upon a qualified sale of the Company, the common stock warrant holder has the option to require the Company to repurchase the warrant in its entirety for a predetermined price based on the time that has elapsed between the issuance of the warrant and the date of acquisition. The warrants are contingently subject to repurchase at the option of the holder and are therefore, classified as liabilities and reported in other liabilities on the consolidated balance sheet at their estimated fair value. The warrants are subject to re-measurement at each balance sheet date and the change in fair value, if any, is recognized as expense on warrants and convertible notes, net in the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the repurchase, exercise or expiration of the warrants.

Convertible Preferred Stock Warrant Liabilities

The Company issued convertible preferred stock warrants to institutional investors that are exercisable at any time. Such warrants are recorded within other liabilities on the consolidated balance sheets at their estimated fair value because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances such as a deemed liquidation event. The fair value of the convertible preferred stock warrant liabilities is estimated using the Black-Scholes option-pricing model and the change in fair value, if any, is included in expense on warrants and convertible notes, net in the consolidated statements of operations and comprehensive loss. The Company will continue to remeasure these warrants until the earlier of the (i) expiration; (ii) exercise; or (iii) the consummation of an IPO, at which time all convertible preferred stock warrants will be net exercised into common stock. Upon exercise, the related convertible preferred stock warrant liability will be reclassified to additional paid-in capital.

Revenue Recognition

The Company's revenue consists of two components: revenue from fees, net and interest income and fair value adjustments, net. The revenue from fees, net line item on the consolidated statements of operations is primarily comprised of platform and referral fees, net, which are recognized based on ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company adopted Topic 606 as of January 1, 2019, using the modified retrospective method for all contracts that were not complete as of the date of adoption. The adoption of Topic 606 did not have a material impact on the Company's consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows as of the adoption date.

Topic 606 outlines a single comprehensive model in accounting for revenue arising from contracts with customers. The core principle, involving a five-step process, of the revenue model is that an entity recognizes 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. Refer to "Note 2. Revenue" for further details.

Operating Expenses

Sales and marketing

Sales and marketing expenses primarily consist of costs incurred across various advertising channels, including expenses for partnerships with third-parties providing borrower referrals, direct mail

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and digital advertising campaigns, as well as other expenses associated with building overall brand awareness and experiential marketing costs. Sales and marketing expenses also include payroll and other personnel-related costs, including stock-based compensation expense, for related teams. These costs are recognized in the period incurred.

Customer operations

Customer operations expenses include payroll and other personnel-related expenses, including stock-based compensation expense, for personnel engaged in onboarding, loan servicing, customer support and other related operational teams. These costs also include costs of third-party collection agencies and other systems and tools the Company uses as part of information verification, fraud detection, and payment processing activities. These costs are recognized in the period incurred.

Engineering and product development

Engineering and product development expenses primarily consist of payroll and other employee-related expenses, including stock-based compensation expenses, for the engineering and product development teams as well the costs of systems and tools used by these teams. These costs are recognized in the period incurred.

General, administrative, and other

General, administrative, and other expenses consist primarily of payroll and other employee-related expenses, including stock-based compensation expense for legal and compliance, finance and accounting, human resources and facilities teams, as well as depreciation and amortization of property, equipment and software, professional services fees, facilities and travel expenses. These costs are recognized in the period incurred.

Stock-Based Compensation

The Company issues stock options to employees and nonemployees, including directors and third-party service providers, which are initially measured at fair value at the date of grant using the Black-Scholes option-pricing model. Expenses associated with the stock options are recognized based on their respective grant-date fair values. Forfeitures of stock options are estimated at the time of grant and revised, as necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense is recorded net of estimated forfeitures, such that the expense is recorded only for those stock options that are expected to vest.

Other Income

Other income primarily consists of dividend income earned by the Company on its unrestricted cash balance. It is recognized in the period earned. In 2017 and 2018, other income also included amounts recognized by the Company in relation to a sublease agreement for an office space, which expired in 2018.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the

Upstart Holdings, Inc.

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consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance may be established to reduce the deferred tax asset to the level at which it is “more likely than not” that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carryforwards depends on having sufficient taxable income of an appropriate character within the carryback or carryforward periods.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon review by the taxing authority. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Net Loss Per Share Attributable to Common Stockholders of Upstart Holdings, Inc. Stockholders

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method determines net loss per common share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company’s convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in the Company’s losses.

Diluted net loss per share is the amount of net loss available to each share of common stock outstanding during the reporting period, adjusted to include the effect of potentially dilutive common shares. For periods in which the Company reports net losses, basic and diluted net loss per share attributable to Upstart Holdings, Inc.’s common stockholders are the same because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. Potentially dilutive common shares include incremental shares issued for convertible preferred stock, stock options, warrants to purchase convertible preferred stock and warrants to purchase common stock.

Unaudited Pro Forma Net Loss per Share Attributable to Common Stockholders of Upstart Holdings, Inc.

In contemplation of the IPO, the Company has presented the unaudited pro forma basic and diluted net loss per share attributable to Upstart Holdings, Inc. common stockholders, which has been computed to give effect to the conversion of the convertible preferred stock, and the automatic net exercise of convertible preferred stock warrants into shares of common stock. In addition, the numerator in the pro forma basic and diluted net loss per common share calculation has been adjusted to remove gains or losses resulting from the remeasurement of the convertible preferred stock warrant liability as the related convertible preferred stock warrant liability will be reclassified to additional paid-in

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capital upon the completion of an IPO. The unaudited pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders does not include the shares to be sold in the IPO.

Comprehensive Loss

Comprehensive loss represents all changes in equity of the Company during the periods presented, resulting from transactions with non-owner sources. The Company's comprehensive loss was equal to its net loss for the years ended December 31, 2017, 2018 and 2019.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, restricted cash, and loans. The Company's cash and restricted cash are held in financial institutions in the United States. From time to time, amounts on deposit may exceed federally insured limits. The Company is exposed to credit risk in the event of default by these financial institutions to the extent the amount recorded on the Company's consolidated balance sheets exceeds the insured amounts by the Federal Deposit Insurance Corporation ("FDIC"). The Company reduces credit risk by placing its cash in high-credit-quality financial instruments that are managed by reputable institutions. The Company is further exposed to credit risks on loans held on our consolidated balance sheets from changes in economic conditions that may cause individual borrower default due to inability or unwillingness to meet their financial obligations. The Company manages credit risk on loans by leveraging its AI models to effectively evaluate a borrower's credit worthiness and likelihood of default.

Significant customers are those which represent 10% or more of the Company's total revenue for each respective period presented. For the years ended December 31, 2017, 2018 and 2019, the Company had one customer that comprised 83%, 81%, and 80% of total revenue, respectively. The Company did not have a significant concentration of credit risk in its accounts receivable balance as of December 31, 2018 and December 31, 2019.

Segments

The Company has one reportable segment. The Company's chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

The JOBS Act does not preclude an emerging growth company from early adopting new or revised accounting standards. The Company early adopted ASU 2016-02, *Leases (Topic 842)*,

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effective January 1, 2019. The Company expects to use the extended transition period for any other new or revised accounting standards during the period which the Company remains an emerging growth company.

Recently Adopted Accounting Pronouncements

The Company adopted the following accounting standards during the year ended December 31, 2019:

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: Under the standard, revenue from contracts with customers is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The Financial Accounting Standards Board ("FASB") subsequently issued several amendments, including ASU 2016-08 - *Principal versus Agent Considerations*, ASU 2016-10 - *Identifying Performance Obligations and Licensing*, and ASU 2016-12 - *Narrow-Scope Improvements and Practical Expedients*. These amendments all have the same effective date and transition requirements as Topic 606. Income that was historically recognized under Topic 860, *Transfers and Servicing* and Topic 310, *Receivables* is excluded from the scope of the standard; as such, the Company has concluded that its accounting for interest income and fair value adjustments, net and income from servicing fees will not change under the standard.

The Company adopted Topic 606 on January 1, 2019 using the modified retrospective method for all contracts that were not complete as of the date of adoption. The Company did not have modifications of contracts that were not complete as of the effective date. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The adoption of Topic 606 did not change (1) the timing and pattern of revenue recognition for revenue streams in the scope of Topic 606, which includes platform and referral fees, net within revenue from fees, net, or (2) the presentation of revenue as gross versus net. The Company did not have any material balances of contract assets, contract liabilities, and deferred contract costs prior to or after the adoption of Topic 606. Therefore, the adoption of Topic 606 did not have a material impact on the Company's consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows as of the adoption date or for the year ended December 31, 2019. The Company has included the disclosures required by Topic 606 in "Note 2. Revenue."

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*: This standard, which amends the accounting for equity investments, changes disclosure requirements related to instruments at amortized cost and fair value, and clarifies how entities should evaluate deferred tax assets for securities classified as available for sale. The guidance also requires an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability under the fair value option. The Company adopted ASU 2016-01 on January 1, 2019. The adoption did not impact the Company's consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows. The Company has included the disclosures required by ASU 2016-01 in "Note 4. Fair Value Measurement."

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Notes to Consolidated Financial Statements

ASU 2016-02, *Leases (Topic 842)*: This standard requires lessees to record on their balance sheets a lease liability for the obligation to make lease payments and a right-of-use (“ROU”) asset for the right to use the underlying asset for the lease term. The Company adopted Topic 842 as of January 1, 2019 and has elected not to restate comparative periods presented in the consolidated financial statements. The new standard allows for several transition-related practical expedients. The Company elected the package of practical expedients permitted, which among other things, permits entities to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and, (iii) initial direct costs for any existing leases. At the time of adoption, all leases within the Company’s portfolio are classified as operating leases.

Adoption of Topic 842 had an impact on the Company’s consolidated balance sheets but did not have an impact on the Company’s consolidated statements of operations and comprehensive loss or consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities of \$1.0 million and \$1.0 million as of January 1, 2019, respectively, with no cumulative effect in retained earnings. The operating lease expenses are included in general and administrative expense in the Company’s consolidated statements of operations and comprehensive loss. The Company included the disclosures required by ASU 2016-02 in “*Note 12. Leases.*”

ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. The Company prospectively adopted ASU 2017-09 on January 1, 2019. The effect of the adoption on the consolidated financial statements was not material.

ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The Company adopted ASU 2018-07 as of January 1, 2019. The effect of the adoption on the consolidated financial statements was not material.

Recently Issued Accounting Pronouncements

In June 2016, the FASB amended guidance related to impairment of financial instruments as part of ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which will be effective January 1, 2020 for public business entities that meet the definition of an SEC filer. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. The Company accounts for its loans at fair value through net income, which is outside the scope of Topic 326. For available for sale debt securities, the guidance will require recognition of expected credit losses by recognizing an allowance for credit losses when the fair value of the security is below amortized cost and the recognition of this allowance is limited to the difference between the security’s amortized cost basis and fair value. The Company is evaluating the impact this ASU will have on its consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows.

In August 2018, the FASB issued ASU 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 by removing, modifying, or adding certain disclosures. The ASU eliminates such disclosures as the amount of and reasons for transfers between

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

Level 1 and Level 2 of the fair value hierarchy and valuation processes for Level 3 fair value measurements. The ASU adds new disclosure requirements for Level 3 measurements. The new guidance is effective January 1, 2020 for all entities and permits early adoption of either the entire standard or only the provisions that eliminate or modify the requirements. The Company is evaluating the impact this ASU will have on its disclosures.

In August 2018, the FASB issued ASU 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*, which requires a customer in a hosting arrangement that is a service contract to follow the internal-use software guidance in Topic 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The standard is effective January 1, 2020 for public business entities, with early adoption permitted. The amendments in this ASU can be applied either retrospectively or prospectively to all implementation costs after the date of adoption. The Company is evaluating the impact this ASU will have on its consolidated financial statements.

2. Revenue**Revenue from fees, net**

The Company disaggregates revenue from fees by type of service for the periods presented as follows (in thousands):

	Years ended December 31,		
	2017	2018	2019
Revenue from fees, net:			
Platform and referral fees, net	\$ 48,067	\$ 83,381	\$ 144,055
Servicing fees, net	3,094	5,101	15,792
Total revenue from fees, net	<u>\$ 51,161</u>	<u>\$ 88,482</u>	<u>\$ 159,847</u>

Platform and referral fees, net

The Company enters into contracts with bank partners to provide access to a cloud-based artificial intelligence lending platform developed by the Company (the “Upstart platform”) to enable banks to originate personal unsecured loans. The Upstart platform includes a cloud-based application (through Upstart.com or a white-label program) for submitting loan applications, verifying information provided within submitted applications, risk underwriting (through a series of proprietary technology solutions), delivery of electronic loan offers, and if the offer is accepted by the borrower, an electronic loan documentation signed by the borrower. Bank partners can specify certain parameters of loans they are willing to originate. Under these contracts, bank partners can choose to use Upstart’s referral services, which allow them to access new borrowers using Upstart’s marketing channels. The Company’s contracts with bank partners are noncancelable and generally have 12-month terms that automatically renew.

After origination, Upstart-powered loans are either retained by bank partners, purchased by the Company for immediate resale to institutional investors under loan sale agreements, or purchased and held by the Company. The Company pays fees on the loans that it buys to compensate the bank partners for originating the loans. These fees are included as a reduction to platform and referral fees,

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net, which is part of revenue from fees, net, in the consolidated statements of operations and comprehensive loss for the periods presented.

The Company's arrangements for platform and referral services typically consist of an obligation to provide one or both of these services to customers, which are our bank partners, on a when and if needed basis (a stand-ready obligation), and revenue is recognized as such services are performed. Additionally, the services have the same pattern and period of transfer, and when provided individually or together, are accounted for as a single combined performance obligation representing a series of distinct days of service.

Platform and referral services are typically provided under a fixed or declining (tier-based) price per unit based on volume or as a percentage of the total value of loans originated each period; however, pricing for these services may also be based on minimum monthly usage fees. The tier-based pricing, when offered, resets on a monthly basis and does not accumulate. Given that the nature of the Company's promise is to stand ready and provide continuous access to and process transactions through the platform, tier-based pricing based on usage represents variable consideration. Since the variable fees relate directly to the day in which such services are provided, they generally meet the criteria for allocating variable consideration entirely to one or more, but not all, performance obligations in a contract. Accordingly, when the requisite criteria are met, variable fees are allocated to and recognized on the day the services are provided. Fees for platform and referrals services are typically billed and paid on a monthly basis. As such, the Company's contracts with customers do not include a significant financing component.

The Company did not recognize revenue from performance obligations satisfied in prior periods for the year ended December 31, 2019. The Company had no material contract assets, contract liabilities, or deferred contract costs recorded as of December 31, 2019. The Company had \$1.6 million and \$5.4 million of accounts receivable in other assets on the consolidated balance sheets related to contracts with customers for the years ended December 31, 2018 and 2019, respectively. The Company's allowance for bad debt was immaterial as of December 31, 2018 and 2019, and the Company's bad debt expense was immaterial for the periods presented.

Servicing fees, net

The Company also enters into contracts with bank partners and institutional investors to provide loan servicing for the life of Upstart-powered loans. These services commence upon origination of these loans by bank partners and include collection, processing and reconciliations of payments received, investor reporting and borrower customer support as well as distribution of funds to the holders of the loans. The Company charges the loan holder a monthly servicing fee calculated based on a predetermined percentage of the outstanding principal balance. Servicing fees also include certain ancillary fees charged to borrowers on a per transaction basis for processing late payments and payments declined due to insufficient funds. Servicing fees are recognized in the period the services are provided. Loan servicing fees are not under the scope of Topic 606 and are accounted for under Topic 860, *Transfers and servicing of financial assets*.

Servicing fees, net also include gains and losses on assets and liabilities recognized under loan servicing arrangements for loans retained by bank partners or loans sold to institutional investors. Such gains or losses are recognized based on whether the benefits of servicing are expected to more than adequately compensate the Company for carrying out its servicing obligations. The Company

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

recognized net losses related to loan servicing rights upon sale of \$1.5 million, \$1.9 million and \$0.9 million for the years ended December 31, 2017, 2018 and 2019, respectively. Servicing fees also include changes in fair value of loan servicing assets and liabilities in the periods presented.

The Company outsources borrower payment collections for loans in default to third-party collection agencies. The Company charges bank partners and institutional investors for collection agency fees related to their outstanding loan portfolio. The Company has discretion in hiring the collection agencies and determining the scope of their work. As the principal in the arrangement, the Company recognizes gross revenue from collection agency fees in the period that the services are provided. Revenue from collection agency fees are included in servicing fees, net as part of revenue from fees, net in the Company's consolidated statements of operations and comprehensive loss. The total fees charged by collection agencies are also recognized in the period incurred and reported as part of customer operations expenses. The Company recognized \$0.5 million, \$0.9 million, and \$2.1 million for collection agency fees, which are included in servicing fees, net, for the years ended December 31, 2017, 2018, and 2019, respectively.

Interest Income and Fair Value Adjustments, Net

Interest income and fair value adjustments, net is comprised of interest income, interest expense and net changes in the fair value of financial instruments, held in the Company's normal course of business at fair value, including loans, notes receivable and residual certificates, payable to securitization note holders and residual certificate holders, and notes payable.

The table below presents components of the interest income and fair value adjustments, net presented in the Company's consolidated statements of operations and comprehensive loss (in thousands):

	Years ended December 31,		
	2017	2018	2019
Interest income and fair value adjustments, net:			
Interest income	\$21,134	\$ 76,683	\$ 63,313
Interest expense	(9,420)	(26,483)	(26,485)
Fair value and other adjustments, net	(5,586)	(39,369)	(32,486)
Total interest income and fair value adjustments, net	<u>\$ 6,128</u>	<u>\$ 10,831</u>	<u>\$ 4,342</u>

Interest income

Interest income is recognized based on the terms of the underlying agreements with borrowers for loans held on the Company's consolidated balance sheets and is earned over the life of a loan.

Interest income also includes accrued interest earned on outstanding loans but not collected. Loans that have reached a delinquency of over 120 days are classified as non-accrual status and any accrued interest recorded in relation to these loans is reversed in the respective period. As of December 31, 2018 and 2019, the Company has recorded \$1.2 million of accrued interest income in loans (at fair value) on the consolidated balance sheets.

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Interest expense

Interest expense is primarily related to interest recorded on the notes issued as part of the consolidated securitizations and on the Company's borrowings. Interest expense includes accrued interest incurred but not paid. Accrued interest expenses were immaterial as of December 31, 2018 and 2019.

Fair value and other adjustments, net

Fair value and other adjustments, net include changes in fair value of financial instruments, other than loan servicing assets and liabilities, common stock warrant liabilities, and convertible preferred stock warrant liabilities. These adjustments are recorded in the Company's earnings and include both realized and unrealized changes to the value of related assets and liabilities. Refer to "Note 4. Fair Value Measurement" for additional information.

Fair value and other adjustments, net also include interest income attributable to third-party residual certificate holders for the consolidated securitization and amounts received from borrowers for previously charged-off loans held on the Company's consolidated balance sheets. These amounts are recognized in the period received.

3. Securitizations and Variable Interest Entities

Consolidated VIEs

The Company consolidates VIEs in which the Company has a variable interest and is determined to be the primary beneficiary. This determination is based on whether the Company controls the activities that most significantly impact the VIE's economic performance and whether the Company has an obligation to absorb losses or receive benefits that could be potentially significant to the VIE. See "Note 1. Description of Business and Significant Accounting Policies" for additional information.

Warehouse Entities

The Company established Upstart Loan Trust and Upstart Warehouse Trust to enter into warehouse credit facilities for the purpose of purchasing Upstart-powered loans. See "Note 7. Borrowings" for additional information. These entities are Delaware statutory trusts that are structured to be bankruptcy-remote, with third-party banks operating as trustees.

Consolidated Securitizations

The Company entered into three private offering securitization transactions in June 2017 ("2017-1"), November 2017 ("2017-2"), and April 2018 ("2018-1"), respectively. As the sponsor of these securitization transactions, the Company created several legal entities for the roles of depositors, issuers, and grantor trusts and majority-owned affiliates ("MOAs") for each securitization transaction. Under the Regulation RR, jointly promulgated by multiple United States federal agencies ("RR"), the Company is required to retain at least 5% of the economic risk in the securitization transactions in which the Company is the retaining sponsor. The Company elected to satisfy the RR requirements by holding Eligible Horizontal Retained Interests ("EHRIs") in the form of subordinated certificates within the established MOAs.

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Notes to Consolidated Financial Statements

Concurrently with the closing of the 2017-1, 2017-2, and 2018-1 securitization transactions, while maintaining its status as the primary beneficiary of the related MOAs, the Company sold 80% of its interests in these MOAs to an institutional investor in exchange for cash of approximately \$8.0 million, \$7.8 million, and \$8.0 million, respectively, based on the fair value of the residual certificates held in the MOAs as determined on the pricing dates. As a result of the sales, the Company maintained a 20% interest in the MOAs and its status as the managing member, while the investor became a non-voting limited member of these MOAs.

Upon closing of these securitization transactions, the Company determined that the servicing fees represented a variable interest in these securitization entities due to the EHRIs held by the Company's MOAs to satisfy the RR requirements. The EHRIs held by these MOAs were deemed to potentially absorb more than an insignificant amount of the VIEs' expected losses or expected returns at the inception of the securitization transactions. The Company also determined that it was the primary beneficiary of these entities and consolidated the MOAs and trusts associated with the 2017-1, 2017-2, and 2018-1 securitization transactions.

In December 2019, due to the expiration of the RR requirements, the residual certificates held by the 2017-1 and 2017-2 MOAs were distributed based on the proportional equity held by Upstart and the investor. This distribution was considered a reconsideration event and triggered the reassessment of the consolidation of the legal entities associated with the 2017-1 and 2017-2 securitization transactions. While the Company maintains variable interests in the 2017-1 and 2017-2 securitization transactions through the EHRIs, it no longer is expected to absorb more than an insignificant amount of the VIE's expected losses or expected returns via the EHRIs. Therefore, the Company concluded that the fees for servicing the securitization transactions are not considered variable interests. As a result, the Company concluded it was not the primary beneficiary of the 2017-1 and 2017-2 securitization transactions and deconsolidated the legal entities associated with the 2017-1 and 2017-2 securitization transactions as of December 31, 2019. The Company recorded an immaterial net gain on the deconsolidation of these entities. The Company maintained its role as servicer of these securitization transactions.

The Company sponsored three additional securitization transactions in August 2018 ("2018-2"), February 2019 ("2019-1") and August 2019 ("2019-2"), respectively. As the retaining sponsor of these transactions, the Company was subject to the RR requirements and satisfied them through Eligible Vertical Interests ("EVIs") in the form of a combination of securitization notes and residual certificates through the established MOAs. The Company concluded that it has a variable interest and is the primary beneficiary of the MOAs associated with these securitization transactions. As a result, the Company consolidated these MOAs as of December 31, 2018 and 2019. The Company determined that it is not the primary beneficiary of the trusts which hold the loans associated with these securitization transactions and that the transfer of loans as collateral into these securitization transactions met the definition of a sale under Topic 860, *Transferring and Servicing*. As such, the Company derecognized these loans from the consolidated balance sheets upon the closing of these securitization transactions. Refer to the *Unconsolidated Securitizations* section below for more information.

Other Consolidated VIEs

Upstart Loan Trust 2, a Delaware statutory trust, holds personal loans facilitated through the Upstart platform that do not meet the criteria for inclusion in the warehouse credit facilities, or that were

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

the result of the Company's repurchases of loans for breaches of representations and warranties made to institutional investors, as described above.

Upstart Network Trust ("UNT"), also a Delaware statutory trust, was established in 2014 to facilitate Upstart's fractional loan program. Under the program, the investors purchased securities issued by UNT that represented a portion of expected cash flows from repayments of the loans acquired by UNT which were funded by proceeds from securities issued to the investors. The program was formally discontinued in 2019, which was considered a reconsideration event and triggered the reassessment of the consolidation of the entity. While the Company still maintained a variable interest in UNT through investments in securities issued by UNT, it no longer is expected to absorb more than an insignificant amount of UNT's expected losses or expected returns. As a result, the Company deconsolidated UNT during 2019. An immaterial loss related to servicing rights was recognized on deconsolidation. The fair value of the Company's investment in UNT is included in notes receivable and residual certificates in the consolidated balance sheet as of December 31, 2019.

The following table presents a summary of financial assets and liabilities from the Company's involvement with consolidated VIEs (in thousands):

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>
December 31, 2018			
Warehouse Entities	\$ 78,418	\$ 47,506	\$ 30,912
Securitizations	399,892	379,776	20,116
Other Consolidated VIEs	67,019	58,933	8,086
Total Consolidated VIEs	<u>\$545,329</u>	<u>\$486,215</u>	<u>\$ 59,114</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>
December 31, 2019			
Warehouse Entities	\$131,903	\$ 80,206	\$ 51,697
Securitizations	128,838	113,053	15,785
Other Consolidated VIEs	14,926	48	14,878
Total Consolidated VIEs	<u>\$275,667</u>	<u>\$193,307</u>	<u>\$ 82,360</u>

The Company's continued involvement in all of its securitizations in which it is the sponsor and its involvement in UNT includes loan servicing rights and obligations for which it receives servicing fees over the life of the underlying loans. The Company monitors its status as the primary beneficiary and in case of reconsideration events, updates the analysis accordingly.

Unconsolidated VIEs

The Company's transactions with unconsolidated VIEs include securitizations of unsecured personal whole loans and sales of whole loans to VIEs. The Company has various forms of involvement with VIEs, including servicing of loans and holding senior or residual interests in the VIEs.

Unconsolidated Securitizations

As of December 31, 2019, the Company's unconsolidated VIEs include entities established as the issuers and grantor trusts for the 2017-1, 2017-2, 2018-2, 2019-1, and 2019-2 securitization

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

transactions (the “Unconsolidated Securitizations”). The Company’s continued involvement in the unconsolidated VIEs is in the form of its role as the sponsor and the servicer of these transactions. For each of the unconsolidated securitizations, the Company determined that it is not the primary beneficiary.

Where the VIEs are not consolidated and the transfer of the loans from the Company to the securitization trust meets sale accounting criteria, the Company recognizes a gain or loss on sales of loans. The net proceeds of the sale represent the fair value of any assets obtained or liabilities incurred as part of the transaction. The assets are transferred into a trust such that the assets are legally isolated from the creditors of the Company and are not available to satisfy obligations of the Company. These assets can only be used to settle obligations of the underlying securitization trusts.

Upstart Network Trust

The Company’s unconsolidated VIEs include UNT, which was deconsolidated during the year ended December 31, 2019 upon discontinuation of the fractional loan program.

The following tables summarize the aggregate carrying value of assets and liabilities of unconsolidated VIEs in which the Company holds a variable interest but is not the primary beneficiary (in thousands):

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Maximum Exposure to Losses</u>
December 31, 2018				
Securitizations	\$ 189,518	\$ 170,330	\$ 19,188	\$ 9,383
Total Unconsolidated VIEs	<u>\$ 189,518</u>	<u>\$ 170,330</u>	<u>\$ 19,188</u>	<u>\$ 9,383</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Maximum Exposure to Losses</u>
December 31, 2019				
Securitizations	\$ 778,628	\$ 640,592	\$ 138,036	\$ 34,828
Upstart Network Trust	77,207	77,207	—	3,303
Total Unconsolidated VIEs	<u>\$ 855,835</u>	<u>\$ 717,799</u>	<u>\$ 138,036</u>	<u>\$ 38,131</u>

The carrying value of assets included in the Company’s consolidated balance sheets that relate to its variable interests in the unconsolidated VIEs consists of \$8.3 million and \$30.3 million included in notes receivable and residual certificates on the Company’s consolidated balance sheets as of December 31, 2018 and 2019, respectively. It also includes \$1.1 million and \$4.6 million of cash deposits made to reserve accounts for related securitizations, included in other assets on the Company’s consolidated balance sheets as of December 31, 2018 and 2019, respectively. The net assets of UNT were included in the Company’s consolidated balance sheet as of December 31, 2018.

The Company’s maximum exposure to loss from its involvement with unconsolidated VIEs represents the estimated loss that would be incurred under severe, hypothetical circumstances, for which the Company believes the possibility is remote, such as where the value of securitization notes and senior and residual certificates the Company holds as part of the RR requirement declines to zero.

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

The following table summarizes activity related to the unconsolidated securitization transactions on the Company's consolidated financial statements (in thousands):

	December 31,	
	2018	2019
Principal derecognized from loans securitized	\$46,115	\$95,342
Net gains recognized from loans securitized included in earnings	733	1,395
Fair value of securitization notes and residual certificates retained in the transaction	8,314	25,649
Cash proceeds from loans securitized	40,202	70,845
Cash proceeds from servicing and other administrative fees on loans securitized	409	2,777
Cash proceeds from interest received on securitization notes and residual certificates	585	3,112

Retained Interest in Unconsolidated VIEs

The investors and the securitization trusts have no direct recourse to the Company's assets, and holders of the securities issued by the securitization trusts can look only to the assets of the securitization trusts that issued their securities for payment. The beneficial interests held by the Company and the Company's MOAs are subject principally to the credit and prepayment risk stemming from the underlying unsecured personal whole loans.

Off-Balance Sheet Loans

Off-balance sheet loans relate to securitization transactions for which the Company has some form of continuing involvement, including as servicer. For a loan related to securitization transactions where servicing is the only form of continuing involvement, the Company would only experience a loss if it were required to repurchase such a loan due to a breach in representations and warranties associated with its loan sale or servicing contracts. Additionally, in the unlikely event principal payments on the loans backing a securitization are insufficient to pay senior note holders, any amounts the Company contributed to the securitization reserve accounts may be depleted.

In December 2019, the Company co-sponsored a securitization transaction ("2019-3") with an investment bank. The Company was not required to retain economic risk in the 2019-3 securitization transaction as the co-sponsor investment bank acted as the retaining sponsor. Similar to 2018-2, 2019-1, and 2019-2, the Company contributed certain loans to this securitization as collateral and recognized this transfer under Topic 860, *Transferring and Servicing*. The Company is also the servicer of the 2019-3 securitization transaction.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

4. Fair Value Measurement

The following table presents assets and liabilities measured at fair value (in thousands):

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Assets				
Loans	\$ —	\$ —	\$ 502,666	\$ 502,666
Notes receivable and residual certificates	—	—	8,314	8,314
Other assets	—	—	1,410	1,410
Total assets	\$ —	\$ —	\$ 512,390	\$ 512,390
Liabilities				
Notes payable	\$ —	\$ —	\$ 53,174	\$ 53,174
Other liabilities	—	—	1,375	1,375
Loan servicing liabilities	—	—	1,685	1,685
Payable to securitization notes and residual certificate holders	—	—	353,292	353,292
Convertible preferred stock warrant liabilities	—	—	7,579	7,579
Common stock warrant liabilities	—	—	447	447
Total liabilities	\$ —	\$ —	\$ 417,552	\$ 417,552

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Assets				
Loans	\$ —	\$ —	\$ 232,305	\$ 232,305
Notes receivable and residual certificates	—	—	34,116	34,116
Loan servicing assets	—	—	4,725	4,725
Total assets	\$ —	\$ —	\$ 271,146	\$ 271,146
Liabilities				
Other liabilities	—	—	504	504
Loan servicing liabilities	—	—	5,140	5,140
Payable to securitization notes and residual certificate holders	—	—	89,672	89,672
Convertible preferred stock warrant liabilities	—	—	5,666	5,666
Common stock warrant liabilities	—	—	1,136	1,136
Total liabilities	\$ —	\$ —	\$ 102,118	\$ 102,118

Financial instruments are categorized in the fair value hierarchy based on the significance of unobservable factors in the overall fair value measurement. Since the Company's loans, notes receivable and residual certificates, notes payable, loan servicing assets and liabilities, payable to securitization note holders and residual certificate holders, other assets and liabilities, convertible preferred stock warrants, and common stock warrants, do not trade in an active market with readily observable prices, the Company uses significant unobservable inputs to measure the fair value of these assets and liabilities.

The Company has elected the fair value option for loans, notes receivable and residual certificates, notes payable, and payable to securitization note holders and residual certificate holders.

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

The election allows for assets and related liabilities to be measured similarly. Changes in the fair value of the loans are partially offset by corresponding changes in the fair value of notes payable, and payable to securitization note holders and residual certificate holders. The net fair value adjustments are presented as interest income and fair value adjustments, net in the consolidated statements of operations and comprehensive loss.

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the periods presented.

Loans

Loans included in the Company's consolidated balance sheets are classified as held-for-investment. The loans held-for-investment include those loans which are contributed as collateral and held in the consolidated securitizations.

The following table presents the fair value of classes of loans held by the Company (in thousands):

	December 31	
	2018	2019
Loans held-for-investment	\$ 134,650	\$ 141,555
Loans held-for-investment in consolidated securitizations	368,016	90,750
Total	<u>\$ 502,666</u>	<u>\$ 232,305</u>

Valuation Methodology

Loans held-for-investment, excluding those in consolidated securitizations, are measured at estimated fair value using a discounted cash flow model. The fair valuation methodology considers projected prepayments and historical defaults, losses and recoveries on the Company's loans to project future losses and net cash flows on loans. Net cash flows on loans are discounted using an estimate of market rates of return. The fair value of these loans also includes accrued interest, which was immaterial as of December 31, 2018 and 2019.

For the years ended December 31, 2018 and 2019, the Company elected the measurement alternative under Topic 810, *Consolidation*, and maximizes the use of observable inputs to estimate the fair value of the financial assets and liabilities of consolidated securitization entities. Under the measurement alternative, the Company measures the financial assets, which consist of held-for-investment loans in the consolidated balance sheets, and financial liabilities, which consist of securitization notes and residual certificates issued to institutional investors, included in payable to securitization note holders and residual certificate holders in the consolidated balance sheets, using the more observable of the fair value of the financial assets and liabilities. The Company determined the fair value of the securitization notes and residual certificates is more observable than that of the held-for-investment loans. The securitization notes and residual certificates are measured at fair value, and the held-for-investment loans are measured based on the sum of the fair value of the securitization notes and residual certificates, with changes in fair value included in the consolidated statements of operations and comprehensive loss.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for loans held-for-investment:

	December 31, 2018			December 31, 2019		
	Minimum	Maximum	Weighted-Average(2)	Minimum	Maximum	Weighted-Average(2)
Discount rate	5.52%	14.58%	5.78%	4.72%	14.57%	4.98%
Credit risk rate(1)	0.05%	43.21%	18.17%	0.31%	52.29%	17.19%
Prepayment rate(1)	22.16%	33.37%	25.53%	11.34%	64.00%	29.49%

(1) Expressed as a percentage of the original principal balance of the loans

(2) Unobservable inputs were weighted by relative fair value

Discount rates—The discount rates are rates of return used to discount future expected cash flows to arrive at a present value, which represents the fair value. The discount rates used for the projected net cash flows are the Company's estimates of the rates of return that market participants would require when investing in these financial instruments with cash flows dependent on credit quality of the related loan. A risk premium component is implicitly included in the discount rates to reflect the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.

Credit risk rates—The credit risk rates are an estimate of the net cumulative principal payments that will not be repaid over the entire life of a financial instrument. The credit risk rates are expressed as a percentage of the original principal amount of the instrument. The estimated net cumulative loss represents the sum of the net losses estimated to occur each month of the life of the instrument, net of the average recovery expected to be received.

Prepayment rates—Prepayment rates are an estimate of the cumulative amount of principal prepayments that will occur over the entire life of a loan as a percentage of the original principal amount of the loan. The assumption regarding cumulative prepayments reduces the projected balances and expected terms of the loans.

The above inputs are similarly used in estimating fair value of related financial instruments. Refer to *Notes Payable and Assets and Liabilities related to Securitization Transactions* sections below for more information.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Significant Recurring Level 3 Fair Value Input Sensitivity

The below table presents the sensitivity of the loans held-for-investment, excluding those in consolidated securitizations, to adverse changes in key assumptions used in the valuation model as of December 31, 2018 and 2019, respectively. The estimated fair value of these loans is not sensitive to adverse changes in expected prepayment rates as such changes would not result in a significant impact on the fair value in either periods.

(amounts in thousands)	December 31,	
	2018	2019
Fair value of loans	\$ 134,650	\$ 141,555
Discount rates		
100 basis point increase	(1,762)	(1,898)
200 basis point increase	(3,488)	(3,755)
Expected credit risk rates on underlying loans		
10% adverse change	(2,321)	(2,325)
20% adverse change	(4,649)	(4,656)

Rollforward of Level 3 Fair Values

The following tables include a rollforward of the loans classified within Level 3 of the fair value hierarchy (in thousands):

	Loans Held- for-Sale	Loans Held-for- Investment	Loans Held-for- Investment (Securitized)	Total
Fair value at December 31, 2017	\$ —	\$ 63,883	\$ 355,619	\$ 419,502
Purchases of loans		169,442	251,681	421,123
Sale of loans		(55,199)	—	(55,199)
Purchase of loans for immediate resale to investors	1,115,049	—	—	1,115,049
Immediate resale to investors	(1,115,049)	—	—	(1,115,049)
Repayments received		(38,332)	(199,325)	(237,657)
Changes in fair value recorded in earnings		(5,882)	(39,959)	(45,841)
Other changes		738	—	738
Fair value at December 31, 2018	\$ —	\$ 134,650	\$ 368,016	\$ 502,666
Purchases of loans		265,286	—	265,286
Sale of loans		(131,838)	—	(131,838)
Purchase of loans for immediate resale to investors	1,779,180	—	—	1,779,180
Immediate resale to investors	(1,779,180)	—	—	(1,779,180)
Repayments received		(47,950)	(158,921)	(206,871)
Changes in fair value recorded in earnings		(5,821)	(36,238)	(42,059)
Changes due to deconsolidation		(72,757)	(82,107)	(154,864)
Other changes		(15)	—	(15)
Fair value at December 31, 2019	\$ —	\$ 141,555	\$ 90,750	\$ 232,305

Notes Payable

As of December 31, 2018, the notes payable balance of \$53.2 million consisted of amounts owed to investors for their purchases of fractional interests in loans issued by the Company's consolidated VIE, UNT. As of December 31, 2019, the notes payable balance was zero due to the deconsolidation of UNT.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Valuation Methodology

Notes payable is measured at estimated fair value using a discounted cash flow model. The fair valuation methodology considers projected prepayments and historical defaults, losses and recoveries on the Company's loans to project future losses and net cash flows on loans. Net cash flows on loans are discounted using an estimate of market rates of return.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for notes payable held:

	December 31, 2018			December 31, 2019		
	Minimum	Maximum	Weighted-Average(2)	Minimum	Maximum	Weighted-Average(2)
Discount rate	5.52%	14.58%	5.78%	*	*	*
Credit risk rate(1)	0.05%	43.21%	12.19%	*	*	*
Prepayment rate(1)	22.16%	33.37%	25.67%	*	*	*

(1) Expressed as a percentage of the original principal balance of the loans underlying the financial instruments

(2) Unobservable inputs were weighted by relative fair value

* Not applicable as of December 31, 2019

Significant Recurring Level 3 Fair Value Input Sensitivity

The table below presents sensitivity of the notes payable to adverse changes in key assumptions used in the valuation models as of December 31, 2018. The estimated fair value of notes payable is not sensitive to adverse changes in expected prepayment rates as such changes would not result in a significant impact on the fair value.

(amounts in thousands)	December 31, 2018	December 31, 2019
Fair value of notes payable	\$ 53,174	\$ —
Discount rates		
100 basis point increase	(696)	—
200 basis point increase	(1,377)	—
Expected credit risk rates on underlying loans		
10% adverse change	(917)	—
20% adverse change	(1,836)	—

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements***Rollforward of Level 3 Fair Values*

The following table presents a rollforward of the notes payable classified by the Company within Level 3 of the fair value hierarchy (in thousands):

	Notes Payable
Fair value at December 31, 2017	\$ 34,713
Issuance of notes payable	42,537
Repayments and settlements	(21,127)
Changes in fair value recorded in earnings	(3,117)
Other changes	168
Fair value at December 31, 2018	\$ 53,174
Issuance of notes payable	39,863
Repayments and settlements	(22,468)
Changes in fair value recorded in earnings	(736)
Changes due to deconsolidation	(69,419)
Other changes	(414)
Fair value at December 31, 2019	\$ —

Assets and Liabilities related to Securitization Transactions

As of December 31, 2018 and 2019, the Company held notes receivable and residual certificates with an aggregate fair value of \$8.3 million and \$34.1 million, respectively. The balances consist of securitization notes and residual certificates corresponding to the 5% economic risk retention the Company is required to maintain as the retaining sponsor of the unconsolidated securitizations. As of December 31, 2018 and 2019, the Company also had payables to securitization note holders and residual certificate holders with an aggregate fair value of \$353.3 million and \$89.7 million, respectively. The balances represent securitization notes and residual certificates issued and sold to institutional investors in securitization transactions, where the issuing trusts are consolidated in the Company's consolidated financial statements. Accrued interest on these financial instruments is immaterial as of December 31, 2018 and 2019.

Valuation Methodology

The discounted cash flow methodology is used to estimate the fair value of notes receivable and residual certificates and payables to securitization note holders and residual certificate holders (the "securities"), using the same projected net cash flows as their related loans. This model uses inputs that are inherently judgmental and reflect the Company's best estimates of the assumptions a market participant would use to calculate fair value.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements of assets and liabilities related to securitization transactions:

	December 31, 2018			December 31, 2019		
	Minimum	Maximum	Weighted-Average(2)	Minimum	Maximum	Weighted-Average(2)
Notes receivable and residual certificates						
Discount rate	4.19%	14.00%	6.12%	2.91%	14.00%	5.29%
Credit risk rate(1)	0.05%	43.21%	14.83%	0.18%	50.67%	17.08%
Prepayment rate(1)	22.16%	33.37%	25.50%	15.19%	59.83%	27.44%
Payable to securitization note holders and residual certificate holders						
Discount rate	3.60%	14.00%	6.59%	5.03%	14.00%	5.88%
Credit risk rate(1)	0.05%	43.21%	12.91%	0.20%	40.97%	15.17%
Prepayment rate(1)	22.16%	33.37%	26.14%	16.14%	32.47%	25.68%

(1) Expressed as a percentage of the original principal balance of the loans underlying the financial instruments

(2) Unobservable inputs were weighted by relative fair value

Significant Recurring Level 3 Fair Value Input Sensitivity

The securities issued in the securitization transactions are senior or subordinated based on the waterfall criteria of loan payments to each security class, with the residual interest (the "residual certificates") issued being the first to absorb credit losses in accordance with the waterfall criteria. Accordingly, the residual certificates are the most sensitive to adverse changes in credit risk rates. Depending on the specific securitization, a hypothetical increase in the credit risk rate of 10% to 20% would result in significant decreases in the fair value of the residual certificates. On average, a hypothetical increase in the credit risk rate of 20% would result in a 25% decrease in the fair value of the residual certificates. The remaining classes of securities, with the exception of those in 2018-2, are all overcollateralized such that changes in credit risk rates are not expected to have significant impacts on their fair values.

The fair value of the securities is also sensitive to adverse changes in discount rates, which represent estimates of the rates of return that institutional investors would require when investing in financial instruments with similar risk and return characteristics. On average, a hypothetical 100 basis point increase in discount rates results in a decrease in fair value of the securities (including securitization notes and residual certificates) of 1.43% and 1.40% respectively as of December 31, 2018 and 2019. On average, a hypothetical 200 basis point increase in discount rates results in a decrease in fair value of the securities (including securitization notes and residual certificates) of 2.80% and 2.77% respectively as of December 31, 2018 and 2019.

The fair value of securitization notes and residual certificates are not sensitive to adverse changes in expected prepayment rates as such changes would not result in a significant impact on the fair value as of December 31, 2018 and 2019, respectively.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Rollforward of Level 3 Fair Values

The following tables include a rollforward of the assets and liabilities related to securitization transactions classified by the Company within Level 3 of the fair value hierarchy (in thousands):

	Notes Receivable and Residual Certificates	Payable to Securitization Note Holders and Residual Certificate Holders
Fair value at December 31, 2017	\$ —	\$ 339,291
Purchases and issuances of securitization notes and residual certificates	9,501	242,454
Repayments and settlements	(1,229)	(226,775)
Changes in fair value recorded in earnings	42	(1,678)
Fair value at December 31, 2018	\$ 8,314	\$ 353,292
Purchases and issuances of securitization notes and residual certificates	31,645	—
Repayments and settlements	(8,760)	(176,742)
Changes in fair value recorded in earnings	(782)	(6,053)
Changes due to deconsolidation	3,699	(80,825)
Fair value at December 31, 2019	\$ 34,116	\$ 89,672

Loan Servicing Assets and Liabilities

Valuation Methodology

Loan servicing assets and liabilities are measured at estimated fair value using a discounted cash flow model. The cash flows in the valuation model represent the difference between the contractual servicing fees charged to institutional investors and an estimated market servicing fee. Since contractual servicing fees are generally based on the monthly unpaid principal balance of the underlying loans, the expected cash flows in the model incorporate estimates of net losses and prepayments.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for loan servicing assets and liabilities:

	December 31, 2018			December 31, 2019		
	Minimum	Maximum	Weighted-Average ⁽²⁾	Minimum	Maximum	Weighted-Average ⁽²⁾
Discount rate	15.00%	30.00%	22.81%	15.00%	35.00%	22.70%
Credit risk rate ⁽¹⁾	0.04%	43.21%	17.47%	0.05%	52.76%	16.72%
Market-servicing rate ⁽³⁾⁽⁴⁾	0.81%	0.81%	0.81%	0.78%	0.78%	0.78%
Prepayment rate ⁽¹⁾	22.16%	33.37%	25.67%	11.60%	76.45%	28.57%

- (1) Expressed as a percentage of the original principal balance of the loans underlying the servicing arrangement
- (2) Unobservable inputs were weighted by relative fair value
- (3) Excludes ancillary fees charged to borrowers that would be passed on to a third-party servicer
- (4) Expressed as a percentage of the outstanding principal balance of the loan

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Discount rates—The discount rates are the Company’s estimate of the rates of return that market participants in servicing rights would require when investing in similar servicing rights. Discount rates for servicing rights on existing loans are adjusted to reflect the time value of money and a risk premium intended to reflect the amount of compensation market participants would require due to the uncertainty associated with these instruments’ cash flows.

Credit risk rates—The credit risk rates are the Company’s estimate of the net cumulative principal payments that will not be repaid over the entire life of a loan expressed as a percentage of the original principal amount of the loan. The assumption regarding net cumulative losses reduces the projected balances and expected terms of the loans, which are used to project future servicing revenues.

Market-servicing rates—Market-servicing rate is an estimated measure of adequate compensation for a market participant, if one was required. The rate is expressed as a fixed percentage of outstanding principal balance on a per annum basis. The estimate considers the profit that would be demanded in the marketplace to service the portfolio of outstanding loans subject to the Company’s servicing agreements.

Prepayment rates—Prepayment rates are the Company’s estimate of the cumulative principal prepayments that will occur over the entire life of a loan as a percentage of the original principal amount of the loan. The assumption regarding cumulative prepayments reduces the projected balances and expected terms of the loans, which are used to project future servicing revenues.

Significant Recurring Level 3 Fair Value Input Sensitivity

The table below presents the fair value sensitivity of loan servicing assets and liabilities to adverse changes in key assumptions. The fair value of loan servicing assets and liabilities is not sensitive to adverse changes in discount rates as such changes would not result in a significant impact on the fair value as of December 31, 2018 and 2019, respectively.

<i>(amounts in thousands)</i>	December 31,	
	2018	2019
Fair value of loan servicing assets	\$ —	\$ 4,725
Expected servicing cost		
10% servicing cost increase	—	(29,631)
20% servicing cost increase	—	(59,262)
Expected prepayment rates		
10% adverse change	—	(3,629)
20% adverse change	—	(7,440)

<i>(amounts in thousands)</i>	December 31,	
	2018	2019
Fair value of loan servicing liabilities	\$ 1,685	\$ 5,140
Expected servicing cost on underlying loans		
10% servicing cost increase	847	32,234
20% servicing cost increase	1,693	64,467
Expected prepayment rates		
10% adverse change	136	3,948
20% adverse change	278	8,093

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Rollforward of Level 3 Fair Values

The following table presents a rollforward of the loan servicing assets and liabilities classified by the Company within Level 3 of the fair value hierarchy (in thousands):

	Loan Servicing Assets	Loan Servicing Liabilities
Fair value at December 31, 2017	\$ —	\$ 837
Sale of loans	—	1,917
Changes in fair value recorded in earnings	—	(1,069)
Fair value at December 31, 2018	\$ —	\$ 1,685
Sale of loans	3,874	4,730
Changes in fair value recorded in earnings	851	(1,275)
Fair value at December 31, 2019	<u>\$ 4,725</u>	<u>\$ 5,140</u>

Other Assets and Liabilities

As of December 31, 2018, the Company's Level 3 financial instruments included other assets and other liabilities, related to the Company's legacy loan programs which were winding down. The other assets and liabilities had fair values of \$1.4 million and \$1.4 million, respectively, which were estimated using the discounted cash flow model based on expected cash flows of the underlying loans. Significant inputs used for estimating the fair value of these financial instruments included discount rates of 6.00% to 9.70% and credit risk rates of 0.00% to 3.00%.

The fair value sensitivity of the other assets and liabilities to adverse changes in key assumptions would not result in a material impact on the Company's financial position.

Rollforward of Level 3 Fair Values

The following tables include a rollforward of other assets and liabilities classified by the Company within Level 3 of the fair value hierarchy (in thousands):

	Other Assets	Other Liabilities
Fair value at December 31, 2017	\$ 1,886	\$ 1,851
Repayments and settlements	(346)	(341)
Other changes	(130)	(135)
Fair value at December 31, 2018	<u>\$ 1,410</u>	<u>\$ 1,375</u>
Issuances	—	568
Repayments and settlements	(174)	(230)
Changes in fair value recorded in earnings	(24)	(3)
Changes due to deconsolidation	(1,136)	(1,136)
Other changes	(76)	(70)
Fair value at December 31, 2019	<u>\$ —</u>	<u>\$ 504</u>

Common Stock and Convertible Preferred Stock Warrants

Valuation Methodology

The fair values the of common stock warrant liabilities and convertible preferred stock warrant liabilities are estimated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing

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model considers several variables and assumptions in estimating the fair value of the warrants, including the per share fair value of the underlying securities, exercise price, expected term, risk-free interest rate, expected annual dividend yield and expected stock price volatility over the expected term.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for common stock and convertible preferred stock warrants:

	December 31, 2018			December 31, 2019		
	Minimum	Maximum	Weighted-Average ⁽¹⁾	Minimum	Maximum	Weighted-Average ⁽¹⁾
Convertible preferred stock warrant liabilities						
Annual volatility	67.64%	75.19%	69.04%	53.00%	55.89%	*
Expected term (years)	0.46	2.86	2.34	0.50	1.86	*
Dividend rate	—	—	—	—	—	*
Risk-free interest rate	1.51%	2.47%	2.32%	1.58%	1.60%	*
Fair value of underlying securities	\$ 5.37	\$ 5.37	\$ 5.37	\$ 6.68	\$ 12.22	*
Common stock warrant liabilities						
Annual volatility	51.21%	*	*	57.39%	*	*
Expected term (years)	9.81	*	*	8.81	*	*
Dividend rate	—	*	*	—	*	*
Risk-free interest rate	2.67%	*	*	1.88%	*	*
Fair value of underlying securities	\$ 3.80	*	*	\$ 8.88	*	*

(1) Unobservable inputs were weighted based on convertible preferred stock warrants outstanding

* Not applicable as of the respective periods presented. Only one set of convertible preferred stock warrants were outstanding as of December 31, 2019. Accordingly, weighted average inputs are not applicable.

Volatility—Since the Company is privately held and does not have an active trading market for its common or convertible preferred stock, the expected volatility is estimated based on the average volatility for comparable publicly-traded companies, over a period equal to the expected term of the warrants.

Expected term—The expected term represents the contractual life of the warrants being valued.

Dividend rate—The Company has never paid dividends on its common stock or convertible preferred stock and does not anticipate paying dividends on common stock. Therefore, the Company uses an expected dividend yield of zero.

Risk-free rate—The risk-free interest rate is determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the contractual term of the warrants being valued.

Fair value of underlying security—The estimated fair value of the shares of underlying securities is determined by the Company's board of directors as there is no public market for the Company's common stock or preferred stock. The board of directors determines the fair value of the underlying

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securities by considering a number of objective and subjective factors, including: third-party valuations of the Company's common stock and convertible preferred stock, the valuation of comparable companies, the Company's operating and financial performance, and a general and an industry-specific economic outlook, amongst other factors.

Significant Recurring Level 3 Fair Value Input Sensitivity

The fair value sensitivity of the common stock warrant liabilities and convertible preferred stock warrant liabilities to adverse changes in key assumptions would not result in a material impact on the Company's financial position.

Rollforward of Level 3 Fair Values

The following table presents a rollforward of the common stock warrant liabilities and convertible preferred stock warrant liabilities classified by the Company within Level 3 of the fair value (in thousands):

	Common Stock Warrant Liabilities	Convertible Preferred Stock Warrant Liabilities
Balance as of December 31, 2017	\$ —	\$ 4,884
Issuance of warrants	220	—
Changes in fair value recorded in earnings	227	2,695
Balance as of December 31, 2018	\$ 447	\$ 7,579
Exercises in the period	—	(1,131)
Repurchases and retirements in the period	—	(5,083)
Changes in fair value recorded in earnings	689	4,301
Balance as of December 31, 2019	<u>\$ 1,136</u>	<u>\$ 5,666</u>

5. Loans at Fair Value

The following table presents the aggregate fair value and aggregate principal outstanding of all loans and loans that were 90 days or more past due included in the consolidated balance sheet (in thousands):

	Loans		Loans > 90 Days Past Due	
	December 31,		December 31,	
	2018	2019	2018	2019
Outstanding principal balance	\$550,466	\$276,974	\$ 4,362	\$ 1,926
Net fair value and accrued interest adjustments	(47,800)	(44,669)	(4,212)	(1,859)
Fair value	<u>\$502,666</u>	<u>\$232,305</u>	<u>\$ 150</u>	<u>\$ 67</u>

Loans that have reached a delinquency of over 120 days are charged-off and assigned a non-accrual status. Any accrued interest recorded in relation to these loans is reversed in the respective period.

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6. Balance Sheet Components**Other Assets**

Other assets consisted of the following (in thousands):

	December 31,	
	2018	2019
Servicing fees and other receivables	\$ 2,527	\$ 8,321
Deposits	1,256	6,429
Prepaid expenses	5,917	5,224
Loan servicing assets (at fair value)	—	4,725
Other assets (include \$1,410 and \$0 at fair value as of December 31, 2018 and 2019, respectively)	1,484	55
Total other assets	<u>\$ 11,184</u>	<u>\$ 24,754</u>

Servicing fees and other receivables represent amounts recognized as revenue but not yet collected in relation to servicing and other agreements with institutional investors and bank partners.

Property, Equipment, and Software, Net

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

	December 31,	
	2018	2019
Internally developed software	\$ 1,889	\$ 3,164
Computer equipment	124	672
Furniture and fixtures	114	1,638
Leasehold improvements	15	1,970
Total property, equipment, and software	2,142	7,444
Accumulated depreciation and amortization	(640)	(1,414)
Total property, equipment, and software, net	<u>\$ 1,502</u>	<u>\$ 6,030</u>

Depreciation and amortization expense on property, equipment, and software for the years ended December 31, 2017, 2018, and 2019 was immaterial to the consolidated statements of operations and comprehensive loss. As of December 31, 2018 and 2019, capitalized internally developed software balances, net of accumulated amortization, were \$1.4 million and \$2.2 million respectively.

Upstart Holdings, Inc.

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Other Liabilities

Other liabilities consisted of the following (in thousands):

	December 31,	
	2018	2019
Accrued expenses	\$ 5,158	\$ 15,006
Accrued payroll	848	5,746
Convertible preferred stock warrant liabilities	7,579	5,666
Common stock warrant liabilities	447	1,136
Loan servicing liabilities	1,685	5,140
Liability for repurchase and indemnification activities	140	176
Other liabilities	1,496	1,778
Total other liabilities	<u>\$ 17,353</u>	<u>\$ 34,648</u>

7. Borrowings

The following table summarizes outstanding principal balances of borrowings (in thousands):

	December 31,	
	2018	2019
Term loans	\$ 19,217	\$ 17,200
Revolving credit facility	2,000	5,500
Warehouse credit facilities	47,266	79,096
Risk retention funding loans	6,702	16,941
Total payments due	75,185	118,737
Unamortized debt discount	(202)	(128)
Total borrowings	<u>\$ 74,983</u>	<u>\$ 118,609</u>

Term Loans

In February 2016, the Company, together with its wholly-owned subsidiary, Upstart Network, Inc. ("UNI") as the co-borrower, entered into a loan and security agreement (the "LSA") with a third-party lender to obtain a term loan of \$5.5 million. The term loan had an original maturity of March 1, 2019. In September 2018, the parties amended the LSA to extend the maturity date to December 1, 2020. Commencing on the effective date of the amended LSA, the Company is required to repay the term loan in thirty (30) equal monthly installments plus accrued interest. Any outstanding principal and accrued and unpaid interest are due in full on December 1, 2020. The term loan bears a floating interest of prime rate plus 1.75% per annum, payable on the first calendar day of each month. As of December 31, 2018 and 2019, respectively, the interest rates were 7.25% and 6.50%.

In October 2018, the Company and UNI entered into a mezzanine loan and security agreement with the same lender to obtain a second term loan of up to \$15.0 million (the "Mezzanine Loan"). The Mezzanine Loan bears interest at the greater of prime rate plus 5.25% or 10.00% per annum, payable monthly. As of December 31, 2018 and 2019, respectively, the interest rates were 10.75% and 10.00%. The principal balance is due upon maturity on October 1, 2021.

The term loans are secured by all assets of the Company, excluding assets of consolidated securitizations and cash and restricted cash relating to other borrowing arrangements.

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Revolving Credit Facility

UNI Credit Facility

In connection with the LSA with the same lender above, as amended in September 2018, the Company and UNI also obtained a revolving credit facility of up to \$5.5 million (the "UNI Credit Facility"). The UNI Credit Facility has a termination and maturity date of June 1, 2020, when the outstanding principal and any accrued and unpaid interest are due and payable in full. The UNI Credit Facility bears floating interest at prime rate plus 1.00%, payable monthly, subject to a monthly minimum interest requirement prior to maturity. As of December 31, 2018 and 2019, respectively, the interest rates were 6.50% and 5.75%.

The UNI Credit Facility is secured by all assets of the Company, excluding assets of consolidated securitizations and cash and restricted cash relating to other borrowing arrangements. The UNI Credit Facility contains certain financial covenants. As of December 31, 2019, the Company was in material compliance with all applicable covenants under the revolving credit and security agreement.

As of December 31, 2018 and 2019, outstanding borrowings under the UNI Credit Facility were \$2.0 million and \$5.5 million, respectively.

Warehouse Credit Facilities

Upstart Loan Trust Credit Facility

In November 2015, the Company's consolidated VIE, Upstart Loan Trust ("ULT"), entered into a revolving credit and security agreement with a third-party lender (the "ULT Warehouse Credit Facility"). Under the revolving credit and security agreement, as amended from time to time, ULT may borrow up to \$100.0 million (subject to a borrowing base capacity) until the earlier of May 15, 2020 or the occurrence of an accelerated amortization event. An accelerated amortization event includes failure to satisfy certain loan performance metrics or the occurrence of an event of default. The proceeds may only be used to purchase unsecured personal loans from Upstart's platform and to pay fees and expenses related to the credit facility. The ULT Warehouse Credit Facility matures on the earlier of May 15, 2021 or acceleration of the facility following an event of default, upon which date 100% of the outstanding principal amount, together with any accrued and unpaid interest, are due and payable. The entire amount of the outstanding principal and interest may be prepaid at any time without penalty. The ULT Warehouse Credit Facility bears a floating interest rate of LIBOR plus 3.35% per annum, due and payable monthly in arrears. As of December 31, 2018 and 2019, respectively, the interest rates were 5.66% and 5.68%. The maximum advance rate under the ULT Warehouse Credit Facility on outstanding principal of loans held by ULT is 85% as of December 31, 2019.

The ULT Warehouse Credit Facility contains certain financial covenants. As of December 31, 2019, ULT was in material compliance with all applicable covenants under the ULT Warehouse Credit Facility. The creditors of ULT have no recourse to the general credit of the Company, except for certain limited obligations of ULT to its creditors that are guaranteed by the Company. The Company does not guarantee the credit performance of the loans owned by ULT, and the loans and other assets owned by ULT are not available to settle the claims of creditors of the Company.

As of December 31, 2018 and 2019, outstanding borrowings under the ULT Warehouse Credit Facility were \$42.7 million and \$54.8 million, respectively. As of December 31, 2018, \$62.3 million of

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aggregate outstanding principal and \$66.0 million of aggregate fair value of personal loans purchased and held by ULT, and restricted cash of \$3.9 million were pledged as collateral for the ULT Warehouse Credit Facility and included in loans at fair value and restricted cash in the consolidated balance sheets, respectively. As of December 31, 2019, \$73.5 million of aggregate outstanding principal and \$86.7 million of aggregate fair value of personal loans purchased and held by ULT, and restricted cash of \$3.4 million were pledged as collateral and included in loans at fair value and restricted cash in the consolidated balance sheets, respectively.

Upstart Warehouse Trust Credit Facility

In May 2018, the Company's consolidated VIE, Upstart Warehouse Trust ("UWT") entered into a revolving credit and security agreement with third-party lenders, including one subordinated lender, for an uncommitted credit facility up to \$152.0 million (the "UWT Warehouse Credit Facility") to fund UWT's purchase of loans from Upstart's platform. UWT may borrow under the UWT Warehouse Credit Facility until the earlier of May 22, 2020 or the occurrence of an accelerated amortization event. An accelerated amortization event includes failure to satisfy certain loan performance metrics, non-compliance with certain financial covenants, or the occurrence of an event of default. The UWT Warehouse Credit Facility matures on the earlier of May 21, 2021 or the acceleration of the facility following an event of default, upon which date 100% of the outstanding principal, together with any accrued and unpaid interest, are due and payable. The entire amount of the outstanding debt may be prepaid at any time without penalty. The UWT Warehouse Credit Facility bears a floating interest rate of LIBOR plus 2.75% for a total amount up to \$125.0 million and LIBOR plus 6.25% for an additional amount up to \$27.0 million funded by the subordinated lender. These interest rates increase by an additional 0.75% following the scheduled expiration of the revolving period on May 22, 2020. As of December 31, 2018 and 2019, respectively, the interest rates were 4.77% and 4.97%. The maximum advance rates under the UWT Warehouse Credit Facility for the senior loans and the subordinated loans held by UWT are 70% and 85%, respectively.

The UWT Warehouse Credit Facility contains certain financial covenants. As of December 31, 2019, UWT was in material compliance with all applicable covenants under the UWT Warehouse Credit Facility. The creditors of UWT have no recourse to the general credit of the Company except for certain limited obligations of UWT to its creditors that are guaranteed by the Company. The Company does not guarantee the credit performance of the loans owned by UWT, and the loans and other assets owned by UWT are not available to settle the claims of creditors of the Company.

As of December 31, 2018 and 2019, outstanding borrowings under the UWT Warehouse Credit Facility were \$4.5 million and \$24.3 million, respectively. As of December 31, 2018, \$6.1 million of aggregate outstanding principal and \$6.9 million of aggregate fair value of personal loans purchased and held by UWT, and restricted cash of \$0.2 million were pledged as collateral for the UWT Warehouse Credit Facility and included in loans at fair value and restricted cash in the consolidated balance sheets, respectively. As of December 31, 2019, \$36.2 million of aggregate outstanding principal and \$39.6 million of aggregate fair value of personal loans purchased and held by UWT, and restricted cash of \$1.7 million were pledged as collateral and included in loans at fair value and restricted cash in the consolidated balance sheets, respectively.

Risk Retention Funding Loans

In October 2018, Upstart RR Funding 2018-2, LLC (the "2018-2 RR entity"), a consolidated VIE of UNI, entered into a loan and security agreement (the "2018-2 RR Financing Agreement") to finance the

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

Company's risk retention balance in the Upstart Securitization Trust 2018-2. Under this agreement, the balance borrowed by the 2018-2 RR entity has an interest rate of 4.00% per annum and is repaid using cash proceeds received by the 2018-2 RR entity as part of monthly cash distributions from the 2018-2 securitization on securitization notes and residual certificates. As of December 31, 2018 and 2019, the outstanding principal balance under the 2018-2 RR Financing Agreement was \$6.7 million and \$3.2 million, respectively.

In September 2019, Upstart RR Funding 2019-2, LLC (the "2019-2 RR entity"), a consolidated VIE of UNI, entered into a loan and security agreement (the "2019-2 RR Financing Agreement") to finance the Company's risk retention balance in the Upstart Securitization Trust 2019-2. Under this agreement, the balance borrowed by the 2019-2 RR entity has an annual interest rate of 4.33% and is repaid using cash proceeds received by the 2019-2 RR entity as part of monthly cash distributions from the 2019-2 securitization on securitization notes and residual certificates. As of December 31, 2019, the outstanding principal balance under the 2019-2 RR Financing Agreement was \$13.8 million.

The borrowings are solely the obligations of the 2018-2 RR entity and 2019-2 RR entity, respectively, and the Company is not obligated thereon. The securities and other assets owned by each RR entity are not available to settle the claims of creditors of the Company. Assets pledged as collateral for the risk retention funding loans include \$8.3 million and \$22.0 million of securities held for risk retention for the 2018-2 and 2019-2 securitization transactions, included in notes receivables and residual certificates on the consolidated balance sheets as of December 31, 2018 and 2019, respectively.

The following table summarizes the aggregate amount of maturities of all borrowings as of December 31, 2019 (in thousands):

2020	\$ 7,700
2021	94,096
2022	3,167
2023	13,774
2024	—
Total	<u>\$ 118,737</u>

8. Convertible Promissory Notes

In September and October 2017, respectively, the Company issued \$10.0 million of subordinated convertible promissory notes to each of two institutional investors, one of which is a related party of the Company, for total proceeds of \$20.0 million. The notes had an annual interest of 8.00% and a maturity date of June 30, 2018. On June 30, 2018, the outstanding principal and accrued and unpaid interests of \$21.2 million on the convertible promissory notes were converted into 5,871,382 shares of Series C-1 convertible preferred stock at a per share price of \$3.612, equal to the issue price in the Series C-1 financing round. No convertible promissory notes were issued or outstanding as of and for the years ended December 31, 2018 and 2019. Refer to "Note 15. Related Party Transactions".

In conjunction with the issuance of the convertible promissory notes, the Company issued warrants to purchase an aggregate of 830,468 shares of Series C-1 convertible preferred stock. Of these warrants, 415,234 were issued to a related party of the Company. On conversion of the convertible promissory notes on June 30, 2018, these warrants were cancelled.

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9. Convertible Preferred Stock and Convertible Preferred Stock Warrants**Convertible Preferred Stock**

As of December 31, 2018, the Company's convertible preferred stock consisted of the following balances (in thousands, except share and per share amounts):

	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference
Series Seed	2,009,641	2,009,641	\$ 1,693	\$ 1,750
Series A	5,547,713	5,547,713	5,828	5,900
Series B	10,140,679	8,640,160	14,312	14,395
Series C	9,724,108	9,724,108	34,877	35,000
Series C-1	15,394,772	15,394,772	53,368	55,612
Series D	11,110,744	5,566,483	47,845	50,100
Total	53,927,657	46,882,877	\$ 157,923	\$ 162,757

As of December 31, 2019, the Company's convertible preferred stock consisted of the following balances (in thousands, except share and per share amounts):

	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference
Series Seed	2,009,641	2,009,641	\$ 1,693	\$ 1,750
Series A	5,547,713	5,547,713	5,828	5,900
Series B	10,140,679	8,940,263	15,943	14,895
Series C	9,724,108	9,446,277	33,877	34,000
Series C-1	15,394,772	15,394,772	53,368	55,612
Series D	11,110,744	6,010,911	51,837	54,100
Total	53,927,657	47,349,577	\$ 162,546	\$ 166,257

The holders of the Series Seed, A, B, C, C-1, and D convertible preferred stock (together the "convertible preferred stock") have various rights, preferences, privileges, and restrictions, with respect to voting, dividends, liquidation, and conversion as follows:

Dividends

The holders of Series Seed, A, B, C, C-1, and D convertible preferred stock are entitled to receive noncumulative dividends at an annual rate of \$0.07, \$0.09, \$0.13, \$0.29, \$0.29, and \$0.72 per share payable, respectively, if and when, declared by the board of directors, prior and in preference to any payment of any dividend on the common stock. The holders of convertible preferred stock are also entitled to participate in dividends on common stock on an as-converted basis. As of December 31, 2018 and 2019, no dividends have been declared or paid to date.

Voting Rights

Each share of convertible preferred stock has voting rights equal to the number of shares of common stock into which such preferred stock is convertible. The holders of convertible preferred stock vote together with the holders of common stock as a single class.

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Liquidation Preference

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of convertible preferred stock shall be entitled to receive, on the same basis for each class, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount equal to \$0.8708, \$1.0635, \$1.666089, \$3.599299, \$3.612413 and \$9.000295 per share for each outstanding share of Series Seed, A, B, C, C-1 and D convertible preferred stock then held, plus any declared or accrued but unpaid dividends thereon. If, upon occurrence of such event, the assets and funds distributed among the holders of convertible preferred stock shall be insufficient to permit the payment, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

In the event of the liquidation, dissolution, winding up of the Company, or occurrence of (i) sale, lease, transfer, or disposal of any subsidiary or substantially all of its assets or (ii) merger with, into, or consolidation with another entity (the "Liquidation Transaction"), after payment of all preferential amounts required to be paid to the holders, the remaining assets of the Company available for distribution to the Company's stockholders shall be distributed among the holders of common stock.

Conversion Rights

At the option of the holder, each share of convertible preferred stock is convertible into shares of common stock as is determined by dividing \$0.8708, \$1.0635, \$1.666089, \$3.599299, \$3.612413 and \$9.000295 per share for Series Seed, A, B, C, C-1 and D, respectively, by the conversion price applicable to such shares. The initial conversion price per share is \$0.8708, \$1.0635, \$1.666089, \$3.599299, \$3.612413 and \$9.000295 per share for Series Seed, A, B, C, C-1 and D convertible preferred stock, respectively. The conversion ratio for the convertible preferred stock shall be subject to appropriate adjustments for stock splits, stock dividends, combinations, subdivisions, recapitalizations, or the like. In addition, if the Company should issue any additional stock without consideration or for a consideration per share less than the conversion price for the convertible preferred stock, the conversion price for each series shall automatically be adjusted in accordance with anti-dilution provisions contained in the Company's Amended Certificate of Incorporation.

Each share of convertible preferred stock will automatically convert into shares of common stock at the conversion rate then in effect upon the earlier of (i) the closing of a firm commitment underwritten public offering registered on Form S-1 with the offering price not less than \$13.451340 per share and aggregate proceeds of not less than \$150.0 million, net of underwriting discounts and commissions or (ii) the vote or written consent of the holders of at least 65% of the then-outstanding shares of convertible preferred stock, voting together as a single class, and the vote of written consent of at least a majority of the shares of Series D convertible preferred stock, voting separately as a single class.

Classification

The Company has classified its convertible preferred stock as mezzanine equity on the consolidated balance sheets as the stock is contingently redeemable. Upon the occurrence of certain deemed liquidation events that are outside the Company's control, including liquidation, sale or transfer of the Company, holders of the convertible preferred stock can cause redemption for cash. During the

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

years ended December 31, 2018 and 2019, the Company did not adjust the carrying value of the convertible preferred stock to the deemed liquidation value of such shares as a deemed liquidation event was not probable.

Convertible Preferred Stock Warrants

During June through November 2014, the Company issued initial lenders in the Upstart platform warrants to purchase an aggregate of 1,500,519 shares of Series B convertible preferred stock at a strike price of \$0.01 or \$1.67 per share. Of these warrants, 1,500,519 and 600,208 were outstanding as of December 31, 2018 and 2019. The warrants have a contractual term of five to seven years and expire between June 2019 and November 2021. The convertible preferred stock warrants are recorded within other liabilities on the consolidated balance sheets at their estimated fair value. See "Note 4. Fair Value Measurement" for further details.

Repurchase of Convertible Preferred Stock and Convertible Preferred Stock Warrants

In November 2019, the Company repurchased and retired 277,831 shares of the Company's Series C convertible preferred stock held by investors for a purchase price of \$0.7 million. On repurchase, the portion equal to the original issuance price of \$1.0 million was recorded as a reduction to convertible preferred stock and the excess of the original issuance price over the repurchase price was reflected as a decrease in accumulated deficit.

On the same day, the Company also repurchased and cancelled 600,208 warrants to purchase Series B convertible preferred stock held by the same investor for a purchase price of \$1.4 million. Upon repurchase, the Company derecognized \$5.1 million of the convertible preferred stock warrant liabilities to reflect the fair value of the warrants repurchased. The Company recognized a \$3.7 million gain on repurchase of the warrants, calculated as the difference between the price paid to repurchase the warrants and the fair value of the warrants immediately before the repurchase. The gain on repurchase of the warrants is included in expense on warrants and convertible notes, net in the consolidated statements of operations and comprehensive loss.

10. Common Stock and Common Stock Warrants**Common Stock**

As of December 31, 2018, and 2019, the Company had reserved shares of common stock for issuance, on an as-converted basis, as follows:

	December 31,	
	2018	2019
Convertible preferred stock outstanding	46,882,877	47,349,577
Options issued and outstanding	12,293,165	16,502,206
Shares available for future stock option grants	2,500,951	1,319,666
Warrants to purchase convertible preferred stock	1,500,519	600,208
Warrants to purchase common stock	1,617,553	319,669
Total	<u>64,795,065</u>	<u>66,091,326</u>

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Common Stock Warrants

In March 2015 through July 2017, the Company issued warrants to purchase common stock in connection with the Mezzanine Loan and other historical borrowings. The Company also issued warrants to purchase common stock to other investors in March 2016. The outstanding warrants to purchase common stock not subject to remeasurement as of the balance sheet dates are as follows:

Issuance Date	Warrants Outstanding		Exercise Price per Share	Term (Years)
	December 31,			
	2018	2019		
March 2015	78,031	78,031	\$ 1.67	10
February 2016	60,084	60,084	1.17	10
March 2016	1,297,884	—	0.0001	7
July 2017	31,554	31,554	1.35	10
	<u>1,467,553</u>	<u>169,669</u>		

The estimated grant date fair value of the above common stock warrants granted in March 2015 through July 2017 was immaterial and recognized as an expense in the period granted.

Common Stock Warrants Measured at Fair Value on a Recurring Basis

In October 2018, the Company issued warrants to purchase an aggregate of 150,000 shares of common stock, with an exercise price of \$2.16 per share. The estimated grant date fair value of the common stock warrants was recognized as debt issuance costs in the period granted. The common stock warrants were outstanding in their entirety at December 31, 2018 and 2019. The common stock warrants have a contractual term of ten years and expire in October 2028. These common stock warrants are recorded with other liabilities on the consolidated balance sheets at their estimated fair value. See "Note 4. Fair Value Measurement" for further details.

11. Equity Incentive Plans

In 2012, the Company adopted the Equity Incentive Plan ("2012 Equity Incentive Plan") authorizing the granting of incentive stock options ("ISOs") and non-statutory stock options ("NSOs") to eligible participants. As of December 31, 2019, the Company is authorized to issue up to 19,063,647 shares of common stock under the 2012 Equity Incentive Plan. Under the 2012 Equity Incentive Plan, the exercise price of an ISO and NSO shall not be less than 100% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. The exercise price of an ISO granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. Options generally vest over four years and are exercisable for up to 10 years after the date of grant if the employee provides service to the Company for at least three years.

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Activity under the Company's stock option plan is set forth below (in thousands, except share and per share amounts):

	Options Available for Grant	Number of Options	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Balances at December 31, 2018	2,500,951	12,293,165	\$ 1.05	6.9	\$ 33,793
Options authorized	3,300,000	—			
Options granted	(5,188,219)	5,188,219			
Options exercised	—	(272,244)			
Options cancelled and forfeited	706,934	(706,934)			
Balances at December 31, 2019	<u>1,319,666</u>	<u>16,502,206</u>	\$ 1.86	6.9	\$ 115,764
Options exercisable – December 31, 2019		<u>9,686,137</u>	\$ 0.91	5.4	\$ 77,204
Options vested and expected to vest – December 31, 2019		<u>15,097,823</u>	\$ 1.71	6.7	\$ 108,186

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the fair value of the Company's stock as of December 31, 2019. The aggregate intrinsic value of options exercised for the years ended December 31, 2017, 2018, and 2019 was \$0.5 million, \$0.6 million, and \$2.1 million, respectively. The weighted-average grant date fair value of options granted during the years ended December 31, 2017, 2018, and 2019 was \$1.21, \$1.68, and \$3.99 per share, respectively. The total fair value of options vested for the years ended December 31, 2017, 2018 and 2019 was \$0.9 million, \$1.8 million and \$2.7 million, respectively.

As of December 31, 2019, total unrecognized stock-based compensation expense was \$15.3 million, which is expected to be recognized over a weighted-average period of 2.5 years.

Non-Employee Stock-Based Compensation

During the years ended December 31, 2017, 2018, and 2019, the Company granted non-qualified options to non-employees to purchase 149,037, 148,295 and 135,969 shares, respectively, of common stock under the 2012 Equity Incentive Plan. Non-employee options were issued with various vesting periods depending on the specific terms of each option and services provided by non-employees.

Fair Value of Options Granted

In determining the fair value of the stock-based awards, the Company uses the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

Fair Value of Common Stock—The fair value of the shares of common stock has historically been determined by the Company's board of directors as there is no public market for the common stock. The board of directors determines the fair value of the common stock by considering a number of objective and subjective factors, including: third-party valuations of the Company's common stock, the valuation of comparable companies, the Company's operating and financial performance, and general and industry specific economic outlook, among other factors.

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Expected Term—The expected term represents the period that the Company’s stock options are expected to be outstanding. For the years ended December 31, 2017, 2018, and 2019, the Company determined the expected term for employee stock options based on historical terminations and exercise behavior, which factors in an extended post-termination exercise provision for vested awards for certain employees that provide more than three years of service to the Company. The Company uses the contractual term for all nonemployee awards.

Volatility—Since the Company is privately held and does not have an active trading market for its common stock, the expected volatility is estimated based on the average volatility for comparable publicly-traded companies, over a period equal to the expected term of the stock option grants.

Risk-free Rate—The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

Dividends—The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock. Therefore, the Company uses an expected dividend yield of zero.

The following assumptions were used to estimate the fair value of employee and nonemployee stock options granted and the resulting fair values:

	Year ended December 31,		
	2017	2018	2019
Expected term (in years)	5.0 – 10.0	5.9 – 10.0	5.5 – 10
Expected volatility	54.14% – 56.84%	54.70% – 58.59%	55.69% – 59.23%
Risk-free rate	1.80% – 2.38%	2.16% – 3.13%	1.67% – 2.40%
Dividend yield	—%	—%	—%

The Company recorded stock-based compensation in the following expense categories in its consolidated statements of operations and comprehensive loss for employees and non-employees (in thousands):

	Year ended December 31,		
	2017	2018	2019
Sales and marketing	\$ 32	\$ 183	\$ 278
Customer operations	124	178	433
Engineering and product development	574	753	1,803
General, administrative, and other	560	931	1,292
Total	<u>\$ 1,290</u>	<u>\$ 2,045</u>	<u>\$ 3,806</u>

12. Leases

The Company’s operating leases are primarily for its corporate headquarters in San Mateo, California and Columbus, Ohio. Both operating leases include early termination options, and one of the leases includes renewal options for two successive five-year periods. The exercise of these options was not recognized as part of the ROU assets and lease liabilities, as the Company did not conclude, at the commencement date of the leases, that the exercise of renewal options or termination options was reasonably certain. In connection with one of the leases, a letter of credit was issued on behalf of

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

the Company for the benefit of the landlord in the amount of \$2.0 million. The letter of credit is secured by a certificate of deposit which is included in restricted cash on the consolidated balance sheet. In connection with the Columbus lease, the Company is entitled to receive tenant improvement allowances of up to \$0.7 million.

As of December 31, 2019, future minimum noncancelable lease payments are as follows (in thousands):

Year ending December 31,	Operating Leases
2020	\$ 4,117
2021	4,236
2022	4,357
2023	4,483
2024	1,476
Thereafter	897
Total undiscounted lease payments	19,566
Less: Present value adjustment	(2,505)
Operating lease liabilities	\$ 17,061

As of December 31, 2019, the Company does not have any operating leases which are yet to commence.

As of December 31, 2018, the Company leased one office space under a noncancelable operating lease agreement. The agreement had an expiration date in October 2019. This lease was also in place as of December 31, 2017, in addition to another leasing contract that expired during 2018. This space was sub-leased to a third party through the expiration date of the related contract. The sub-leasing agreement included terms that are not materially different from the original lease and did not relieve the Company from its obligations to the lessor. As of December 31, 2018, the remaining future minimum lease payments related to this lease were \$1.0 million through its expiration date in October 2019.

Rent expense for the Company's operating leases was \$1.3 million, \$1.3 million, and \$3.4 million for the years ended December 31, 2017, 2018, and 2019, respectively. Variable lease payments such as common area maintenance and parking fees were included in operating expenses and were \$1.0 million for the year ended December 31, 2019. Rent expense for the Company's short-term leases was immaterial for the year-ended December 31, 2019.

Supplemental cash flow and noncash information related to the Company's operating leases was as follows for the year ended December 31, 2019 (in thousands):

Cash flows from operating activities	
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,905
Right-of-use assets obtained in exchange for lease obligations	
Total right-of-use assets capitalized	\$ 16,190

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

The following summarizes additional information related to the Company's operating leases as of December 31, 2019:

Weighted average remaining lease term (in years)	4.6
Weighted average discount rate	5.84%

13. Commitments and Contingencies***Loan Purchase Obligation***

Under the Company's loan agreements with certain bank partners, the banks retain ownership of the loans facilitated through Upstart's platform for three days or longer (the "holding period") after origination, as required under the respective agreements. The Company has committed to purchase the loans at the unpaid principal balance, plus accrued interest, at the conclusion of the required holding period. As of December 31, 2018 and 2019, respectively, the total loan purchase commitment included the outstanding principal balance of \$14.7 million and \$51.9 million plus accrued interest.

Repurchase and Indemnification Contingency

Under the terms of the loan purchase and loan servicing agreements between the Company and institutional investors, as well as in agreements with investors in securitizations where the Company is not the sponsor, the Company may, in certain circumstances, become obligated to repurchase loans from such investors. Generally, these circumstances include the occurrence of verifiable identity theft, the failure of sold loans to meet the terms of certain loan-level representations and warranties that speak as of the time of origination or sale, the failure to comply with other contractual terms with the investors, or a violation of the applicable federal, state, or local lending laws.

The maximum potential amount of future payments associated under this obligation is the outstanding balances of the loans sold to the investors, which at December 31, 2018 and 2019, is \$1,818.4 million and \$3,498.1 million, respectively. The Company recognizes a liability for the repurchase obligation based on historical experience when the loans are issued. The liability is subsequently remeasured when a related loss is probable and can be reasonably estimated. Actual payments made relating to the Company's repurchase and indemnification obligations were immaterial historically. The Company has recorded contingent liabilities as of December 31, 2018 and 2019 of immaterial amounts to cover estimated future obligations related to these contractual terms. These amounts are included in other liabilities on the Company's consolidated balance sheets.

Legal

From time to time the Company is subject to, and it is presently involved in, litigation and other legal proceedings. Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. The Company records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of December 31, 2018 and 2019, no loss contingency has been recorded in connection with legal proceedings arising in the ordinary course of business.

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements****Contingencies**

Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. The Company records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company discloses material contingencies when it believes a loss is not probable but reasonably possible. Although the Company cannot reasonably determine the outcome of any litigation or tax matters, it does not believe there are currently any such actions that, if resolved unfavorably, would have a material impact on its consolidated financial statements.

Indemnifications

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, directors, officers and other parties with respect to certain matters. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements, and thus, there are no claims that the Company is aware of that could have a material effect on the Company's consolidated financial statements.

14. Income Taxes

Income tax expense included in the statements of income and comprehensive income consisted of the following (in thousands):

	Year Ended December 31,		
	2017	2018	2019
Current:			
Federal	\$ —	\$ —	\$ —
State	6	—	74
Total current tax expense	6	—	74
Deferred:			
Federal	—	—	—
State	—	—	—
Total deferred tax expense	\$ —	\$ —	\$ —
Total provision for income taxes	\$ 6	\$ —	\$ 74

Upstart Holdings, Inc.

Notes to Consolidated Financial Statements

Income tax expense differed from the amount computed by applying the federal statutory income tax rate of 21% to pretax loss as a result of the following (in thousands):

	Year Ended December 31,		
	2017	2018	2019
Federal tax at statutory rate	\$(2,721)	\$(2,681)	\$(1,039)
State income taxes, net of federal tax benefit	(10)	34	74
Stock-based compensation	186	246	411
Fair value adjustment on preferred warrants	345	320	(253)
Noncontrolling interests	—	(274)	956
Research and development credit	(143)	(300)	(372)
Tax Return to Tax Provision Adjustment	(658)	(480)	1,028
Federal revaluation of deferred tax due to tax reform	7,070	—	—
Change in valuation allowance	(4,117)	3,147	(844)
Other	54	(12)	113
Provision for income taxes	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 74</u>

The tax effects of temporary differences that gave rise to significant portions of the Company's deferred tax assets and liabilities related to the following (in thousands):

	December 31,	
	2018	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 23,768	\$ 17,180
Stock-based compensation	772	1,151
Accruals and reserves	585	313
Operating lease liabilities	—	4,961
Research and development credits	2,399	2,274
Investment in partnerships	—	775
Amortization	171	145
Servicing assets	481	120
Depreciation	12	—
Other	65	28
Total deferred tax assets	28,253	26,947
Less: valuation allowance	(21,800)	(20,720)
Deferred tax assets – net of valuation allowance	<u>6,453</u>	<u>6,227</u>
Deferred tax liabilities:		
Fair adjustment – residual certificates	6,218	1,165
Depreciation	—	354
Investment in partnerships	230	—
Right of use asset	—	4,708
Other	5	—
Total deferred tax liabilities	6,453	6,227
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

Management believes that, based on available evidence, both positive and negative, it is more likely than not that the deferred tax assets will not be utilized, and as such the Company maintains a

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

full valuation allowance at December 31, 2019. The valuation allowance decreased by \$1.1 million for the year ended December 31, 2018 and December 31, 2019, respectively, primarily as a result of current year activities.

As of December 31, 2019, the Company had approximately \$61.3 million and \$53.0 million of federal and state (post-apportioned) net operating losses, respectively, that will begin to expire in 2034. The Company also has federal and California research and development tax credits of approximately \$2.0 million and \$1.5 million, respectively. The federal research credits will begin to expire in 2032 and the California research credits have no expiration date. The Internal Revenue Code ("IRC") limits the amount of net operating loss carryforwards that a company may use in a given year in the event of certain cumulative changes in ownership over a three-year period as described in Section 382 of the IRC. Utilization of net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the IRC, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization. The Company performed an ownership analysis and identified two previous ownership changes in 2013 and 2015, as defined under Section 382 and 383 of the IRC, however neither resulted in a material limitation that will reduce the total amount of net operating loss carryforwards and credits that can be utilized.

A reconciliation of the beginning and ending balances of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2017	2018	2019
Balance at beginning of year	\$286	\$448	\$697
Additions for tax positions of prior years	—	—	69
Tax positions related to the current year	162	249	265
Balance at end of year	<u>\$448</u>	<u>\$697</u>	<u>\$1,031</u>

If recognized, substantially all of the balance would unfavorably affect the Company's effective income tax rate in future periods. As of December 31, 2019, the Company had \$1.0 million in unrecognized income tax benefits and there were increases of \$0.3 million to the Company's unrecognized tax benefits during the year. The Company does not anticipate any significant increases to unrecognized tax benefit during the next 12 months. The Company's policy is to classify interest and penalties associated with unrecognized tax benefits as income tax expense. The Company had no interest or penalty accruals associated with uncertain tax benefits in its consolidated balance sheet and consolidated statement of operations and comprehensive loss for the tax year ended December 31, 2019.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions and has identified its federal, California, and New York tax returns as "major" tax filings. The Company is not currently under examination by income tax authorities in federal or state jurisdictions. However, because the Company has net operating losses and credits carried forward in several jurisdictions, including the United States federal, California, and New York jurisdictions, certain items attributable to closed tax years are still subject to adjustment by applicable taxing authorities through an adjustment to tax attributes carried forward to open years. All tax returns will remain open

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements**

for examination by the federal and most state taxing authorities for three years and four years, respectively, from the date of utilization of any net operating loss carryforwards or research and development credits.

15. Related Party Transactions

Since the Company's inception, it has engaged in various transactions with its executive officers and directors, holders of more than 10% of its voting securities, and their affiliates.

In 2017, the Company issued \$20.0 million of subordinated convertible promissory notes to two investors, of which \$10.0 million was issued to a related party equity investor of the Company. On June 30, 2018, the outstanding principal and accrued and unpaid interest on the convertible promissory notes were converted into shares of Series C-1 convertible preferred stock. As such, no convertible promissory notes were outstanding as of December 31, 2018 and 2019.

The related party investor and its affiliates also participated in securitization transactions sponsored and serviced by the Company in the years ended December 31, 2017, 2018, and 2019 by contributing loans and purchasing securitization notes or residual certificates. As of December 31, 2018 and 2019, the balance of payable to securitization note holders and residual certificate holders due to the related party investor and its affiliates was \$61.4 million and \$41.3 million, respectively. Additionally, the Company is the servicer of Upstart-powered loans purchased and held by the related party investor and its affiliates and received servicing fees in the amounts of \$0, \$0.3 million, and \$0.7 million, respectively, in the years ended December 2017, 2018, and 2019.

The Company's executive officers and non-officer directors participate on Upstart's platform by purchasing fractional interest in loans, which are included in notes payable on the Company's consolidated balance sheet as of December 31, 2018. As of December 31, 2019, as a result of the deconsolidation of UNT, the notes payable is not included in the Company's consolidated balance sheet. The fair value of such notes payable purchased by executive officers and non-officer directors and included in the consolidated balance sheets were \$2.4 million and \$0 as of December 31, 2018 and 2019, respectively. Interest income and expense and servicing fees related to the notes payable held by the Company's executive officers and non-officer directors were immaterial in all periods presented.

16. Net Loss Per Share Attributable to Upstart Holdings, Inc. Common Stockholders

For periods in which the Company reports net losses, basic and diluted net loss per share attributable to Upstart Holdings, Inc.'s common stockholders are the same because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The following securities were excluded from the computation of diluted net loss per share attributable to Upstart Holdings, Inc. common stockholders for the periods presented, because including them would have been anti-dilutive (on an as-converted basis):

	Year ended December 31,		
	2017	2018	2019
Convertible preferred stock	35,445,012	46,882,877	47,349,577
Options to purchase common stock	11,920,884	12,293,165	16,502,206
Warrants to purchase convertible preferred stock	1,500,519	1,500,519	600,208
Warrants to purchase common stock	1,467,553	1,617,553	319,669
Total	50,333,968	62,294,114	64,771,660

Upstart Holdings, Inc.**Notes to Consolidated Financial Statements****Unaudited Pro Forma Net Loss Per Share Attributable to Upstart Holdings, Inc. Common Stockholders**

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share attributable to Upstart Holdings, Inc. common stockholders (in thousands, except share and per share data) assuming the automatic conversion of the convertible preferred stock and net exercise of the convertible preferred stock warrants into common stock upon consummation of an IPO as if such an event had occurred as of the beginning of the respective period, or the issuance date of the convertible preferred stock, if later:

	Year Ended December 31, 2019
Numerator	
Net loss attributable to Upstart Holdings, Inc. common stockholders	\$ (466)
Add: Change in fair value of convertible preferred stock warrant liability	4,301
Net income used in calculating pro forma earnings per share attributable to common stockholders, basic and diluted	<u>\$ 3,835</u>
Denominator	
Weighted-average common shares outstanding used to calculate net income per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted	14,335,611
Pro forma adjustment to reflect assumed conversion of convertible preferred stock	
Pro forma adjustment to reflect assumed net exercise of convertible preferred stock warrants	
Weighted-average number of shares used to compute pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted (unaudited)	<u> </u>
Pro forma net loss per share attributable to Upstart Holdings, Inc. common stockholders, basic and diluted	<u>\$ </u>

17. Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2019, through March 3, 2020, the date at which the consolidated financial statements were available to be issued. Based on the evaluation, the Company has determined no subsequent events were required to be recognized or disclosed.

Shares
Upstart Holdings, Inc.
Common Stock



Goldman Sachs & Co. LLC

BofA Securities

Citigroup

Jefferies

Barclays

Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, upon completion of this offering. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the exchange listing fee.

	Amount to be Paid
SEC registration fee	\$ *
FINRA filing fee	*
Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	<u>\$ *</u>

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors, and other corporate agents.

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the

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fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since January 1, 2017, we have issued the following unregistered securities:

Convertible Promissory Note Issuances

In September 2017, we issued subordinated convertible notes in the aggregate principal amount of \$20.0 million in a private placement. We refer to these notes as the 2017 convertible notes. The 2017 convertible notes accrued interest at a rate equal to 8.0% per year. Each of these notes was converted on June 30, 2018 into shares of our Series C-1 preferred stock.

Warrant Issuances and Exercises

In July 2017, we issued a warrant to purchase a total of 31,554 shares of common stock to one accredited investor at an exercise price of \$1.35 per share.

In September 2017, we issued warrants to purchase a total of 830,468 shares of preferred stock to two accredited investors at an exercise price of \$3.612413 per share. Each of these warrants was terminated on June 30, 2018.

In October 2018, we issued warrants to purchase a total of 150,000 shares of common stock to two accredited investors at an exercise price of \$2.16 per share.

Preferred Stock Issuances

From January 2017 through February 2017, we sold an aggregate of 307,825 shares of our Series C-1 convertible preferred stock to 3 accredited investors at a purchase price of \$3.612413 per share, for an aggregate purchase price of \$1.1 million.

From December 2018 to March 2019, we sold an aggregate of 5,788,697 shares of our Series D convertible preferred stock to 4 accredited investors at a purchase price of \$9.000295 per share, for an aggregate of \$54.1 million.

Option Issuances

From January 1, 2017 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants, and other service providers options to purchase an aggregate of 11,522,500 shares of our common stock under our equity compensation plans at exercise prices ranging from approximately \$1.35 to \$8.88 per share.

We believe the offers, sales, and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering, or in reliance on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) *Exhibits.*

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See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) *Financial Statement Schedules.*

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the registrant, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the registrant, to be in effect upon completion of this offering.
3.3	Bylaws of the registrant, as amended, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the registrant, to be in effect upon completion of this offering.
4.1*	Form of common stock certificate of the registrant.
4.2	Amended and Restated Investors' Rights Agreement among the registrant and certain holders of its capital stock, amended as of December 31, 2018.
4.3	Form of warrant to purchase Series B preferred stock.
4.4	Form of warrant to purchase common stock.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.
10.1+*	Form of Indemnification Agreement between the registrant and each of its directors and executive officers.
10.2+*	Upstart Holdings, Inc. 2020 Equity Incentive Plan and related form agreements.
10.3+	Upstart Holdings, Inc. 2012 Stock Plan and related form agreements.
10.4+*	Upstart Holdings, Inc. Executive Incentive Compensation Plan.
10.5+*	Offer Letter between the registrant and Dave Girouard, dated as of .
10.6+*	Offer Letter between the registrant and Sanjay Datta, dated as of .
10.7+*	Offer Letter between the registrant and Paul Gu, dated as of .
10.8	Sub-Sublease Agreement, dated April 1, 2019, between Bay Meadows Station 3 Investors, LLC and Open Text Inc., Snowflake, Inc. and Upstart Holdings, Inc.
10.9*	Loan and Security Agreement, dated March 19, 2015, between Silicon Valley Bank, Upstart Holdings, Inc. and Upstart Network, Inc.
10.10*	Amended and Restated Loan and Security Agreement, dated September 5, 2018, between Silicon Valley Bank, Upstart Holdings, Inc. and Upstart Network, Inc.
10.11*	Revolving Credit and Security Agreement, dated November 20, 2015, between Upstart Loan Trust and Goldman Sachs Bank USA, amended as of April 1, 2016, June 30, 2016, October 19, 2016, February 2, 2017, August 2, 2017, November 14, 2017, March 13, 2018, May 17, 2018, July 16, 2018, September 18, 2018, March 13, 2019, May 1, 2019, June 13, 2019, June 28, 2019 and October 29, 2019.
10.12*	Revolving Credit and Security Agreement, dated May 23, 2018, between Upstart Warehouse Trust and Deutsche Bank AG, New York Branch, and Wilmington Savings Fund Society, FSB, amended as of August 3, 2018.
10.13*	Third Amended and Restated Loan Program Agreement, dated January 1, 2019, between Upstart Network, Inc. and Cross River Bank, as amended November 20, 2019.

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<u>Exhibit Number</u>	<u>Description</u>
10.14*	Third Amended and Restated Loan Sale Agreement, dated January 1, 2019, between Upstart Network, Inc. and Cross River Bank.
10.15*	Promotion Agreement, dated August 1, 2014, between Upstart Network, Inc. and Credit Karma, Inc., amended as of September 1, 2016, February 24, 2017, October 16, 2018 and February 1, 2019.
10.16*	TransUnion Master Agreement for Consumer Reporting and Ancillary Services, dated March 20, 2015, between Upstart Network, Inc. and Trans Union LLC, amended as of July 20, 2015, September 26, 2016 and September 30, 2016.
21.1*	List of subsidiaries of the registrant.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1).
24.1*	Power of Attorney (included on page II-7).

* To be filed by amendment. All other exhibits are submitted herewith.

+ Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in San Mateo, California, on the _____ day of _____, 2020.

UPSTART HOLDINGS, INC.

By: _____
Dave Girouard
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dave Girouard, Sanjay Datta and Alison Nicoll, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Dave Girouard	Chief Executive Officer and Director (<i>Principal Executive Officer</i>)	, 2020
_____ Sanjay Datta	Chief Financial Officer (<i>Principal Financial Officer</i>)	, 2020
_____ Natalia Mirgorodskaya	Corporate Controller (<i>Principal Accounting Officer</i>)	, 2020
_____ Paul Gu	Director	, 2020
_____ Mary Hentges	Director	, 2020
_____ Oskar Mielczarek de la Miel	Director	, 2020

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Ciaran O'Kelly	Director	, 2020
_____ Sukhinder Singh Cassidy	Director	, 2020
_____ Robert Schwartz	Director	, 2020
_____ Hilliard C. Terry III	Director	, 2020

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION**

OF

UPSTART HOLDINGS, INC.

The undersigned, David Girouard, hereby certifies that:

1. The undersigned is the duly elected and acting President of Upstart Holdings, Inc., a Delaware corporation.
2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on December 9, 2013.
3. The Amended and Restated Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

ARTICLE I

“The name of this corporation is Upstart Holdings, Inc. (the “Corporation”).

ARTICLE II

The address of the Corporation’s registered office in the State of Delaware is 251 Little Falls Drive, in the City of Wilmington, County of New Castle, Zip Code 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

(A) **Classes of Stock.** The Corporation is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares which the Corporation is authorized to issue is 143,927,657 shares, each with a par value of \$0.0001 per share. 90,000,000 shares shall be Common Stock and 53,927,657 shares shall be Preferred Stock.

(B) **Rights, Preferences and Restrictions of Preferred Stock.** The Preferred Stock authorized by this Amended and Restated Certificate of Incorporation (the “Restated Certificate”) shall be divided into series as provided herein. 2,009,641 shares of Preferred Stock shall be designated “Series Seed Preferred Stock,” 5,547,713 shares of Preferred Stock shall be designated “Series A Preferred Stock,” 10,140,679 shares of Preferred Stock shall be designated “Series B Preferred Stock,” 9,724,108 shares of Preferred Stock shall be designated “Series C Preferred Stock,” 15,394,772 shares of Preferred Stock shall be designated “Series C-1 Preferred Stock,” and 11,110,744 shares of Preferred Stock shall be designated “Series D Preferred Stock”. The rights, preferences, privileges and restrictions granted to and imposed on the Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock are as set forth below in this Article IV(B).

1. Dividend Provisions. The holders of shares of Series C-1 Preferred Stock, Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock and/or Series Seed Preferred Stock shall be entitled to receive dividends, on a pari passu basis, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Corporation) on the Common Stock of the Corporation, at the rate of \$0.0697 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series Seed Preferred Stock then held by them, \$0.0851 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series A Preferred Stock then held by them, \$0.1333 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series B Preferred Stock then held by them, \$0.2880 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series C Preferred Stock then held by them, \$0.2890 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series C-1 Preferred Stock then held by them, and \$0.7200 per share (as adjusted for stock splits, stock dividends, reclassification and the like) per annum on each outstanding share of Series D Preferred Stock then held by them payable when, as and if declared by the Board of Directors of the Corporation (the "Board of Directors"). Such dividends shall not be cumulative. After payment of such dividends, any additional dividends shall be distributed among the holders of Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, Series D Preferred Stock and Common Stock pro rata based on the number of shares of Common Stock then held by each holder (assuming conversion of all such Preferred Stock into Common Stock).

2. Liquidation.

(a) **Preference.** In the event of any liquidation, dissolution or winding up of the Corporation or Liquidation Transaction, as defined below, either voluntary or involuntary, the holders of Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock and/or Series D Preferred Stock shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock, by reason of their ownership thereof, an amount per share equal to (a) \$0.8708 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series Seed Preferred Stock then held by them, (b) \$1.0635 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series A Preferred Stock then held by them, (c) \$1.666089 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series B Preferred Stock then held by them, (d) \$3.599299 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series C Preferred Stock then held by them, (e) \$3.612413 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series C-1 Preferred Stock then held by them, and (f) \$9.000295 per share (as adjusted for stock splits, stock dividends, reclassification and the like) for each outstanding share of Series D Preferred Stock then held by them; in each case, plus any declared or accrued but unpaid dividends thereon. If, upon the occurrence of such event, the assets and funds thus distributed among the holders of Series Seed Preferred Stock, holders of Series A Preferred Stock, holders of Series B Preferred Stock, holders of Series C Preferred Stock, holders of Series C-1 Preferred Stock, and holders of Series D Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of Series Seed Preferred Stock, holders of Series A Preferred Stock, holders of Series B Preferred Stock, holders of Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) **Remaining Assets.** Upon the completion of the distribution required by Section 2(a) above, if assets remain in the Corporation, the holders of the Common Stock of the Corporation shall receive all of the remaining assets of the Corporation.

(c) **Deemed Conversion.** Notwithstanding the above, for purposes of determining the amount each holder of shares of Preferred Stock is entitled to receive with respect to any (voluntary or involuntary) liquidation, dissolution or winding up of the Corporation or Liquidation Transaction, as defined below, each such holder of shares of a series of Preferred Stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder's shares of such series into shares of Common Stock immediately prior to such liquidation, dissolution or winding up of the Corporation or Liquidation Transaction if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such series of Preferred Stock into shares of Common Stock. If any such holder shall be deemed to have converted shares of Preferred Stock into Common Stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Common Stock.

(d) **Certain Acquisitions.**

(i) **Deemed Liquidation.** For purposes of this Section 2, a liquidation, dissolution or winding up of the Corporation shall be deemed to occur if the Corporation shall (x) sell, lease, convey, transfer or otherwise dispose, in a single transaction or a series of related transactions, by the Corporation or any subsidiary or subsidiaries of the Corporation, of all or substantially all of its assets, property or business of the Corporation and its subsidiaries taken as a whole (or, if substantially all the assets of the Corporation and its subsidiaries taken as a whole are held by one or more subsidiaries, the sale or disposition (whether by merger, consolidation, conversion or otherwise) of such subsidiaries of the Corporation), except where such sale, lease, transfer or other disposition is made to the Corporation or one or more wholly owned subsidiaries of the Corporation (a transaction described in this clause (x), an "Asset Sale"), or (y) merge with or into or consolidate with any other corporation, limited liability company or other entity (other than a wholly-owned subsidiary of the Corporation) (any of (x) and (y), a "Liquidation Transaction"), provided that none of the following shall be considered a Liquidation Transaction: (A) a merger effected exclusively for the purpose of changing the domicile of the Corporation, (B) an equity financing in which the Corporation is the surviving corporation or (C) a transaction in which the stockholders of the Corporation immediately prior to the transaction own 50% or more of the voting power of the surviving corporation following the transaction. In the event of a merger or consolidation of the Corporation that is deemed pursuant to this section to be a Liquidation Transaction, all references in this Section 2 to "assets of the Corporation" shall be deemed instead to refer to the aggregate consideration to be paid to the holders of the Corporation's capital stock in such merger or consolidation. Nothing in this subsection 2(d)(i) shall require the distribution to stockholders of anything other than proceeds of such transaction in the event of a merger or consolidation of the Corporation. The holders of at least sixty-five percent (65%) of the Corporation's outstanding Preferred Stock, voting together as a separate class on an as converted basis, shall be entitled to waive the treatment of a Liquidation Transaction under this section.

(ii) **Valuation of Consideration.** In the event of a deemed liquidation as described in Section 2(d)(i) above, if the consideration received by the Corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability:

(1) If traded on a securities exchange, the value shall be based on a formula approved by the Board of Directors and derived from the closing prices of the securities on such exchange over a specified time period;

(2) If actively traded over-the-counter, the value shall be based on a formula approved by the Board of Directors and derived from the closing bid or sales prices (whichever is applicable) of such securities over a specified time period; and

(3) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as specified above in Section 2(d)(ii)(A) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

(e) **Notice of Liquidation Transaction.** The Corporation shall give each holder of record of Preferred Stock written notice of any impending Liquidation Transaction not later than 10 days prior to the stockholders' meeting called to approve such Liquidation Transaction, or 10 days prior to the closing of such Liquidation Transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such Liquidation Transaction. The first of such notices shall describe the material terms and conditions of the impending Liquidation Transaction and the provisions of this Section 2, and the Corporation shall thereafter give such holders prompt notice of any material changes. Unless such notice requirements are waived, the Liquidation Transaction shall not take place sooner than 10 days after the Corporation has given the first notice provided for herein or sooner than 10 days after the Corporation has given notice of any material changes provided for herein. Notwithstanding the other provisions of this Restated Certificate, all notice periods or notice requirements in this Restated Certificate may be shortened or waived, either before or after the action for which notice is required, upon the vote or written consent of the holders of a majority of the outstanding shares of Preferred Stock that are entitled to such notice rights, voting as a single class on an as-converted basis.

(f) **Effect of Noncompliance.** In the event the requirements of Section 2(e) are not complied with, the Corporation shall forthwith either cause the closing of the Liquidation Transaction to be postponed until the requirements of this Section 2 have been complied with, or cancel such Liquidation Transaction, in which event the rights, preferences, privileges and restrictions of the holders of Preferred Stock shall revert to and be the same as such rights, preferences, privileges and restrictions existing immediately prior to the date of the first notice referred to in Section 2(e).

(g) **Allocation of Escrow and Contingent Consideration.** In the event of a Liquidation Transaction pursuant to Section 2(d), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "Additional Consideration"), the definitive agreement for such Liquidation Transaction shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "Initial Consideration") shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a) and 2(b) as if the Initial Consideration were the only consideration payable in connection with such Liquidation Transaction and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a) and 2(b) after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 2(g), consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Liquidation Transaction shall be deemed to be Additional Consideration.

(h) **Deemed Liquidation Redemption.** In the event of deemed liquidation under Section 2(d) above that is an Asset Sale, if the Corporation does not effect a dissolution of the Corporation under the Delaware General Corporation Law within ninety (90) days after such Asset Sale, then:

(i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the 90th day after the Asset Sale advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of clause (ii) to require the redemption of such shares of Preferred Stock, and

(ii) if the holders of at least sixty-five percent (65%) of the then outstanding shares of Preferred Stock (voting together as a single class on an as-converted basis) so request in a written instrument delivered to the Corporation not later than 120 days after such Asset Sale, the Corporation shall use the consideration received by the Corporation for such Asset Sale (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors), together with any other assets of the Corporation available for distribution to its stockholders, which assets shall be used for no other corporate purposes in each case except to the extent prohibited by the Delaware General Corporation Law governing distributions to stockholders (the "Available Proceeds") on the 150th day after such Asset Sale to redeem all outstanding shares of Preferred Stock at the liquidation preference specified in Section 2(a) herein.

Notwithstanding the foregoing, in the event of a redemption pursuant to this Section 2(h), if the Available Proceeds are insufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall redeem each holder's shares of Preferred Stock ratably based on the total amount payable in respect of such holder's Preferred Stock in proportion to the total amount so payable in respect of all shares of Preferred Stock, to the fullest extent of such Available Proceeds, and shall redeem the remaining shares as soon as it may lawfully do so under the Delaware General Corporation Law of Delaware governing distributions to stockholders.

3. Redemption. The Preferred Stock is not mandatorily redeemable.

4. Conversion. The holders of shares Preferred Stock shall be entitled to conversion rights as follows:

(a) **Right to Convert.** Subject to Section 4(c), each share of Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) \$0.8708 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) in the case of the Series Seed Preferred Stock, (ii) \$1.0635 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) in the case of the Series A Preferred Stock, (iii) \$1.666089 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) in the case of the Series B Preferred Stock, (iv) \$3.599299 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) in the case of the Series C Preferred Stock, (v) \$3.612413 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) in the case of the Series C-1 Preferred Stock, and (vi) \$9.000295 (as adjusted for any stock splits, stock dividends, combinations,

subdivisions, recapitalizations or the like) in the case of the Series D Preferred Stock, by the Conversion Price applicable to such shares (each such conversion rate for a series of Preferred Stock into Common Stock is referred to herein as the “Conversion Rate” with regard to such series), determined as hereafter provided, in effect on (A) the date the certificate is surrendered for conversion or (B) in the case of uncertificated securities, the date the notice of conversion is received by the Corporation. The initial “Conversion Price” shall be \$0.8708 per share in the case of the Series Seed Preferred Stock, \$1.0635 per share in the case of the Series A Preferred Stock, \$1.666089 per share in the case of Series B Preferred Stock, \$3.599299 per share in the case of the Series C Preferred Stock, \$3.612413 per share in the case of the Series C-1 Preferred Stock, and \$9.000295 per share in the case of the Series D Preferred Stock. Such initial Conversion Prices shall be subject to adjustment as set forth in Section 4(d) below.

(b) **Automatic Conversion.** Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Rate then in effect for such share immediately upon the earlier of (i) except as provided below in Section 4(c), the Corporation’s sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended (the “Securities Act”) the public offering price of which is not less than \$13.451340 per share (as adjusted for stock splits, stock dividends, reclassification and the like) and which results in aggregate cash proceeds to the Corporation of not less than \$150,000,000, net of underwriting discounts and commissions (a “Qualified IPO”), or (ii) the date specified by vote or written consent of the holders of at least 65% of the then-outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis and the vote or written consent of the holders of at least a majority of the shares of Series D Preferred Stock, voting separately as a single class.

(c) **Mechanics of Conversion.** Before any holder of Preferred Stock shall be entitled to convert such Preferred Stock into shares of Common Stock, the holder shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the shares of Common Stock are to be issued and, in the case of Preferred Stock represented by a certificate, the holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for such series of Preferred Stock. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates or, upon request in the case of uncertificated securities, a notice of issuance, for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of certificates, or in the case of uncertificated securities, on the date such notice of conversion is received by the Corporation, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with a firm commitment underwritten public offering of securities, the conversion may, at the option of any holder tendering such Preferred Stock for conversion, be conditioned upon the closing of the sale of securities pursuant to such offering, in which event any persons entitled to receive Common Stock upon conversion of such Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities.

(d) **Conversion Price Adjustments of Preferred Stock for Certain Dilutive Issuances, Splits and Combinations.** The Conversion Price of the Preferred Stock shall be subject to adjustment from time to time as follows:

(i) **Issuance of Additional Stock Below Purchase Price.** If the Corporation should issue, at any time after the date upon which any shares of Series D Preferred Stock were first issued (the "Purchase Date"), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price for the Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock, as applicable, in effect immediately prior to the issuance of such Additional Stock (as adjusted for stock splits, stock dividends, reclassification and the like), the Conversion Price for such series in effect immediately prior to each such issuance shall automatically be adjusted as set forth in this Section 4(d)(i), unless otherwise provided in this Section 4(d)(i).

(A) **Adjustment Formula.** Whenever the Conversion Price is adjusted pursuant to this Section 4(d)(i), the new Conversion Price shall be determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance (the "Outstanding Common") plus the number of shares of Common Stock that the aggregate consideration received by the Corporation for such issuance would purchase at such Conversion Price; and (y) the denominator of which shall be the number of shares of Outstanding Common plus the number of shares of such Additional Stock. For purposes of the foregoing calculation, the term "Outstanding Common" shall include shares of Common Stock deemed issued pursuant to Section 4(d)(i)(E) below.

(B) **Definition of "Additional Stock".** For purposes of this Section 4(d)(i), "Additional Stock" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to Section 4(d)(i)(E)) by the Corporation after the Purchase Date, other than:

(1) securities issued pursuant to stock splits, stock dividends or similar transactions, as described in Section 4(d)(ii) hereof;

(2) securities issuable upon conversion, exchange or exercise of convertible, exchangeable or exercisable securities outstanding as of the Purchase Date including, without limitation, warrants, notes or options;

(3) Common Stock (or options therefor) issued or issuable to employees, consultants, officers or directors of the Corporation pursuant to stock option plans or restricted stock plans or agreements approved by the Board of Directors, including at least one of the Preferred Directors (as defined below);

(4) Common Stock issued or issuable in a Qualified IPO;

(5) securities issued or issuable in connection with the bona fide acquisition by the Corporation of another company (by merger, consolidation, reorganization, the purchase of substantially all the assets of or more than 50% of the voting securities held by such entity) approved by the Board of Directors, including (A) at least one of the Preferred Directors when there are two or fewer Preferred Directors in office, or (B) a majority of the Preferred Directors when there are more than two Preferred Directors in office;

(6) securities issued or issuable to financial institutions, equipment lessors, brokers or similar persons in connection with commercial credit arrangements, equipment financings, commercial property lease transactions or similar transactions, which arrangement is primarily for non-equity financing purposes, and which is approved by the Board of Directors, including (A) at least one of the Preferred Directors when there are two or fewer Preferred Directors in office, or (B) a majority of the Preferred Directors when there are more than two Preferred Directors in office;

(7) securities issued or issuable to an entity as a component of any business relationship with such entity primarily for the purpose of (A) joint venture, technology licensing or development activities, (B) distribution, supply or manufacture of the Corporation's products or services or (C) any other arrangements involving corporate partners that are primarily for purposes other than raising capital, the terms of which business relationship with such entity are approved by the Board of Directors, including a (A) at least one of the Preferred Directors when there are two or fewer Preferred Directors in office, or (B) a majority of the Preferred Directors when there are more than two Preferred Directors in office; and

(8) Common Stock issued or issuable upon conversion of the Preferred Stock; and,

(9) securities issued or issuable in any other transaction in which exemption from these price-based antidilution provisions is approved before or after issuance of the securities by (i) the affirmative vote of at least a majority of the then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, (ii) with respect only to the exemption of the Series C Preferred Stock from these price-based antidilution provisions, the affirmative vote of at least a majority of the then-outstanding shares of Series C Preferred Stock, voting as a separate class, (iii) with respect only to the exemption of the Series C-1 Preferred Stock from these price-based antidilution provisions, the affirmative vote of at least a majority of the then outstanding shares of the Series C-1 Preferred Stock, voting as a separate class, and (iv) with respect only to the exemption of the Series D Preferred Stock from these price-based antidilution provisions, the affirmative vote of at least a majority of the then outstanding shares of the Series D Preferred Stock, voting as a separate class.

(C) **No Fractional Adjustments.** No adjustment of the Conversion Price for any Preferred Stock shall be made in an amount less than one cent per share (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like), provided that any adjustments which are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made prior to three years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three years from the date of the event giving rise to the adjustment being carried forward.

(D) **Determination of Consideration.** In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof. In the case of the issuance of the Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(E) **Deemed Issuances of Common Stock.** In the case of the issuance of securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (the "Common Stock Equivalents"), the following provisions shall apply for all purposes of this Section 4(d)(i):

(1) The aggregate maximum number of shares of Common Stock deliverable upon conversion, exchange or exercise (assuming the satisfaction of any conditions to convertibility, exchangeability or exercisability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) of any Common Stock Equivalents and subsequent conversion, exchange or exercise thereof shall be deemed to have been issued at the time such securities were issued or such Common Stock Equivalents were issued and for a

consideration equal to the consideration, if any, received by the Corporation for any such securities and related Common Stock Equivalents (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation (without taking into account potential antidilution adjustments) upon the conversion, exchange or exercise of any Common Stock Equivalents (the consideration in each case to be determined in the manner provided in Section 4(d)(i)(D)).

(2) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to the Corporation upon conversion, exchange or exercise of any Common Stock Equivalents, other than a change resulting from the antidilution provisions thereof, the Conversion Price of any series of Preferred Stock, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the conversion, exchange or exercise of such Common Stock Equivalents.

(3) Upon the termination or expiration of the convertibility, exchangeability or exercisability of any Common Stock Equivalents, the Conversion Price of any series of Preferred Stock, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and Common Stock Equivalents that remain convertible, exchangeable or exercisable) actually issued upon the conversion, exchange or exercise of such Common Stock Equivalents.

(4) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to Section 4(d)(i)(D) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either Section 4(d)(i)(E)(2) or (3).

(F) **No Increased Conversion Price.** Notwithstanding any other provisions of this Section 4(d)(i), except to the limited extent provided for in Sections 4(d)(i)(E)(2) and (3), no adjustment of the Conversion Price pursuant to this Section 4(d)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(ii) **Stock Splits and Dividends.** In the event the Corporation should at any time after the filing date of this Restated Certificate fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or Common Stock Equivalents without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of each series of Preferred Stock that is convertible into Common Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time in the manner provided for deemed issuances in Section 4(d)(i)(E).

(iii) **Reverse Stock Splits.** If the number of shares of Common Stock outstanding at any time after the filing date of this Restated Certificate is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such reverse split, the Conversion Price for each series of Preferred Stock that is convertible into Common Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(e) **Other Distributions.** In the event the Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 4(d)(i) or in Section 4(d)(ii), then, in each such case for the purpose of this Section 4(e), the holders of each series of Preferred Stock that is convertible into Common Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution (or the date of such distribution if no record date is fixed).

(f) **Recapitalizations.** If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in Section 2 or this Section 4), provision shall be made so that the holders of each series of Preferred Stock that is convertible into Common Stock shall thereafter be entitled to receive upon conversion of such Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled in connection with such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of such Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares issuable upon conversion of such Preferred Stock) shall be applicable after that event and be as nearly equivalent as practicable.

(g) **No Fractional Shares and Certificate as to Adjustments.**

(i) No fractional shares shall be issued upon the conversion of any share or shares of Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded down to the nearest whole share. The number of shares issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion. If the conversion would result in any fractional share, the Corporation shall, in lieu of issuing any such fractional share, pay the holder thereof an amount in cash equal to the fair market value of such fractional share on the date of conversion, as determined in good faith by the Board of Directors.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Preferred Stock pursuant to this Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of such Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of such series of Preferred Stock.

(h) **Notices of Record Date.** In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Preferred Stock, at least 10 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(i) **Reservation of Stock Issuable Upon Conversion.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of each series of Preferred Stock that is convertible into Common Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of such series of Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of such series of Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Restated Certificate.

(j) **Notices.** Any notice required by the provisions of this Section 4 to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the U.S. mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Corporation.

5. Voting Rights.

(a) **General Voting Rights.** Except as expressly provided by this Restated Certificate or as provided by law, the holders of Preferred Stock shall have the same voting rights as the holders of the Common Stock and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation, and the holders of Common Stock and the holders of Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock shall vote together as a single class on all matters. Each holder of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock could be converted. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(b) Voting for the Election of Directors.

(i) So long as 987,305 shares (as adjusted for stock splits, stock dividends, reclassification and the like) of Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock, collectively, are outstanding, the holders of a majority of the outstanding Series A Preferred Stock and Series B Preferred Stock, voting together as a single class on an as-converted basis, shall be entitled to vote to elect one (1) director of the Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such director, the "Series Seed/A/B Director") and shall be entitled to remove any Series Seed/A/B Director at each meeting and in each written consent of the Corporation whereby directors are removed. So long as 1,000,000 shares (as adjusted for stock splits, stock dividends, reclassification and the like) of Series C Preferred Stock are outstanding, the holders of a majority of the outstanding Series C Preferred Stock, voting together as a separate class, shall

be entitled to vote to elect one (1) director of the Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such director, the "Series C Director") and shall be entitled to remove any Series C Director at each meeting and in each written consent of the Corporation whereby directors are removed. So long as 1,000,000 shares (as adjusted for stock splits, stock dividends, reclassification and the like) of Series C-1 Preferred Stock are outstanding, the holders of a majority of the outstanding Series C-1 Preferred Stock, voting together as a separate class, shall be entitled to vote to elect one (1) director of the Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such director, the "Series C-1 Director"). So long as 1,000,000 shares (as adjusted for stock splits, stock dividends, reclassification and the like) of Series D Preferred Stock are outstanding, the holders of a majority of the outstanding Series D Preferred Stock, voting together as a separate class, shall be entitled to vote to elect one (1) director of the Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such director, the "Series D Director", and together with the Series Seed/A/B Director, the Series C Director and the Series C-1 Director, the "Preferred Directors"). The holders of a majority of the outstanding Common Stock (voting as a separate class) shall be entitled to elect four (4) directors of this Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such directors, the "Common Directors") and shall be entitled to remove the Common Directors at each meeting and in each written consent of the Corporation whereby such director is removed. The holders of a majority of the Common Stock issued and outstanding, voting separately as a single class, and the holders of a majority of the Common Stock issuable upon a conversion of the Preferred Stock, voting separately as a single class, shall be entitled to elect one (1) director of this Corporation at each meeting and in each written consent whereby directors of the Corporation are elected (such director, the "General Director") and shall be entitled to remove the General Director at each meeting and in each written consent of the Corporation whereby such director is removed.

(ii) Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the General Corporation Law, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of this Restated Certificate, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; *provided, however*, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board's action to fill such vacancy by voting for their own designee to fill such vacancy (i) at a meeting of the Corporation's stockholders or (ii) via written consent, if the consenting stockholders hold a sufficient number of shares to elect their designee; *provided further* that, notwithstanding the foregoing, any vacancy in the seat on the Board of Directors held by the Series C-1 Director shall be filled only by vote or written consent in lieu of a meeting of the holders of Series C-1 Preferred Stock in accordance with Subsection 5(b)(i) above, except that, for administrative convenience, the initial Series C-1 Director may be appointed by the Board of Directors in connection with the approval of the initial issuance of Series C-1 Preferred Stock without a separate action by the holders of Series C-1 Preferred Stock notwithstanding the provisions of Sections 223(a)(1) and 223(a)(2) of the Delaware General Corporation Law; *provided further* that, notwithstanding the foregoing, any vacancy in the seat on the Board of Directors held by the Series D Director shall be filled only by vote or written consent in lieu of a meeting of the holders of Series D Preferred Stock in accordance with Subsection 5(b)(i) above, except that, for administrative convenience, the initial Series D Director may be appointed by the Board of Directors in connection with the approval of the initial issuance of Series D Preferred Stock without a separate action by the holders of Series D Preferred Stock notwithstanding the provisions of Sections 223(a)(1) and 223(a)(2) of the Delaware General Corporation Law. Any director who shall have been elected by the holders of a class or series of stock may be removed during the aforesaid term of office, either with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect

such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to unanimous written consent.

(c) **Vote Limited Investor Restrictions.** Notwithstanding anything to the contrary in this Certificate of Incorporation, any shares of Common Stock or Preferred Stock held directly or indirectly (which shall include, for the avoidance of doubt, any such shares held through a subsidiary) by a Vote Limited Investor (as defined below) shall be entitled to a maximum aggregate number of votes such that the aggregate shares held directly or indirectly (which shall include, for the avoidance of doubt, any such shares held through a subsidiary) by a particular Vote Limited Investor would be entitled to no more than 4.99% of the aggregate voting power of all shares of Common Stock and Preferred Stock (or in the case of matters presented to a particular class or series of stock of the Corporation, to no more than 4.99% of the aggregate voting power of all shares of such class or series) with respect to any matter presented to the stockholders of the Corporation (or stockholders of any particular class or series of stock of the Corporation) for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting) including, for the avoidance of doubt, any election of members of the Board. For purposes of this Section 5, the term "Vote Limited Investor" shall mean any investment company registered under the Investment Company Act of 1940, as amended. The provisions of this Section 5 shall not be amended, terminated or waived without the consent of each Vote Limited Investor then holding capital stock of the Corporation.

6. Protective Provisions.

(a) So long as at least 3,000,000 shares (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) of Preferred Stock are outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least 65% of the then-outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis:

(i) liquidate, dissolve or wind-up the business and affairs of the Corporation, effect a Liquidation Transaction or consent, agree or commit to or enter into a definitive agreement therefor;

(ii) alter or change the rights, preferences or privileges of the Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, and Series D Preferred Stock, so as to affect adversely the rights of the Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series C-1 Preferred Stock, or Series D Preferred Stock;

(iii) declare or pay a dividend or other distribution with respect to any shares of the Corporation's capital stock;

(iv) redeem, purchase or otherwise acquire (or pay into or set aside funds for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock; *provided, however*, that this restriction shall not apply to (A) the repurchase of shares of Common Stock at (or below) the original cost thereof from employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements either (x) in effect as of the Purchase Date, or (y) approved by the Board of Directors, including at least one of the Preferred Directors, in each case under which the Corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment, or (B) through the exercise (as approved by the Board of Directors, including at least one of the Preferred Directors) of any right of first refusal;

- (v) incur or guarantee any debt (outside of the ordinary course of business) in excess of \$1,000,000;
 - (vi) change the number of authorized directors;
 - (vii) amend, alter or repeal any provision of this Restated Certificate or Bylaws of the Corporation;
 - (viii) increase or decrease (other than by conversion) the total number of authorized shares of Preferred Stock (or any series thereof) or Common Stock;
 - (ix) authorize or designate, or obligate itself to issue, any other equity security, including any security (other than the series of Preferred Stock authorized by this Restated Certificate) convertible into or exercisable for any equity security, having rights, powers or preferences over, or being on a parity with, any series of Preferred Stock authorized by this Restated Certificate, including with respect to voting (other than the pari passu voting rights of Common Stock), dividends, redemption, conversion or upon liquidation;
 - (x) issue shares of capital stock of a subsidiary of the Corporation to any third party other than to (A) the Corporation or (B) another entity in which the Corporation owns 100% of such entity's equity securities (including all derivative securities and securities directly or indirectly convertible into, or exchangeable or exercisable for, equity securities);
 - (xi) initiate a sale of the Corporation's Common Stock in a public offering, whether pursuant to a registration statement under the Securities Act or by listing such Common Stock on a national securities exchange of the United States or any other country or otherwise, unless such public offering is a Qualified IPO approved by the Board of Directors; or
 - (xii) enter into any interested party transaction, unless approved by the disinterested members of the Board of Directors (including at least three (3) Preferred Directors elected by holders of Preferred Stock pursuant to Section 5(b)(i) above who are disinterested);
- (b) So long as at least 1,000,000 shares (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) of Series C Preferred Stock are outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then-outstanding shares of Series C Preferred Stock, voting together as a separate class:
- (i) increase or decrease (other than by conversion) the total number of authorized shares of Series C Preferred Stock;
 - (ii) redeem, purchase or otherwise acquire (or pay into or set aside funds for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock, or declare or pay a dividend or other distribution with respect to any shares of the Corporation's capital stock, unless such redemption, purchase or other acquisition, or such declaration, dividend payment or other distribution, is also made, on a pari passu basis, to each holder of Series C Preferred Stock; *provided, however*, that these restrictions shall not apply to the repurchase of shares of Common Stock at (or below) the original cost thereof from employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment, or through the exercise of any right of first refusal; or

(iii) alter or change the rights, preferences or privileges of the Series C Preferred Stock so as to affect adversely the rights of the Series C Preferred Stock. For clarity, the following shall not, in and of itself, be deemed to require approval pursuant to the preceding sentence: the authorization or issuance of additional shares of Preferred Stock (including shares of one or more series of Preferred Stock) having rights senior to or on parity with the existing Preferred Stock.

(c) So long as at least 1,000,000 shares (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) of Series C-1 Preferred Stock are outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then-outstanding shares of Series C-1 Preferred Stock, voting together as a separate class:

(i) increase or decrease (other than by conversion) the total number of authorized shares of Series C-1 Preferred Stock;

(ii) redeem, purchase or otherwise acquire (or pay into or set aside funds for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock, or declare or pay a dividend or other distribution with respect to any shares of the Corporation's capital stock, unless such redemption, purchase or other acquisition, or such declaration, dividend payment or other distribution, is also made, on a pari passu basis, to each holder of Series C-1 Preferred Stock; *provided, however*, that these restrictions shall not apply to (A) the repurchase of shares of Common Stock at (or below) the original cost thereof from employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements either (x) in effect as of the Purchase Date, or (y) approved by the Board of Directors, including at least one of the Preferred Directors, in each case under which the Corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment, or (b) through the exercise (as approved by the Board of Directors, including at least one of the Preferred Directors) of any right of first refusal; or

(iii) alter or change the rights, preferences or privileges of the Series C-1 Preferred Stock so as to affect adversely the rights of the Series C-1 Preferred Stock. For clarity, but without limiting the effect of Subsection 6(a)(ix) above, the following shall not, in and of itself, be deemed to require approval pursuant to the preceding sentence: the authorization or issuance of additional shares of Preferred Stock (including shares of one or more series of Preferred Stock) having rights senior to or on parity with the existing Preferred Stock.

(d) So long as at least 1,000,000 shares (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) of Series D Preferred Stock are outstanding, the Corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then-outstanding shares of Series D Preferred Stock, voting together as a separate class:

(i) alter or change the rights, preferences or privileges of the Series D Preferred Stock so as to affect adversely the rights of the Series D Preferred Stock. For clarity, but without limiting the effect of Subsection 6(a)(ix) above, the following shall not, in and of itself, be deemed to require approval pursuant to the preceding sentence: the authorization or issuance of additional shares of Preferred Stock (including shares of one or more series of Preferred Stock) having rights senior to or on parity with the existing Preferred Stock;

(ii) increase or decrease (other than by conversion) the total number of authorized shares of Series D Preferred Stock;

(iii) redeem, purchase or otherwise acquire (or pay into or set aside funds for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock, or declare or pay a dividend or other distribution with respect to any shares of the Corporation's capital stock, unless such redemption, purchase or other acquisition, or such declaration, dividend payment or other distribution, is also made, on a pari passu basis, to each holder of Series D Preferred Stock; *provided, however*, that these restrictions shall not apply to (A) the repurchase of shares of Common Stock at (or below) the original cost thereof from employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements either (x) in effect as of the Purchase Date, or (y) approved by the Board of Directors, including at least one of the Preferred Directors, in each case under which the Corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment, or (b) through the exercise (as approved by the Board of Directors, including at least one of the Preferred Directors) of any right of first refusal; or

(iv) amend or alter the definition of Qualified IPO to reduce the dollar thresholds included in the definition.

7. Status of Converted Stock. In the event any shares of Preferred Stock shall be converted pursuant to Section 4 hereof, the shares so converted shall be cancelled and shall not be issuable by the Corporation. This Restated Certificate shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

(C) Common Stock.

1. **Dividend Rights.** Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. **Liquidation Rights.** Upon the liquidation, dissolution or winding up of the Corporation, or the occurrence of a Liquidation Transaction, the assets of the Corporation shall be distributed as provided in Section 2 of Article IV(B).

3. **Redemption.** The Common Stock is not mandatorily redeemable.

4. **Voting Rights.** Each holder of Common Stock shall have the right to one vote per share of Common Stock, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of stock of the Corporation representing a majority of the votes represented by all outstanding shares of stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law.

ARTICLE V

Except as otherwise set forth herein, the Board of Directors of the Corporation is expressly authorized to make, alter or repeal Bylaws of the Corporation.

ARTICLE VI

Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

ARTICLE VII

(A) To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(B) The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation.

(C) Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of the Corporation's Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "Excluded Opportunity," is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation. Furthermore, no Fund (as defined below) shall be liable to the Corporation for any claim arising out of, or based upon, (i) the investment by the Fund in any entity competitive with the Corporation or (ii) actions taken by any advisor, partner, officer, or other representative of the Fund to assist any such competitive entity or otherwise. A "Fund" is an entity that is a holder of Preferred Stock and that is primarily in the business of investing in other entities, or an entity that manages such entity.

ARTICLE IX

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court of the District of Delaware, in all cases subject to the court's having

personal jurisdiction over the indispensable parties named as defendants) shall be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or the Corporation's stockholders, (C) any action or proceeding asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's Certificate of Incorporation or Bylaws or (D) any action or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine."

ARTICLE X

For purposes of Section 500 of the California Corporations Code (to the extent applicable), in connection with any repurchase of shares of Common Stock permitted under the Corporation's Certificate of Incorporation from employees, officers, directors or consultants of the Corporation in connection with a termination of employment or services pursuant to agreements or arrangements approved by the Board of Directors (in addition to any other consent required under the Corporation's Certificate of Incorporation), such repurchase may be made without regard to any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with such repurchase, the amount of any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined therein) shall be deemed to be zero (0).

* * *

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The foregoing Amended and Restated Certificate of Incorporation has been duly adopted by this corporation's Board of Directors and stockholders in accordance with the applicable provisions of Sections 228, 242 and 245 of the Delaware General Corporation Law.

Executed at San Carlos, California, on December 28, 2018.

/s/ David Girouard
David Girouard, President

**AMENDED AND RESTATED BYLAWS
OF
UPSTART HOLDINGS, INC.**

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AMENDED AND RESTATED BYLAWS

OF

UPSTART HOLDINGS, INC.

ARTICLE I

CORPORATE OFFICES

1.1 Offices.

In addition to the corporation's registered office set forth in the certificate of incorporation, the Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place Of Meetings.

Meetings of stockholders shall be held at any place, within or outside the state of Delaware, designated by the Board of Directors. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law. In the absence of any such designation or determination, stockholders' meetings shall be held at the registered office of the corporation.

2.2 Annual Meeting.

The annual meeting of stockholders shall be held on such date, time and place, either within or without the state of Delaware, as may be designated by resolution of the Board of Directors each year. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 Special Meeting.

A special meeting of the stockholders may be called at any time by the Board of Directors, the chairperson of the board, the chief executive officer, the president or by one or more stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the chairperson of the board, the chief executive officer or the president, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by email, fax, telegraphic or other facsimile or electronic transmission to the chairperson of the board, the chief executive officer, the president, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 Notice Of Stockholders' Meetings.

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than 10 nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place (if any), date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 Manner Of Giving Notice; Affidavit Of Notice.

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic mail or other electronic transmission, in the manner provided in Section 232 of the Delaware General Corporation Law. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 Quorum.

The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairperson of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, shall have power to adjourn the meeting to another place (if any), date or time.

2.7 Adjourned Meeting; Notice.

When a meeting is adjourned to another place (if any), date or time, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place (if any), thereof and the means of remote communications (if any) by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting the

corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the place (if any), date and time of the adjourned meeting and the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Organization; Conduct of Business.

(a) Such person as the Board of Directors may have designated or, in the absence of such a person, the chief executive officer, or in his or her absence, the president or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairperson of the meeting. In the absence of the secretary of the corporation, the secretary of the meeting shall be such person as the chairperson of the meeting appoints.

(b) The Chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The date and time of opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.9 Voting.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these bylaws, subject to the provisions of Sections 217 and 218 of the Delaware General Corporation Law (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

2.10 Waiver Of Notice.

Whenever notice is required to be given under any provision of the Delaware General Corporation Law or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice, or any waiver of notice by electronic transmission, unless so required by the certificate of incorporation or these bylaws.

2.11 Stockholder Action By Written Consent Without A Meeting.

Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is (i) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and (ii) delivered to the corporation in accordance with Section 228(a) of the Delaware General Corporation Law.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated consent is delivered to the corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner prescribed in this Section. A telegram, cablegram, electronic mail or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for purposes of this Section to the extent permitted by law. Any such consent shall be delivered in accordance with Section 228(d)(1) of the Delaware General Corporation Law.

Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing (including by electronic mail or other electronic transmission as permitted by law). If the action which is consented to is such as would have required the filing of a certificate under any section of the Delaware General Corporation Law if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the Delaware General Corporation Law.

2.12 Record Date For Stockholder Notice; Voting; Giving Consents.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent (including consent by electronic mail or other electronic transmission as permitted by law) is delivered to the corporation.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, if such adjournment is for 30 days or less; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.13 Proxies.

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by an instrument in writing or by an electronic transmission permitted by law filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, facsimile, electronic or telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the Delaware General Corporation Law.

ARTICLE III

DIRECTORS

3.1 Powers.

Subject to the provisions of the Delaware General Corporation Law and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 Number Of Directors.

The number of directors constituting the entire Board of Directors is 5. This number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before such director's term of office expires.

3.3 Election, Qualification And Term Of Office Of Directors.

Except as provided in Section 3.4 of these bylaws, and unless otherwise provided in the certificate of incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise specified in the certificate of incorporation, elections of directors need not be by written ballot.

3.4 Resignation And Vacancies.

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the Delaware General Corporation Law, any vacancy or newly created directorship may be filled by a majority of the directors then in office (including any directors that have tendered a resignation effective at a future date), though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy or newly created directorship occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board of Directors' action to fill such vacancy or newly created directorship by (i) voting for their own designee to fill such vacancy or newly created directorship at a meeting of the corporation's stockholders or (ii) written consent, if the consenting stockholders hold a sufficient number of shares to elect their designee at a meeting of the stockholders.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the Delaware General Corporation Law of.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the Delaware General Corporation Law as far as applicable.

3.5 Place Of Meetings; Meetings By Telephone.

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the state of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 Special Meetings; Notice.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairperson of the board, the chief executive officer, the president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail, facsimile, electronic transmission, or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least 4 days before the time of the holding of the meeting. If the notice is delivered personally or by facsimile, electronic transmission, telephone or telegram, it shall be delivered at least 24 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting. The notice need not specify the place of the meeting, if the meeting is to be held at the principal executive office of the corporation. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.8 Quorum.

At all meetings of the Board of Directors, a majority of the total number of duly elected directors then in office (but in no case less than 1/3 of the total number of authorized directors) shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 Waiver Of Notice.

Whenever notice is required to be given under any provision of the Delaware General Corporation Law or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.10 Board Action By Written Consent Without A Meeting.

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

3.11 Fees And Compensation Of Directors.

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 Approval Of Loans To Officers.

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 Removal Of Directors.

Unless otherwise restricted by statute, by the certificate of incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent; provided, however, that if the stockholders of the corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 Chairperson Of The Board Of Directors.

The corporation may also have, at the discretion of the Board of Directors, a chairperson of the Board of Directors who shall not be considered an officer of the corporation.

ARTICLE IV

COMMITTEES

4.1 Committees Of Directors.

The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate 1 or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting,

whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporate Law of Delaware to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the corporation.

4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings And Action Of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 Officers.

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the Board of Directors, a chief executive officer, a chief financial officer, a treasurer, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 Appointment Of Officers.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be appointed by the Board of Directors, subject to the rights (if any) of an officer under any contract of employment.

5.3 Subordinate Officers.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board of Directors may from time to time determine.

5.4 Removal And Resignation Of Officers.

Subject to the rights (if any) of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom the power of removal is conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights (if any) of the corporation under any contract to which the officer is a party.

5.5 Vacancies In Offices.

Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

5.6 Chief Executive Officer.

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the chairperson of the board (if any) the chief executive officer of the corporation (if such an officer is appointed) shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as chief executive officer shall also be the acting president of the corporation whenever no other person is then serving in such capacity.

5.7 President.

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the chairperson of the board (if any) or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as president shall also be the acting chief executive officer, secretary or treasurer of the corporation, as applicable, whenever no other person is then serving in such capacity.

5.8 Vice Presidents.

In the absence or disability of the chief executive officer and president, the vice presidents (if any) in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these bylaws, the president or the chairperson of the board.

5.9 Secretary.

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates (if any) evidencing such shares, and the number and date of cancellation of every certificate (if any) surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these bylaws. He or she shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these bylaws.

5.10 Chief Financial Officer.

The chief financial officer (if such an officer is appointed) and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The chief financial officer shall render to the chief executive officer, the president, or the Board of Directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the corporation. He or she shall have the general powers and duties usually vested in the office of chief financial officer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as the chief financial officer shall also be the acting treasurer of the corporation whenever no other person is then serving in such capacity. Subject to such supervisory powers (if any) as may be given by the Board of Directors to another officer of the corporation, the chief financial officer shall supervise and direct the responsibilities of the treasurer whenever someone other than the chief financial officer is serving as treasurer of the corporation.

5.11 Treasurer

The treasurer (if such an officer is appointed) shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records with respect to all bank accounts, deposit accounts, cash management accounts and other investment accounts of the corporation. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the corporation as may be ordered by the Board of Directors and shall render to the chief financial officer, the chief executive officer, the president or the Board of Directors, upon request, an account of all his or her transactions as treasurer. He or she shall have the general powers and duties usually vested in the office of treasurer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as the treasurer shall also be the acting chief financial officer of the corporation whenever no other person is then serving in such capacity.

5.12 Representation Of Shares Of Other Corporations.

The chairperson of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.13 Authority And Duties Of Officers.

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 Indemnification Of Directors And Officers.

The corporation shall, to the maximum extent and in the manner permitted by the Delaware General Corporation Law, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (a) who is or was a director or officer of the corporation, (b) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 Indemnification Of Others.

The corporation shall have the power, to the maximum extent and in the manner permitted by the Delaware General Corporation Law, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the corporation, (b) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 Payment Of Expenses In Advance.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 Indemnity Not Exclusive.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the certificate of incorporation

6.5 Insurance.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the Delaware General Corporation Law.

6.6 Conflicts.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the certificate of incorporation, these bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 Maintenance And Inspection Of Records.

The corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in each such stockholder's name, shall be open to the examination of any such stockholder for a period of at least 10 days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

7.2 Inspection By Directors.

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VIII

GENERAL MATTERS

8.1 Checks.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 Execution Of Corporate Contracts And Instruments.

The Board of Directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 Stock Certificates and Notices; Uncertificated Stock; Partly Paid Shares.

The shares of the corporation may be certificated or uncertificated, as provided under Delaware law, and shall be entered in the books of the corporation and recorded as they are issued. Any or all of the signatures on any certificate may be a facsimile or electronic signature. In case any officer, transfer agent or registrar who has signed or whose facsimile or electronic signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Within a reasonable time after the issuance or transfer of uncertificated stock and upon the request of a stockholder, the corporation shall send to the record owner thereof a written notice that shall set forth the name of the corporation, that the corporation is organized under the laws of Delaware, the name of the stockholder, the number and class (and the designation of the series, if any) of the shares, and any restrictions on the transfer or registration of such shares of stock imposed by the corporation's certificate of incorporation, these bylaws, any agreement among stockholders or any agreement between stockholders and the corporation. The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate (if any) issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 Special Designation On Certificates and Notices of Issuance.

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated shares; provided, however, that, except as otherwise provided in Section 202 of the Delaware General Corporation Law, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated stock, or the purchase agreement for such stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 Lost Certificates.

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or notice of uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 Dividends.

The directors of the corporation, subject to any restrictions contained in (a) the Delaware General Corporation Law or (b) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 Fiscal Year.

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 Transfer Restrictions

Notwithstanding anything to the contrary, except as expressly permitted in this Section 8.9, a stockholder shall not Transfer (as such term is defined below) any shares of the corporation's stock (or any rights of or interests in such shares) to any person unless such Transfer is approved by the Board of Directors prior to such Transfer, which approval may be granted or withheld in the Board of Directors' sole and absolute discretion. "Transfer" shall mean, with respect to any security, the direct or indirect assignment, sale, transfer, tender, pledge, hypothecation, or the grant, creation or suffrage of a lien or encumbrance in or upon, or the gift, placement in trust, or the Constructive Sale (as such term is defined below) or other disposition of such security (including transfer by testamentary or intestate succession, merger or

otherwise by operation of law) or any right, title or interest therein (including, but not limited to, any right or power to vote to which the holder thereof may be entitled, whether such right or power is granted by proxy or otherwise), or the record or beneficial ownership thereof, the offer to make such a sale, transfer, Constructive Sale or other disposition, and each agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing. "Constructive Sale" shall mean, with respect to any security, a short sale with respect to such security, entering into or acquiring an offsetting derivative contract with respect to such security, entering into or acquiring a futures or forward contract to deliver such security, or entering into any other hedging or other derivative transaction that has the effect of materially changing the economic benefits and risks of ownership. Any purported Transfer of any shares of the corporation's stock effected in violation of this Section 8.9 shall be null and void and shall have no force or effect and the corporation shall not register any such purported Transfer.

Any stockholder seeking the approval of the Board of Directors of a Transfer of some or all of its shares shall give written notice thereof to the Secretary of the corporation that shall include: (a) the name of the stockholder; (b) the proposed transferee; (c) the number of shares of the Transfer of which approval is thereby requested; and (d) the purchase price (if any) of the shares proposed for Transfer. The corporation may require the stockholder to supplement its notice with such additional information as the corporation may request.

Certificates representing, and in the case of uncertificated securities, notices of issuance with respect to, shares of stock of the corporation shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

THE TRANSFER OF THE SECURITIES REFERENCED HEREIN IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS SET FORTH IN THE COMPANY'S BYLAWS, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS. THE COMPANY SHALL NOT REGISTER OR OTHERWISE RECOGNIZE OR GIVE EFFECT TO ANY PURPORTED TRANSFER OF SECURITIES THAT DOES NOT COMPLY WITH SUCH TRANSFER RESTRICTIONS.

The corporation shall take all such actions as are practicable to cause the certificates representing, and notices of issuance with respect to, shares that are subject to the restrictions on transfer set forth in this Section to contain the foregoing legend.

The foregoing transfer restrictions set forth in this Section 8.9 shall not apply to any sale of shares of the corporation's Preferred Stock (or shares of Common Stock issued upon conversion of Preferred Stock) to the extent such sale is made in accordance with the provisions set forth in the certificate of incorporation, any agreements between the corporation and the holder of such Preferred Stock (or shares of Common Stock issued upon conversion of Preferred Stock) and applicable law.

8.10 Transfer Of Stock.

Upon receipt by the corporation or the transfer agent of a corporation of proper transfer instructions from the record holder of uncertificated shares or upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate or, in the case of uncertificated securities and upon request, a notice of issuance of shares, to the person entitled thereto, cancel the old certificate (if any), and record the transaction in its books.

8.11 Stock Transfer Agreements.

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the Delaware General Corporation Law.

8.12 Stockholders of Record.

The corporation shall be entitled to recognize the exclusive right of a person recorded on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person recorded on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

8.13 Facsimile or Electronic Signature.

In addition to the provisions for use of facsimile or electronic signatures elsewhere specifically authorized in these bylaws, facsimile or electronic signatures of any stockholder, director officer of the corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE IX

AMENDMENTS

The bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

UPSTART HOLDINGS, INC.
AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors' Rights Agreement (this "Agreement") is made and entered into as of December 31, 2018, by and among Upstart Holdings, Inc., a Delaware corporation (the "Company"), David Girouard (the "Founder"), the holders of outstanding Preferred Stock of the Company listed on Schedule 1 hereto (the "Existing Preferred Holders") and the purchasers of Series D Preferred Stock of the Company listed on Schedule 2 hereto (the "New Investors" and, together with the Existing Preferred Holders, the "Investors").

RECITALS

The Company, the Founder and the Existing Preferred Holders previously entered into an Amended and Restated Investors' Rights Agreement dated as of November 23, 2016 (the "Prior Agreement").

The Company and the New Investors have entered into a Series D Preferred Stock Purchase Agreement (the "Purchase Agreement") dated as of the date hereof, pursuant to which the Company desires to sell to the New Investors, and the New Investors desire to purchase from the Company, shares of the Company's Series D Preferred Stock (the "Series D Preferred Stock"). A condition to the New Investors' obligations under the Purchase Agreement is that the Company, the Founder, the Existing Preferred Holders and the New Investors enter into this Agreement in order to, among other things, provide the Investors (i) certain rights to register shares of the Company's common stock (the "Common Stock") issuable upon conversion of the Company's preferred stock (the "Preferred Stock") held by the Investors, (ii) certain rights to receive or inspect information pertaining to the Company, and (iii) a right of first offer with respect to certain issuances by the Company of its securities. The Company, the Founder and the Existing Preferred Holders desire to induce the New Investors to purchase shares of Series C-1 Preferred Stock pursuant to the Purchase Agreement by agreeing to the terms and conditions set forth below.

The Company, the Founder and the Existing Preferred Holders desire to amend and restate the Prior Agreement in its entirety as set forth herein.

AGREEMENT

The parties agree as follows:

A. Amendment of Prior Agreement; Waiver of Right of First Offer, Super Participation Rights and Additional Rights.

Pursuant to Section 5.4 of the Prior Agreement, effective and contingent upon execution of this Agreement by the Company, the holders of a majority of the Company's outstanding "Registrable Securities" (as defined in the Prior Agreement), the holders of at least a majority of the Founder's Shares held by individuals who are currently providing services to the Company as an employee, consultant or officer, the holders of a majority of the Registrable Securities currently

outstanding and held by the “Major Investors” (as defined in the Prior Agreement), and Third Point, the Prior Agreement is hereby amended and restated in its entirety to read as set forth in this Agreement, and the Company, the Founder, the Existing Preferred Holders and the New Investors shall be bound by the provisions hereof as the sole agreement of the Company, the Founder, the Existing Preferred Holders and the New Investors with respect to the subject matter hereof. The Existing Preferred Holders that are “Major Investors” (as defined in the Prior Agreement) hereby waive the right of first offer, including the notice requirements, set forth in Section 2.3 of the Prior Agreement, on behalf of themselves and all Major Investors, with respect to all issuances of Series D Preferred Stock by the Company. The Existing Preferred Holders hereof waive any “Additional Rights” set forth in Section 2.3 of the Prior Agreement with respect to all issuances of Series D Preferred Stock of the Company.

1. **Registration Rights.**

1.1 **Definitions.** For purposes of this Section 1:

(a) The term “Eaglewood Warrant Stock” means the Common Stock issued or issuable upon conversion of shares of the Company’s preferred stock issued or issuable upon exercise or conversion of certain Warrants to Purchase Stock issued by the Company to Eaglewood SPV I LP (“Eaglewood”) pursuant to the terms and conditions of that certain Warrant Agreement by and among Eaglewood and the Company dated on or about September 11, 2014.

(b) The term “Exchange Act” means the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

(c) The term “Form S-3” means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company’s subsequent public filings under the Exchange Act.

(d) The term “Founder’s Shares” means the shares of Common Stock issued to the Founder so long as the Founder is then serving as an employee, consultant or officer of the Company.

(e) The term “Holder” means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement.

(f) The term “Kordestani Warrant Stock” means the Common Stock issued or issuable upon conversion of shares of the Company’s Series B Preferred Stock issued or issuable upon exercise or conversion of that certain Warrant to Purchase Stock issued by the Company to The Omid Kordestani Revocable Trust on or about June 16, 2014.

(g) The term “Major Investor” has the meaning given to such term in Section 2.3 hereof.

(h) The term “Qualified IPO” means a public offering by the Company of shares of its Common Stock pursuant to a registration statement under the Securities Act of 1933, as amended, in connection with which all the then-outstanding shares of Preferred Stock are converted into shares of Common Stock pursuant to the Restated Certificate.

(i) The terms “register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(j) The term “Registrable Securities” means (i) the shares of Common Stock issuable or issued upon conversion of the Preferred Stock, other than shares for which registration rights have terminated pursuant to Section 1.15 hereof, (ii) the Founder’s Shares, provided, however, that for the purposes of Sections 1.2, 1.4, 1.13, 1.14 and 5.4 the Founder’s Shares shall not be deemed Registrable Securities and the Founder shall not be deemed a Holder, (iii) the Kordestani Warrant Stock, provided, however, that for purposes of Section 1.2, 1.13 and 5.4, the Kordestani Warrant Stock shall not be deemed Registrable Securities, and The Omid Kordestani Revocable Trust shall not be deemed an Investor, (iv) the WMS Warrant Stock, provided, however, that for purposes of Section 1.2, 1.13 and 5.4, the WMS Warrant Stock shall not be deemed Registrable Securities, and WMS Income Opportunity Fund, LLC shall not be deemed an Investor (v) the Eaglewood Warrant Stock, provided, however, that for purposes of Section 1.2, 1.13 and 5.4, the Eaglewood Warrant Stock shall not be deemed Registrable Securities, and Eaglewood shall not be deemed an Investor, (vi) the Soros Warrant Stock, provided, however, that for purposes of Section 1.2, 1.13 and 5.4, the Soros Warrant Stock shall not be deemed Registrable Securities, and Soros shall not be deemed an Investor, (vii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i) and (ii), and (viii) any other Common Stock held by an Investor or any Common Stock issuable upon conversion, exercise or exchange of any derivative securities held by an Investor; provided, however, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which such person’s rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as (A) they have not been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, (B) they have not been sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, or (C) the Holder thereof is entitled to exercise any right provided in Section 1 in accordance with Section 1.12 below.

(k) The number of shares of “Registrable Securities then outstanding” shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

(l) The term “Restated Certificate” means the Company’s Amended and Restated Certificate of Incorporation as such Amended and Restated Certificate of Incorporation may be amended from time to time.

(m) The term “SEC” means the U.S. Securities and Exchange Commission.

(n) The term “Securities Act” means the U.S. Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

(o) The term “Soros Warrant Stock” means the Common Stock issued or issuable upon conversion of shares of the Company’s preferred stock issued or issuable upon exercise or conversion of certain Warrants to Purchase Stock issued by the Company to Quantum Partners LP (together with its affiliates, “Soros”) pursuant to the terms and conditions of that certain Warrant Agreement by and among Soros and the Company dated on or about November 10, 2014.

(p) The term “WMS Warrant Stock” means the Common Stock issued or issuable upon conversion of shares of the Company’s Series B Preferred Stock issued or issuable upon exercise or conversion of that certain Warrant to Purchase Stock issued by the Company to WMS Income Opportunity Fund, LLC on or about October 1, 2014.

1.2 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) the 5th anniversary of the Initial Closing (as defined in the Purchase Agreement), or (ii) six months after the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction), a written request from the Holders of at least a majority of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of at least such number of the Registrable Securities having an anticipated aggregate offering price, net of underwriting discounts and commissions, of at least \$5,000,000, then the Company shall, within 10 days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use its best efforts to file as soon as practicable, and in any event within 90 days of the receipt of such request, a registration statement under the Securities Act covering all Registrable Securities which the Holders request to be registered within 20 days of the mailing of such notice by the Company.

(b) If the Holders initiating the registration request hereunder (“Initiating Holders”) intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection 1.5(e)) enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the managing underwriters advise the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders

shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each participating Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company (the "Board"), it would be seriously detrimental to the Company and its holders of capital stock for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve-month period.

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) after the Company has effected 2 registrations pursuant to this Section 1.2 and such registrations have been declared or ordered effective;

(ii) during the period starting with the date 90 days prior to the Company's good faith estimate of the date of filing of, and ending on a date 90 days after the effective date of, a registration subject to Section 1.3 unless such offering is the initial public offering of the Company's securities, in which case, ending on a date 180 days after the effective date of such registration subject to Section 1.3; provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective; or

(iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4.

1.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for holders of capital stock other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within 20 days after mailing of such notice by the Company in accordance with Section 6.5, the Company shall, subject to the cut back provisions of Section 1.8 cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 **Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of at least a majority of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$1,000,000; (iii) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its holders of capital stock for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right more than once in any 12-month period; (iv) if the Company has, within the 12-month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.4; (v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; (vi) if the Company has already effected 3 registrations on Form S-3 for the Holders pursuant to this Section 1.4; or (vii) during the period ending 180 days after the effective date of a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for 120 days.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and

substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters.

1.6 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b), whichever is applicable.

1.7 Expenses of Registration.

(a) **Demand Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Section 1.2, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, conditioned or delayed, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2 ; provided further, however, that if at the time of such withdrawal, the Holders (i) have learned of a material adverse change in the condition, business, or prospects of the Company that was not known to the Holders at the time of their request and (ii) have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall not forfeit their rights pursuant to Section 1.2.

(b) **Company Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications of Registrable Securities pursuant to Section 1.3 for each Holder (which right may be assigned as provided in Section 1.12), including (without limitation) all registration, filing, and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, conditioned or delayed, shall be borne by the Company.

(c) **Registration on Form S-3.** All expenses incurred in connection with a registration requested pursuant to Section 1.4, including (without limitation) all registration, filing, qualification, printers' and accounting fees and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, conditioned or delayed, and counsel for the Company, and any underwriters' discounts or commissions associated with Registrable Securities, shall be borne pro rata by the Holder or Holders participating in the Form S-3 registration.

1.8 **Underwriting Requirements.** In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the managing underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by holders of capital stock to be included in such offering exceeds the amount of securities sold other than by the Company that the managing underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the managing underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling security holders according to the total amount of securities entitled to be included therein owned by each selling security holder or in such other proportions as shall mutually be agreed to by such selling security holders) but in no event shall (a) the amount of securities of the selling Holders included in the offering be reduced below 20% of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities, in which case, all Registrable Securities may be excluded if the managing underwriters advise the Company in writing that marketing factors require a limitation of the number of securities to be underwritten or (b) any securities held by a Founder be included if any securities held by any selling Holder are excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling security holder which is a holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and holders of capital stock of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling security holder," and any pro-rata reduction with respect to such "selling security holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling security holder," as defined in this sentence.

1.9 **Delay of Registration.** No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 **Indemnification.** In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and security holders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; provided further, that the foregoing indemnity agreement shall not apply to or inure to the benefit of any Holder with respect to a public offering of the Company's securities to the extent such Holder is or was (x) a director of the Company or (y) an "officer" of the Company, as defined in Rule 16a-1 of the Exchange Act, in each case at any time during the period commencing 90 days prior to the filing of the final prospectus for such public offering of the Company's securities and ending on the closing of such public offering of the Company's securities. For purposes of clarity, the parties hereto acknowledge and agree that the preceding sentence shall not in any way limit any Company officer's or director's rights with respect to indemnification that are set forth in any other indemnification agreement between the Company and such officer or director.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b),

in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided that in no event shall any indemnity under this subsection 1.10(b) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.10, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided that in no event shall any contribution by a Holder under this Subsection 1.10(d) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 **Reports Under the Exchange Act.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 **Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (a) of at least 50% of the transferring Holder's aggregate Registrable Securities originally obtained from the Company (or if the transferring Holder then owns less than 50% of such originally acquired securities, then all remaining Registrable Securities then held by the transferring Holder), (b) that is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or holder of capital stock of a Holder, (c) that is an affiliated fund or entity of the Holder, which means with respect to a limited liability company or a limited liability partnership, such entity's principal or a fund or entity managed by or under common control (either directly or indirectly) with such entity or such entity's principal, including but not limited to, the same manager or managing member or general partner or management company or any venture capital fund or entity now or hereinafter existing that is

controlling, controlled by, or under common control with such manager or managing member or general partner or management company (such a fund or entity, an “Affiliated Fund”), (d) who is a Holder’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (such a relation, a Holder’s “Immediate Family Member”, which term shall include adoptive relationships), or (e) that is a trust for the benefit of an individual Holder or such Holder’s Immediate Family Member, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (i) a partnership who are partners or retired partners of such partnership or (ii) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 **Limitations on Subsequent Registration Rights.** From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.2 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in subsection 1.2(a) or within 120 days of the effective date of any registration effected pursuant to Section 1.2.

1.14 **Lock-Up Agreement.**

(a) **Lock-Up Period; Agreement.** In connection with the initial public offering of the Company’s securities and upon request of the Company or the underwriters managing such offering of the Company’s securities, Holder hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company held immediately before the effective date of the registration statement for such offering (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for 180 days from the effective date of such registration statement and to execute an agreement reflecting the foregoing as may be requested by the managing underwriters at the time of the Company’s initial public offering. Notwithstanding the foregoing, if during the last 17 days of the restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the 16-day

period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this subsection shall continue to apply until the end of the third trading day following the expiration of the 15-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond 216 days after the effective date of the registration statement. The foregoing provisions of this Section 1.14 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement or the sale of any shares purchased in the Company's initial public offering (other than any issuer-directed shares purchased in such offering by an officer or director) or in the open market following the initial public offering. The underwriters in connection with the offering are intended third-party beneficiaries of this Section 1.14 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto.

(b) **Limitations.** The obligations described in Section 1.14(a) shall apply only if all officers, directors and 1% securityholders of the Company enter into similar agreements, and shall not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act. Any discretionary waiver or termination of the restrictions of any or all of the agreements referenced in Section 1.14(a) or this Section 1.14(b) by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

(c) **Stop-Transfer Instructions.** In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions in Section 1.14(a)).

(d) **Transferees Bound.** Each Holder agrees that prior to the Company's initial public offering it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.14.

1.15 **Termination of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (a) four years following the consummation of a Qualified IPO, (b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a three-month period without registration, or (c) upon termination of this Agreement, as provided in Section 4.

2. **Covenants of the Company.**

2.1 **Delivery of Financial Statements.** The Company shall deliver to each Major Investor (as hereinafter defined) (other than a Major Investor reasonably deemed by the Board to be a Competitor (as defined in that certain Right of First Refusal and Co-Sale Agreement dated as of the date hereof between the Company and the security holders of the Company party thereto) of the Company (provided that a venture capital fund shall not be deemed a Competitor)):

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholders' equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in

accordance with generally accepted accounting principles (“GAAP”), and, unless otherwise approved by the Board, including a majority of the Preferred Directors (as defined in the Restated Certificate) elected by holders of Preferred Stock pursuant to Article IV.B.5(b)(i) of the Restated Certificate, audited and certified by independent public accountants of nationally recognized standing selected by the Company; and

(b) as soon as practicable, but in any event within 30 days after the end of each of the four quarters of each fiscal year of the Company, an unaudited profit or loss statement, statements of income and of cash flows for such fiscal quarter and an unaudited balance sheet, and a statement of stockholders’ equity as of the end of such fiscal quarter, prepared in accordance with GAAP;

(c) as soon as practicable, but in any event within 30 days after the end of each of the four quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(d) as soon as practicable, but in any event, 30 days before the end of each fiscal year, the Company shall deliver, a budget and business plan for the next fiscal year, approved by the Board and prepared on a monthly basis, including balance sheets, income statements and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company; and

(e) with respect to any unaudited financial statements called for in this Section 2.1, an instrument executed by the Chief Financial Officer or President of the Company and certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment, provided that the foregoing shall not restrict the right of the Company to change its accounting principles consistent with GAAP, if the Board determines that it is in the best interest of the Company to do so.

Notwithstanding anything else in this Section 2.1 to the contrary, the Company may cease providing the information set forth in this Section 2.1 during the period starting with the date 60 days before the Company’s good-faith estimate of the date of filing of a registration statement if it must do so to comply with rules of the U.S. Securities and Exchange Commission applicable to such registration statement and related offering; provided that the Company’s covenants under this Section 2.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

2.2 Inspection. The Company shall permit each Major Investor (except for a Major Investor reasonably deemed by the Board to be a Competitor of the Company (provided that a venture capital fund shall not be deemed a Competitor)), at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be privileged or a trade secret or similar confidential information.

2.3 Right of First Offer. Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its New Shares (as hereinafter defined). For purposes of this Agreement, a "Major Investor" shall mean any person who holds at least 141,043 shares of Series Seed Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like), 141,043 shares of Series A Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like), 1,000,000 shares of Series B Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like), 1,000,000 shares of Series C Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like), 1,000,000 shares of Series C-1 Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like), or 1,000,000 shares of Series D Preferred Stock (subject to adjustment for stock splits, stock dividends, reclassifications or the like) (including, for each series, all shares of Common Stock then issuable or issued upon conversion of such Preferred Stock). For purposes of this Section 2.3, the term "Major Investor" includes any general partners, managing members and affiliates of a person that is otherwise a Major Investor, including Affiliated Funds. A Major Investor who chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners or affiliates, including Affiliated Funds, in such proportions as it deems appropriate. Each time the Company proposes to offer any shares of, or securities of any type whatsoever that are, or may become, convertible, exchangeable into or exercisable for any shares of, any class of its capital stock (including, but not limited to, derivative securities or any rights, options or warrants to purchase any equity securities or any securities of any type whatsoever), whether or not currently authorized, and in each case, directly or indirectly ("New Shares"), the Company shall first make an offering of such New Shares to each Major Investor in accordance with the following provisions:

(a) **Procedures.** The Company shall deliver a notice (the "RFO Notice") to the Major Investors stating (i) its bona fide intention to offer such New Shares, (ii) the number of such New Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Shares.

(i) Within 15 calendar days after delivery of the RFO Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the RFO Notice, up to that portion of such New Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Major Investor bears to the sum of the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities). Such purchase shall be completed at the same closing as

that of any third party purchasers or at an additional closing thereunder. The Company shall promptly, in writing, inform each Major Investor that purchases all the shares available to it (each, a “Fully-Exercising Investor”) of any other Major Investor’s failure to do likewise. During the 10-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the New Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities) issued and held, or issuable upon conversion of the Preferred Stock then held, by all the Fully-Exercising Investors.

(ii) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(a) hereof, offer the remaining unsubscribed portion of the New Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the RFO Notice. If the Company does not enter into an agreement for the sale of the New Shares within such period, or if such agreement is not consummated within 60 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(b) Carve-outs. The right of first offer in this Section 2.3 shall only be applicable to the issuance of securities that are deemed to be “Additional Stock” (as such term is defined in the Restated Certificate), excluding any sales of Series D Preferred Stock pursuant to Section 1.2(c) of the Purchase Agreement.

(c) Accredited Investor. In addition to the foregoing, the right of first offer in this Section 2.3 shall not be applicable with respect to any Major Investor and any subsequent securities issuance, if (i) at the time of such subsequent securities issuance, the Major Investor is not an “accredited investor,” as that term is then defined in Rule 501(a) under the Securities Act, and (ii) such subsequent securities issuance is otherwise being offered only to accredited investors.

2.4 Observer Rights.

(a) The Company shall invite one representative designated by First Round Capital (“FRC”) to attend all meetings of its Board in a solely nonvoting observer capacity so long as FRC or its Affiliates own at least 50% of the Series A Preferred Stock originally purchased by it. The Company shall give such representative(s) copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative(s) shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such representative(s) from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or highly confidential information, or would constitute a conflict of interest, or if such Investor or its representative(s) is a competitor of the Company (provided that FRC shall not be deemed a competitor) (in each of the foregoing cases, as determined in good faith by the Company).

(b) The Company shall invite one representative designated by Third Point, LLC (“**Third Point**”) to attend all meetings of its Board in a solely nonvoting observer capacity so long as Third Point or its Affiliates own at least 50% of the Series C Preferred Stock originally purchased by Third Point and its Affiliates. The Company shall give such representative(s) copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative(s) shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such representative(s) from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or highly confidential information, or would constitute a conflict of interest, or if such Investor or its representative(s) is a competitor of the Company (provided that Third Point shall not be deemed a competitor) (in each of the foregoing cases, as determined in good faith by the Company), except that no such representative shall be so excluded from access to any material or meeting unless all other persons whose exclusion from such material or meeting would reasonably be necessary to preserve the attorney-client privilege, to protect such highly confidential proprietary information, or to prevent a conflict of interest, or who are also a competitor (each, as applicable), are so excluded.

(c) The Company shall invite one representative designated by Healthcare of Ontario Pension Plan Trust Fund (“**HOOPP**”) to attend all meetings of its Board in a solely nonvoting observer capacity so long as HOOPP and its Affiliates together own at least 50% of the Series D Preferred Stock originally purchased by HOOPP and its Affiliates. The Company shall give such representative(s) copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative(s) shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such representative(s) from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or highly confidential information, or would constitute a conflict of interest, or if such Investor or its representative(s) is a competitor of the Company (provided that HOOPP shall not be deemed a competitor) (in each of the foregoing cases, as determined in good faith by the Company), except that no such representative shall be so excluded from access to any material or meeting unless all other persons whose exclusion from such material or meeting would reasonably be necessary to preserve the attorney-client privilege, to protect such highly confidential proprietary information, or to prevent a conflict of interest, or who are also a competitor (each, as applicable), are so excluded.

2.5 **Proprietary Information Agreement**. Each future officer and employee shall enter into the Company’s standard form of confidential information and invention assignment agreement.

2.6 Stock Vesting. With respect to any shares of Common Stock issued or options to purchase Common Stock granted after the date hereof to any newly hired employee or consultant, unless otherwise stated herein or determined by the Board, including (a) at least one of the Preferred Directors (as defined in Article IV.B.5(b)(i) of the Restated Certificate) when there are two or fewer Preferred Directors then in office, or (b) a majority of the Preferred Directors then in office when there are more than two Preferred Directors in office, such shares or options will be subject to vesting no faster than the following: 25% after one year of service to the Company and thereafter, the remaining 75% of the shares or options shall vest monthly in equal installments over the next thirty-six (36) months. With respect to any shares of Common Stock issued or options to purchase Common Stock granted after the date hereof to any then-current employee or consultant, unless otherwise stated herein or determined by the Board, including (x) at least one of the Preferred Directors when there are two or fewer Preferred Directors then in office, or (y) a majority of the Preferred Directors then in office when there are more than two Preferred Directors in office, such shares or options will be subject to vesting no faster than monthly in equal installments over 48 months. The repurchase option for Common Stock issued or options to purchase Common Stock granted to employees, directors and consultants shall provide that upon termination of the services of the holder, with or without cause, the Company or its assignee (to the extent permissible under applicable securities law qualification) retains the option to repurchase, at the lesser of cost or fair market value, any unvested shares held by such holder. Unless otherwise approved by the Board, including a majority of the Preferred Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for a lock-up provision substantially similar to that in Section 1.14 hereof. In addition, unless otherwise approved by the Board, including a majority of the Preferred Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's Qualified IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

2.7 Qualified Small Business Stock. The Company shall use commercially reasonable efforts to cause the shares of Preferred Stock, as well as any shares into which such shares are converted, within the meaning of Section 1202(f) of the Internal Revenue Code (the "Code"), to constitute "qualified small business stock" as defined in Section 1202(c) of the Code; provided, however, that such requirement shall not be applicable if the Board determines, in its good-faith business judgment, that such qualification is inconsistent with the best interests of the Company. The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required under Section 1202(d)(1)(C) of the Code and the regulations promulgated thereunder. In addition, within twenty (20) business days after any Investor's written request therefor, the Company shall deliver to such Investor a written statement indicating whether (and what portion of) such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code.

2.8 Insurance. The Company shall use its commercially reasonable efforts to maintain, from financially sound and reputable insurers, directors and officers' liability insurance, each in an amount and on terms and conditions reasonably satisfactory to a majority of the Preferred Directors (as defined in the Restated Certificate) then in office, until such time as the Board (including a majority of the Preferred Directors then in office) determines that such insurance should be discontinued. The Company shall deliver upon request by any Preferred Director a current certificate evidencing such insurance.

2.9 Right to Conduct Activities. Notwithstanding anything to the contrary in this Agreement or any other agreement, contract, instrument, or obligation between or among Rakuten Europe S.á.r.l, or any of its Affiliates (collectively, "Rakuten") or Progressive Investment Company, Inc. or any of its Affiliates (collectively, "Progressive") on the one hand and the Company or any of the Company's Affiliates or subsidiaries on the other hand, the Company, on behalf of itself and each of its Affiliates and subsidiaries agrees that:

(a) Each of Rakuten and Progressive may disclose proprietary or confidential information of the Company ("Company Information") to any employee, officer, director, consultant, advisor, legal counsel, accountant, Affiliate, or other representative of Rakuten or Progressive, as the case may be (each of the foregoing persons, a "Permitted Disclosee"), so long as any Permitted Disclosee to whom such Company Information is disclosed is subject to confidentiality obligations similar in all material respects to any obligation Rakuten or Progressive, as applicable, may have to the Company (or the applicable Affiliate or subsidiary of the Company) not to disclose such Company Information to third parties or to use such information for any purpose other than those permitted pursuant to Section 5.1 below (such obligations, the "Nondisclosure Obligations"), and each of Rakuten and Progressive shall be free to use any such Company Information, subject to the Nondisclosure Obligations; and

(b) The Company acknowledges and agrees that each of Rakuten and Progressive (i) invests in numerous companies and carries out its respective businesses and operations, some of which may be deemed to be competitive with the Company's business and (ii) receives information from many sources and reviews and invests in many opportunities that may involve similar or competing technologies, products, or services as offered by the Company, which may include information that may be similar or identical to information (including the Company Information) disclosed to either Rakuten or Progressive by the Company, and neither this Agreement nor any disclosure of such Company Information as permitted by this Agreement or the Nondisclosure Obligations shall (A) obligate Rakuten or Progressive or any of their respective Permitted Disclosees to receive any information from, perform any work for or enter into any agreement with the Company or any of the Company's Affiliates or subsidiaries, (B) limit each of Rakuten and Progressive or any of their respective Permitted Disclosees from engaging in, developing, or operating any business itself or with any third party, entering into any agreement or business relationship with any third party, or evaluating, engaging in investment discussions with or investing in any third party, whether or not competitive with the Company or any of the Company's Affiliates or subsidiaries, provided that each of Rakuten and Progressive or any of their respective Permitted Disclosees do not violate the Nondisclosure Obligations, or (C) prevent each of Rakuten and Progressive or any of their respective Permitted Disclosees from making any disclosures required by law, rule (including, without limitation, any applicable securities exchange rules), regulation or court or other governmental order, provided that each of Rakuten and Progressive shall (x) comply with any applicable obligation or covenant within the Nondisclosure Obligations, (y) notify the Company or its applicable Affiliates and subsidiaries prior to making such compulsory disclosure and/or (z) cooperate with the Company or its applicable Affiliates and subsidiaries in seeking a protective order. Further, Progressive may offer (through referral or co-marketing arrangements, links on Progressive's website or other promotional methods) various products of third party providers that are competitive to the Company's products. Engaging in such activities as detailed in this Section 2.9(b) shall not alone deem Progressive to be a competitor of Company.

(c) If the Company determines that it is a “United States real property holding corporation” as defined in the Code and any applicable regulations promulgated thereunder, the Company shall (i) timely and properly file with the Internal Revenue Service all statements, if any, with its United States income tax returns which are required under such regulations and (ii) notify each Major Investor in writing of such determination within 10 business days of such determination.

3. **Restrictions on Transfer.**

3.1 **Limitations on Disposition.** Each record owner of Securities (as defined below), or any assignee of record of Securities (each such person, a “Securities Holder”) hereby agrees not to make any disposition of all or any portion of any Securities unless and until:

(a) there is then in effect a registration statement under the Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder (the “Securities Act”), covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) such Securities Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the proposed disposition, and, at the expense of such Securities Holder or its transferee, with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such securities under the Securities Act.

Notwithstanding the provisions of Sections 3.1(a) and (b) above, no such registration statement or opinion of counsel shall be required: (i) for any transfer of any Securities in compliance with SEC Rule 144 or Rule 144A, or (ii) for any transfer of any Securities by a Securities Holder that is a partnership, limited liability company, a corporation or a venture capital fund to (A) a partner of such partnership, a member of such limited liability company or stockholder of such corporation, (B) an affiliate of such partnership, limited liability company or corporation (including, without limitation, any affiliated investment fund of such Securities Holder), (C) a retired partner of such partnership or a retired member of such limited liability company, (D) the estate of any such partner, member or stockholder, or (iii) for the transfer by gift, will or intestate succession by any Securities Holder to his or her spouse or lineal descendants or ancestors or any trust for any of the foregoing; provided that in the case of clauses (ii) and (iii) the transferee agrees in writing to be subject to the terms of this Agreement to the same extent as if the transferee were an original Investor hereunder and in the case of clause (iii) the transfer was without additional consideration or at no greater than cost.

For purposes of this Section 3, the term “Securities” means shares of Common Stock of the Company issued or issuable pursuant to the conversion of the Preferred Stock and any shares of Common Stock of the Company issued as a dividend or other distribution with respect thereto or in exchange therefor or in replacement thereof.

4. **Termination of Agreement.**

4.1 **Termination Events.** This Agreement shall terminate and have no further force or effect upon the earlier of:

(a) the execution by the Company of a general assignment for the benefit of creditors or the appointment of a receiver or trustee to take possession of the property and assets of the Company; or

(b) the consummation of a transaction or series of related transactions deemed to be a liquidation, dissolution or winding up of the Company pursuant to the Restated Certificate (a "**Liquidation Transaction**"); *provided however*, that the covenants set forth in Section 2.1 shall survive a Liquidation Transaction in which the Major Investors receive consideration other than cash, publicly traded securities or any combination thereof in exchange for the Company securities then held by the Major Investors.

4.2 **Termination of Certain Covenants.** Each of the covenants set forth in Section 2 (with the exception of the covenants set forth in Sections 2.8 and 2.9, which shall survive termination) shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder (the "**Exchange Act**"), if this occurs earlier than the events described in Section 4.1.

5. **Miscellaneous.**

5.1 **Confidentiality.** Each Investor shall keep confidential and shall not disclose, divulge or use for any purpose (other than to monitor its investment in the Company or to comply with applicable regulation or applicable securities exchange requirements) any confidential information obtained from the Company pursuant to the terms of Sections 2.1 and 2.2 of this Agreement, unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 5.1 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company of which Investor is or should have been aware; provided, however, that an Investor may disclose confidential information (i) to its or its Affiliates' or principal's employees, officers, directors, attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 5.1; (iii) to any employee, director, principal, partner, member, stockholder of such Investor or its Affiliates in the ordinary course of business, provided that such Investor informs such person that such information is confidential and directs such person to maintain the confidentiality of such information; or (iv) as may otherwise be (x) required by law, including under a judicial or governmental order or in connection with a judicial or governmental proceeding, or (y) required or requested under any regulation or any regulatory or supervisory authority with authority over such Investor, provided that, to the extent permitted to do so under

applicable law, rule, regulation or order, the Investor promptly notifies the Company of such disclosure (other than in the case of where such disclosure is made in connection with an examination by any regulatory or supervisory authority) and takes reasonable steps to minimize the extent of any such required disclosure.

5.2 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersedes any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto.

5.3 **Successors and Assigns; Third Party Beneficiaries.** Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors, assigns and legal representatives of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors, assigns and legal representatives any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

5.4 **Amendments and Waivers.** Any term of this Agreement may be amended or waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and (a) the holders of at least 65% of the Company's outstanding Registrable Securities (or their respective successors and assigns), (b) except with respect to Section 2 hereof, the holders of at least a majority of the Founder's Shares then held by individuals who are then providing services to the Company as an employee, consultant or officer (or their respective successors and assigns), (c) with respect to Sections 2.1, 2.2 and 2.3, the holders of a majority of the Registrable Securities then outstanding and held by the Major Investors, (d) with respect to Section 2.4(b), Third Point, and (e) with respect to Section 2.4(c), HOOPP; *provided*, that if any amendment, waiver, discharge or termination operates in a manner that (x) treats any Investor differently than the other Investors, the consent of such Investor shall also be required for such amendment, waiver, discharge or termination and (y) with respect to Section 2.9, adversely affects Rakuten or Progressive, the consent of Rakuten or Progressive, as applicable, shall also be required for such amendment, waiver, discharge or termination. Notwithstanding the foregoing: (i) this Agreement may be amended with only the written consent of the Company for the sole purpose of including additional purchasers of Series D Preferred Stock as "Investors"; and (ii) in the event that the Founder ceases to be an employee, consultant or officer of the Company, he shall no longer be a party to this Agreement, and will execute all necessary documentation to that effect provided by the Company. Any amendment or waiver effected in accordance with this Section 5.4 shall be binding upon the Company, the Founder, the Investors, and each of their respective successors and assigns.

5.5 **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by overnight courier or sent by email or fax (upon customary confirmation of receipt), or forty-eight (48) hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address or fax number as set forth on the signature page or on Schedule 1 hereto, or as subsequently modified by written notice. If no electronic mail address or facsimile number is set forth on Schedule 1 for a party, the notices and communications given or made by electronic or facsimile shall not be deemed effectively given to such party, unless such party otherwise agrees to such notices and communications given or made by electronic mail or facsimile in writing.

5.6 **Aggregation of Stock.** All shares of capital stock of the Company held or acquired by Affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate. As used herein, “**Affiliate**” means, with respect to any specified person or entity, any other person or entity or group of persons or entities who, directly or indirectly, controls, is controlled by or is under common control with such first person or entity, including, without limitation, any general partner, managing member, officer or director of such first person or entity, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, such first person or entity.

5.7 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms.

5.8 **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the internal laws of the State of New York, without giving effect to principles of conflicts of law.

5.9 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Any signature page delivered electronically (including transmission by Portable Document Format or other fixed image form) shall be binding to the same extent as an original signature page.

5.10 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5.11 **Acknowledgments.** The Company acknowledges that certain of the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises that may have products or services that compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise, whether or not such enterprise has products or services that compete with those of the Company.

5.12 **Jurisdiction and Venue.** The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of Delaware and to the jurisdiction of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other

proceeding arising out of or based upon this Agreement except in the state courts of Delaware or the United States District Court for the District of Delaware, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each of the parties to this Agreement consents to personal jurisdiction for any equitable action sought in the U.S. District Court for the District of Delaware or any court of the State of Delaware having subject matter jurisdiction.

5.13 **WAIVER OF JURY TRIAL.** EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS HEREUNDER, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

[Signature Pages Follow]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

THE COMPANY:

UPSTART HOLDINGS, INC.

By: /s/ David Girouard

Name: David Girouard

Title: President

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

DAVID GIROUARD

By: /s/ David Girouard
(Signature)

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

RAKUTEN EUROPE S.Á.R.L.

By: /s/ Toshihiko Otsuka

Name: Toshihiko Otsuka

Title: Director and COO

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

THIRD POINT VENTURES LLC
as nominee for funds managed and/or advised by Third
Point LLC

By: THIRD POINT LLC, its Attorney-in-Fact

By: /s/ James P. Gallagher

Name: James P. Gallagher

Title: Chief Administrative Officer

Third Point Ventures LLC executes this signature page as nominee for funds managed and/or advised by Third Point LLC and not in its individual capacity.

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTORS:

KHOSLA VENTURES V, LP

By: Khosla Ventures Associates V, LLC, a Delaware limited liability company and general partner of Khosla Ventures V, LP

By: /s/ John Demeter

Name: John Demeter

Title: General Counsel

KHOSLA VENTURES SEED B, LP

By: Khosla Ventures Seed Associates B, LLC, a Delaware limited liability company and general partner of Khosla Ventures Seed B, LP

By: /s/ John Demeter

Name: John Demeter

Title: General Counsel

KHOSLA VENTURES SEED B (CF), LP

By: Khosla Ventures Seed Associates B, LLC, a Delaware limited liability company and general partner of Khosla Ventures Seed B (CF), LP

By: /s/ John Demeter

Name: John Demeter

Title: General Counsel

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

FIRST ROUND CAPITAL III, L.P.

as nominee for

First Round Capital III, L.P.

First Round Capital III-A, L.P.

First Round Capital III Partners Fund, L.P.

By: First Round Capital Management III L.P.,
Its General Partner

By: First Round Capital Management III LLC,
Its General Partner

By: /s/ Bill Trenchard

Name: Bill Trenchard

Title: Managing Partner

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

STONE RIDGE TRUST V
on behalf of its series Stone Ridge Alternative Risk
Premium Fund

By: /s/ Charles Nail

(Signature)

Name: Charles Nail

Title: Authorized Person of Stone Ridge Asset
Management

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

PROGRESSIVE INVESTMENT COMPANY, INC.

By: /s/ Patrick S. Brennan

(Signature)

Name: Patrick S. Brennan

Title: President

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

**HEALTHCARE OF ONTARIO PENSION PLAN
TRUST FUND**

By: /s/ Paul Kirk

(Signature)

Name: Paul Kirk

Title: Vice President, Short Term & Foreign
Exchange

By: /s/ Stephen Anderson

(Signature)

Name: Stephen Anderson

Title: Vice President, Equity Derivatives &
Collateral Management

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

FIRST NATIONAL BANK OF OMAHA

By: /s/ Michael A. Summers

(Signature)

Name: Michael A. Summers

Title: Chief Financial Officer

UPSTART HOLDINGS, INC. - AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM REASONABLY SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

Date of Issuance: _____

UPSTART HOLDINGS, INC.

PREFERRED STOCK PURCHASE WARRANT

Upstart Holdings, Inc., a Delaware corporation (the "Company"), for value received, hereby certifies that _____ (together with any successor or permitted assignee or transferee of this warrant or any shares issued upon exercise hereof, the "Registered Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at any time after the date hereof and on or before the Expiration Date (as defined below), shares of the series of the Company's preferred stock (the "Next Equity Securities") that the Company issues and sells in its next private equity financing yielding cash proceeds to the Company of at least \$2,000,000 (excluding the conversion of any then-outstanding convertible promissory notes or other convertible securities) (the "Next Equity Financing"), upon the terms and subject to the conditions applicable to the Next Equity Financing, the Company's Certificate of Incorporation and Bylaws as may be amended or restated from time to time and other corporate governing documents, as determined by the Company and its investors in the Next Equity Financing in their sole discretion. In the event that the initial closing of the Next Equity Financing does not occur on or before December 31, 2014, this Preferred Stock Purchase Warrant (this "Warrant") will become exercisable solely for shares of the Company's Series A Preferred Stock (together with any other series of the Company's preferred stock, "Preferred Stock"). Any such shares purchased pursuant to this Warrant shall have a purchase price per share of \$0.01 per share (subject to adjustment as provided herein).

The shares purchasable upon exercise of this Warrant, and the purchase price per share, as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Stock" and the "Purchase Price," respectively.

1. Number of Shares of Warrant Stock Purchasable. The parties acknowledge that _____ and the Company have entered into the Account Purchase and Sale Agreement dated on or about the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Purchase Agreement"). For every \$1,000,000 of Accounts purchased by the Trustee under the Loan Purchase Agreement on or prior to January 31, 2015, up to \$10,000,000, the Registered Holder shall be entitled to purchase up to the number of shares of Warrant Stock equal to the quotient obtained by dividing (A) \$100,000, by (B) the Applicable Price Per Share; provided, however, that in the event that the Company has not made at least \$10,000,000 of Accounts available to the Trustee for purchase by January 31, 2015, or Beneficiary terminates the Loan Purchase Agreement due to an Event of Default (as defined in the Loan Purchase Agreement), then upon the earlier of January 31, 2015 or such date of termination, the Registered

Holder shall be entitled to purchase the maximum number of shares of Warrant Stock available under this Warrant. For purposes of this Warrant, “Applicable Price Per Share” means either (i) with respect to any Next Equity Securities purchasable under this Warrant, the price per share at which the majority of shares of Next Equity Securities issued in the Next Equity Financing are sold for cash, or (ii) with respect to any of the Company’s Series A Preferred Stock purchasable under this Warrant, \$1.0635. Any fractional shares resulting from such calculation shall be treated in the manner set forth in Section 13 below.

2. Exercise.

(a) **Manner of Exercise.** Upon the earlier to occur of (i) the initial closing of the Next Equity Financing, or (ii) January 1, 2015, this Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or by such Registered Holder’s duly authorized attorney, at the principal office of the Company (or at such other office or agency as the Company may designate), accompanied by payment in full of the Purchase Price payable in respect of the number of shares of Warrant Stock purchased upon such exercise (unless such Registered Holder is exercising this Warrant pursuant to Section 2(c) below). The Purchase Price may be paid by cash, check, wire transfer, or by the surrender of promissory notes or other instruments representing indebtedness of the Company to the Registered Holder.

(b) **Effective Time of Exercise.** Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which the purchase/exercise form shall have been surrendered to the Company as provided in Section 2(a). At such time, the person or persons in whose name or names any notices of issuance for Warrant Stock shall be issuable upon such exercise as provided in Section 2(d) shall be deemed to have become the holder or holders of record of the Warrant Stock referred to in such notices of issuance.

(c) **Net Issue Exercise.**

(i) In lieu of exercising this Warrant in the manner provided in Section 2(a), the Registered Holder may, from time to time elect to receive shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company (or such other office or agency as the Company may designate), together with notice of such election on the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or such Registered Holder’s duly authorized attorney, in which event the Company shall issue to such Registered Holder a number of shares of Warrant Stock computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where X = The number of shares of Warrant Stock to be issued to the Registered Holder.

Y = The number of shares of Warrant Stock purchasable under this Warrant (at the date of such calculation).

A = The fair market value of one share of Warrant Stock (at the date of such calculation).

B = The Purchase Price (as adjusted to the date of such calculation).

(ii) For purposes of this Section 2(c), the fair market value of Warrant Stock on the date of calculation shall mean, with respect to each share of Warrant Stock, the following:

(A) if the exercise is in connection with an initial public offering of the Company's Common Stock, and if the Company's Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission, then the fair market value shall be the product of (x) the initial "Price to Public" per share specified in the final prospectus with respect to the offering and (y) the number of shares of Common Stock into which each share of Warrant Stock is convertible at the date of calculation;

(B) if this Warrant is exercised after, and not in connection with, the Company's initial public offering, and if the Company's Common Stock is traded on a securities exchange or actively traded over-the-counter:

(1) if the Company's Common Stock is traded on a securities exchange, the fair market value shall be deemed to be the average of the closing bid and asked prices or the closing price quoted on the securities exchange on which the Common Stock is listed as published in the Wall Street Journal, as applicable, for the thirty (30) trading day period ending three days before the date of calculation; or

(2) if the Company's Common Stock is actively traded over-the-counter, the fair market value shall be deemed to be the average of the closing bid or sales price (whichever is applicable) for the thirty (30) trading day period ending three days before the date of calculation; or

(C) if neither (A) nor (B) is applicable, the fair market value of Warrant Stock shall be at the highest price per share which the Company could obtain on the date of calculation from a willing buyer (not a current employee or director) for shares of Warrant Stock sold by the Company, from authorized but unissued shares, as determined in good faith by the Board of Directors, unless the Company is at such time subject to an acquisition as described in Section 7(b), in which case the fair market value of Warrant Stock shall be deemed to be the value received by the holders of such stock pursuant to such acquisition.

(d) **Delivery to Holder.** As promptly as reasonably practicable after the exercise of this Warrant in whole or in part, the Company at its expense will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct:

(i) a notice of issuance for the number of shares of Warrant Stock to which such Registered Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise as provided in Sections 2(a) or 2(c).

3. Adjustments.

(a) **Redemption or Conversion of Preferred Stock.** If all of the Preferred Stock is redeemed or converted into shares of Common Stock, then this Warrant shall automatically become exercisable for that number of shares of Common Stock equal to the number of shares of Common Stock that would have been received if this Warrant had been exercised in full and the shares of Preferred Stock received thereupon had been simultaneously converted into shares of Common Stock immediately prior to such event, and the Purchase Price shall be automatically adjusted to equal the number obtained by dividing (i) the aggregate Purchase Price of the shares of Preferred Stock for which this Warrant was exercisable immediately prior to such redemption or conversion, by (ii) the number of shares of Common Stock for which this Warrant is exercisable immediately after such redemption or conversion.

(b) **Stock Splits and Dividends.** If the Company's outstanding shares of the same class as the Warrant Stock shall be subdivided into a greater number of shares, or a dividend in the Company's shares of the same class as the Warrant Stock shall be paid in respect of the Company's shares of the same class as the Warrant Stock, the Purchase Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately at the record date of such dividend be proportionately reduced. If the Company's outstanding shares of the same class as the Warrant Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Purchase Price, the number of shares of Warrant Stock purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(c) **Reclassification, Etc.** In case there occurs any reclassification or change of the number and/or class of securities of the Company issuable upon exercise of this Warrant or any reorganization of the Company (or any other corporation the stock or securities of which are at the time receivable upon the exercise of this Warrant) or any similar corporate reorganization on or after the date hereof, then and in each such case the Registered Holder, upon the exercise hereof at any time after the consummation of such reclassification, change, or reorganization shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise hereof prior to such consummation, the stock or other securities or property to which such Registered Holder would have been entitled upon such consummation if such Registered Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment pursuant to the provisions of this Section 3. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the shares of Warrant Stock to Common Stock pursuant to the terms of the Company's Charter upon the closing of a registered public offering of the Company's Common Stock. The Company shall promptly issue to the Registered Holder an amendment to this Warrant setting forth the number and kind of new securities or other property issuable upon exercise of this Warrant as a result of such reclassification or change that results in a change of the number and/or class of securities issuable upon exercise of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to adjustments provided for in this Section 3 including, without limitation, adjustments to the Purchase Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 3(c) shall similarly apply to any successive reclassification, change or reorganizations.

(d) **Notice of Adjustment.** When any adjustment is required to be made in the Warrant Stock or the Purchase Price pursuant to this Section 3, the Company shall promptly notify the Registered Holder in writing, setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Purchase Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment. Such notice should set forth in reasonable detail the method or calculation of the adjustments.

(e) **Acknowledgement.** In order to avoid doubt, it is acknowledged that the Registered Holder shall be entitled to the benefit of all adjustments in the number of shares of Common Stock of the Company issuable upon conversion of the Warrant Stock which occurs prior to the exercise of this Warrant, including without limitation, any increase in the number of shares of Common Stock issuable upon conversion as a result of a dilutive issuance of capital stock.

4. Transfers.

(a) **Unregistered Security.** Each holder of this Warrant acknowledges that none of the Company's securities (including this Warrant and the Warrant Stock) have been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state and, and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant or any Warrant Stock issued upon its exercise (or any securities issued by the Company upon conversion or exchange thereof) in the absence of (i) an effective registration statement under the Securities Act as to the sale of any such securities and registration or qualification of such securities under any applicable U.S. federal or state securities law then in effect, or (ii) an opinion of counsel, in a form reasonably satisfactory to the Company, that such registration and qualification are not required. Each notice of issuance with respect to Warrant Stock issued upon the exercise of this Warrant (and any securities issued by the Company upon conversion or exchange thereof) shall bear a legend substantially to the foregoing effect.

(b) **Transferability.** Subject to the provisions of Section 4(a) hereof and to the "Lockup" provisions in the Company's Amended and Restated Investors' Rights Agreement dated December 14, 2012 (as may be amended or restated from time to time, the "Investors' Rights Agreement"), this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company (or such other office or agency as the Company may designate). On surrender of this Warrant (and a properly executed assignment form) for exchange, subject to the provisions of this Warrant with respect to compliance with the Securities Act, the Company shall issue to or on the order of the Registered Holder a new warrant or warrants of like tenor, in the name of the Registered Holder or as the Registered Holder may direct, for the number of shares issuable upon exercise hereof, and the Company shall register any such transfer in the warrant register.

(c) **Warrant Register.** The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Registered Holder may change such Registered Holder's address as shown on the warrant register by written notice to the Company requesting such change.

5. Registration Rights. The Common Stock into which the Warrant Stock is exercisable or convertible shall have the same "piggyback" and "S-3" registration rights as set forth the Investors' Rights Agreement.

6. Termination and Automatic Conversion upon Expiration Date. This Warrant (and the right to purchase securities upon exercise hereof) shall terminate upon the earliest to occur of the following (the "Expiration Date"):

- (a) the seventh (7th) anniversary of the date of issuance first set forth above, or

(b) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, in connection with which all of the shares of the Company's Preferred Stock are converted to Common Stock as set forth in the Company's Certificate of Incorporation (as may be amended or restated from time to time, the "Charter"), or

(c) a "Liquidation Transaction" (as defined in the Charter).

The Company shall promptly deliver to the Registered Holders written notice of the occurrence of any such event. In the event that, upon the Expiration Date, the fair market value of one share of Warrant Stock (or other security issuable upon the exercise hereof) as determined in accordance with Section 2(c)(ii) above is greater than the Purchase Price in effect on such date, then unless otherwise elected by the Registered Holder in writing, this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 2(c) above as to all shares of Warrant Stock (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Warrant Stock (or such other securities) issued upon such exercise to the Registered Holder.

7. Notices of Certain Transactions. In case:

(a) the Company shall take a record of the holders of its outstanding stock of the same class as the Warrant Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right,

(b) of any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any Acquisition (as defined below),

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

(d) of any redemption of the Preferred Stock or mandatory conversion of the Preferred Stock into Common Stock of the Company, or

(e) the Company shall offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash,

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion is to take place, and the time, if any is to be fixed, as of which the holders of record of the Company's outstanding stock of the same class as the Warrant Stock (or such other stock or securities at the time deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion) are to be determined. Notices shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice or, in the case of paragraph (e) above, the same notice period given to the holders of registration rights.

8. Covenants as to Warrant Stock and Reservation of Stock. The Company covenants and agrees that all Warrant Stock that may be issued upon the exercise of this Warrant, and all securities issuable upon conversion of the Warrant Stock, will, upon issuance, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof and all encumbrances except for any restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company will at all times reserve and keep available, solely for the issuance and delivery upon the exercise of this Warrant, such shares of Warrant Stock and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant.

9. Treatment of Warrant Upon Acquisition of Company. For the purpose of this Warrant, “Acquisition” means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company’s domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company’s (or the surviving or successor entity’s) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company’s then-total outstanding combined voting power.

(a) **Definition.** As used in this Warrant, “Marketable Securities” means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by the Registered Holder in connection with the Acquisition were the Registered Holder to exercise this Warrant on or prior to the closing thereof is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market, and (iii) following the closing of such Acquisition, Registered Holder would not be restricted from publicly re-selling all of the issuer’s shares and/or other securities that would be received by the Registered Holder in such Acquisition were the Registered Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

(b) **Cash/Public Acquisition.** In the event of an Acquisition in which the consideration to be received by the Company’s stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a “Cash/Public Acquisition”), if applicable, this Warrant shall be automatically exercised pursuant to Section 6 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or, if automatic exercise is not applicable, this Warrant will expire immediately prior to the consummation of such Acquisition.

(c) **Other Acquisition.** Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the shares issuable upon exercise of the unexercised portion of this Warrant as if such shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

10. Exchange of Warrants. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company (or such other office or agency as the Company may designate), the Company will, subject to the provisions of Section 3(e), issue and deliver to or upon the order of such Registered Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of such Registered Holder or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock called for on the face or faces of the Warrant or Warrants so surrendered.

11. Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, execute and deliver, in lieu thereof, a new Warrant of like tenor.

12. No Rights as Stockholder. Except as otherwise provided in this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company until the exercise of this Warrant.

13. No Fractional Shares. No fractional shares of Warrant Stock will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one share of Warrant Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

14. Attorney's Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of this Warrant, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

15. Information Rights. The Registered Holder shall be afforded all information requested by it to exercise its rights hereunder and to comply with its recordkeeping and reporting obligations.

16. Miscellaneous.

(a) **Governing Law.** The validity, interpretation, construction and performance of this Warrant, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(b) **Entire Agreement.** This Warrant and the specific provisions referenced from the Investors' Rights Agreement set forth the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Warrant, nor any waiver of any rights under this Warrant, shall be effective unless in writing signed by the Company and the Registered Holder. No delay or failure to require performance of any provision of this Warrant shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** The terms and conditions of this Warrant shall inure to the benefit of and be binding upon the respective successors and assigns of the parties.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Warrant shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Warrant are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Warrant, (b) the balance of this Warrant shall be interpreted as if such provision were so excluded and (c) the balance of this Warrant shall be enforceable in accordance with its terms.

(g) **Construction.** This Warrant is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Warrant shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Warrant may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

(i) **Electronic Delivery; Signatures.** The Company may, in its sole discretion, decide to deliver any documents related to this Warrant or any notices required by applicable law or the Charter or Bylaws, by email or any other electronic means. The Registered Holder hereby consents to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agrees to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and the Registered Holder have executed this Warrant as of the date first set forth above.

THE COMPANY:

UPSTART HOLDINGS, INC.

By: _____
Name: David Girouard
Title: Chief Executive Officer

Address:

ACCEPTED AND AGREED:

THE HOLDER:

By: _____
(Signature)

Name: _____
Title: Attorney in Fact

Address: _____

Email: _____

UPSTART HOLDINGS, INC.-WARRANT

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE COMMON STOCK

Company: UPSTART HOLDINGS, INC.

Number of Shares of Common Stock:

Warrant Price:

Issue Date:

Expiration Date: See also Section 5.1(b).

Credit This Warrant to Purchase Common Stock (“**Warrant**”) is issued in connection with that certain Loan and Security Agreement of even date

Facility: herewith between _____ and the Company (the “**Loan Agreement**”).

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, _____ (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, “**Holder**”) is entitled to purchase the number of fully paid and non-assessable shares (the “**Shares**”) of the above-stated common stock (the “**Common Stock**”) of the above-named company (the “**Company**”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

- X = the number of Shares to be issued to the Holder;
the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the
Y = Company in payment of the aggregate Warrant Price);
A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and
B = the Warrant Price.

1.3 Fair Market Value. If the Company's Common Stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**"), the fair market value of a Share shall be the closing price or last sale price of a share of Common Stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power; *provided*, that an Acquisition shall not include any transaction or series of bona fide equity financing transactions principally for capital raising purposes in which cash is received by the Company or any successor, or indebtedness of the Company is cancelled or converted, or any combination thereof.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as of the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3 above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

(c) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Common Stock payable in securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Common Stock by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Common Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Common Stock are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations, substitutions, replacements or other similar events.

2.3 Intentionally Omitted.

2.4 Intentionally Omitted.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Common Stock and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer or Chief Executive Officer, including computations of such adjustment and the Warrant Price, class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the price per share at which shares of the Company's Common Stock were last valued in the most recent 409a valuation occurring prior to the Issue Date.

(b) All Shares which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of securities as will be sufficient to permit the exercise in full of this Warrant.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete, in all material respects, as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Company's stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Company's stock any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Common Stock;

(d) effect an Acquisition or to liquidate, dissolve or wind up; or

(e) effect its initial, underwritten offering and sale of its securities to the public pursuant to an effective registration statement under the Act (the "**IPO**"); then, in connection with each such event, the Company shall give Holder:

(1) in the case of the matters referred to in (a) and (b) above, at least seven (7) Business Days prior written notice of the earlier to occur of the effective date thereof or the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Common Stock will be entitled thereto) or for determining rights to vote, if any,

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice); and

(3) with respect to the IPO, at least seven (7) Business Days prior written notice of the date on which the Company proposes to file its registration statement in connection therewith.

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements. Holder agrees that any information provided to Holder by the Company pursuant to this Warrant (including, without limitation, pursuant to this Section 3.2) may be confidential, and Holder agrees that, with respect to any such confidential information received by Holder pursuant to this Warrant, Holder will be bound by the confidentiality provisions of Section 12.10 of the Loan Agreement, which such provision is hereby incorporated by reference. For the avoidance of doubt, Holder hereby acknowledges and agrees that no future termination of such Section 12.10 of the Loan Agreement shall in any way affect the foregoing obligations of Holder set forth in the previous sentence.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the Shares to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 Market Stand-off Agreement. The Holder agrees that the Shares shall be subject to the Lock-Up Agreement provisions in Section 1.14 of the Investors' Rights Agreement or similar agreement.

4.7 No Voting or Other Stockholder Rights. Except as set forth herein, Holder, as a Holder of this Warrant, will not have any voting rights or other rights as a stockholder until the exercise of this Warrant.

4.8 Disqualification. As of the Issue Date, neither Holder, nor any person or entity with which Holder shares beneficial ownership of Company securities, is subject to any of the “bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) of the Act. If, following the Issue Date, Holder, or any person or entity with which Holder shares beneficial ownership of Company securities, becomes subject to such disqualifications, Holder shall endeavor in good faith to notify the Company of such disqualifications but any failure to do so shall not give rise to any liability on the part of Holder, or any person or entity with which Holder shares beneficial ownership of Company securities.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE COMMON STOCK ISSUED BY THE ISSUER TO _____ DATED _____, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions

reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to or any affiliate of Holder, provided that any such transferee is an “accredited investor” as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, _____ and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, _____ or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant. Notwithstanding any contrary provision herein, at all times prior to the IPO, Holder may not, without the Company’s prior written consent, transfer this Warrant or any portion hereof, or any Shares issued upon any exercise hereof, or any shares or other securities issued upon any conversion of any Shares issued upon any exercise hereof, to any person or entity who directly competes with the Company, except in connection with an Acquisition of the Company by such a direct competitor.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Address:

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Upstart Holdings, Inc.

With a copy to (which shall not constitute notice):

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which _____ is closed.

[Remainder of page left blank intentionally]

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Common Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

“COMPANY”

UPSTART HOLDINGS, INC.

By: _____

Name: David Girouard
(Print)

Title: Chief Executive Officer

“HOLDER”

By: _____

Name: _____
(Print)

Title:

UPSTART HOLDINGS, INC.

2012 STOCK PLAN

(as amended April 20, 2012)

(as amended December 13, 2012)

(assumed by Upstart Holdings, Inc. effective December 10, 2013)

(as amended September 11, 2014)

(as amended November 12, 2014)

(as amended June 29, 2015)

(as amended November 22, 2016)

(as amended April 3, 2018)

(as amended December 27, 2018)

(as amended October 29, 2019)

1. **Purposes of the Plan.** The purposes of this 2012 Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants, and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Restricted Stock may also be granted under the Plan.

2. **Definitions.** As used herein, the following definitions shall apply:

(a) "**Administrator**" means the Board or a Committee.

(b) "**Affiliate**" means (i) an entity other than a Subsidiary which, together with the Company, is under common control of a third person or entity and (ii) an entity other than a Subsidiary in which the Company and /or one or more Subsidiaries own a controlling interest.

(c) "**Applicable Laws**" means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal or state laws, any Stock Exchange rules or regulations, and the applicable laws, rules or regulations of any other country or jurisdiction where Options or Restricted Stock are granted under the Plan or Participants reside or provide services, as such laws, rules, and regulations shall be in effect from time to time.

(d) "**Award**" means any award of an Option or Restricted Stock under the Plan.

(e) "**Board**" means the Board of Directors of the Company.

(f) "**California Participant**" means a Participant whose Award is issued in reliance on Section 25102(o) of the California Corporations

Code.

(g) **“Cashless Exercise”** means a program approved by the Administrator in which payment of the Option exercise price or tax withholding obligations or other required deductions may be satisfied, in whole or in part, with Shares subject to the Option, including by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Company) to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of such amount.

(h) **“Cause”** for termination of a Participant’s Continuous Service Status will exist (unless another definition is provided in an applicable Option Agreement, Restricted Stock Purchase Agreement, employment agreement or other applicable written agreement) if the Participant’s Continuous Service Status is terminated for any of the following reasons: (i) any material breach by Participant of any material written agreement between Participant and the Company and Participant’s failure to cure such breach within 30 days after receiving written notice thereof; (ii) any failure by Participant to comply with the Company’s material written policies or rules as they may be in effect from time to time; (iii) neglect or persistent unsatisfactory performance of Participant’s duties and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (iv) Participant’s repeated failure to follow reasonable and lawful instructions from the Board or Chief Executive Officer and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (v) Participant’s conviction of, or plea of guilty or nolo contendere to, any felony or crime that results in, or is reasonably expected to result in, a material adverse effect on the business or reputation of the Company; (vi) Participant’s commission of or participation in an act of fraud against the Company; (vii) Participant’s intentional material damage to the Company’s business, property or reputation; or (viii) Participant’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company. For purposes of clarity, a termination without “Cause” does not include any termination that occurs as a result of Participant’s death or Disability. The determination as to whether a Participant’s Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company’s ability to terminate a Participant’s employment or consulting relationship at any time, and the term “Company” will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

(i) **“Change of Control”** means (i) a sale of all or substantially all of the Company’s assets other than to an Excluded Entity (as defined below), (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, limited liability company or other entity other than an Excluded Entity, or (iii) the consummation of a transaction, or series of related transactions, in which 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 all of the Company’s then outstanding voting securities.

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to (A) change the jurisdiction of the Company’s incorporation, (B) create a holding company that will be owned in substantially the same proportions by the persons who hold the Company’s securities immediately before such transaction, or (C) obtain funding for the

Company in a financing that is approved by the Company's Board. An "Excluded Entity" means a corporation or other entity of which the holders of voting capital stock of the Company outstanding immediately prior to such transaction are the direct or indirect holders of voting securities representing at least a majority of the votes entitled to be cast by all of such corporation's or other entity's voting securities outstanding immediately after such transaction.

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

(k) "Committee" means one or more committees or subcommittees of the Board consisting of two (2) or more Directors (or such lesser or greater number of Directors as shall constitute the minimum number permitted by Applicable Laws to establish a committee or sub-committee of the Board) appointed by the Board to administer the Plan in accordance with Section 4 below.

(l) "Common Stock" means the Company's common stock, par value \$0.0001 per share, as adjusted in accordance with Section 11 below.

(m) "Company" means Upstart Holdings, Inc., a Delaware corporation (this Plan was originally adopted by Upstart Network, Inc., a Delaware corporation ("Upstart Network"). Effective as of December 9, 2013, Upstart Network became a wholly-owned subsidiary of the Company and the Company assumed the Plan and any outstanding Awards granted under the Plan.

(n) "Consultant" means any person or entity, including an advisor but not an Employee, that renders, or has rendered, services to the Company, or any Parent, Subsidiary or Affiliate and is compensated for such services, and any Director whether compensated for such services or not.

(o) "Continuous Service Status" means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of: (i) Company approved sick leave; (ii) military leave; (iii) any other bona fide leave of absence approved by the Company, provided that, if an Employee is holding an Incentive Stock Option and such leave exceeds 3 months, such Employee's service as an Employee shall be deemed terminated on the 1st day following such 3-month period and the Incentive Stock Option shall thereafter automatically become a Nonstatutory Stock Option in accordance with Applicable Laws, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to a written Company policy. Also, Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of a transfer between locations of the Company or between the Company, its Parents, Subsidiaries or Affiliates, or their respective successors, or a change in status from an Employee to a Consultant or from a Consultant to an Employee.

(p) "Director" means a member of the Board.

(q) "Disability" means "disability" within the meaning of Section 22(e)(3) of the Code.

(r) “**Employee**” means any person employed by the Company, or any Parent, Subsidiary or Affiliate, with the status of employment determined pursuant to such factors as are deemed appropriate by the Company in its sole discretion, subject to any requirements of Applicable Laws, including the Code. The payment by the Company of a director’s fee shall not be sufficient to constitute “employment” of such director by the Company or any Parent, Subsidiary or Affiliate.

(s) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(t) “**Fair Market Value**” means, as of any date, the per share fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate and applied consistently with respect to Participants. Whenever possible, the determination of Fair Market Value shall be based upon the per share closing price for the Shares as reported in The Wall Street Journal for the applicable date.

(u) “**Family Members**” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Participant, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons (or the Participant) have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests.

(v) “**Incentive Stock Option**” means an Option intended to, and which does, in fact, qualify as an incentive stock option within the meaning of Section 422 of the Code.

(w) “**Involuntary Termination**” means (unless another definition is provided in the applicable Option Agreement, Restricted Stock Purchase Agreement, employment agreement or other applicable written agreement) the termination of a Participant’s Continuous Service Status other than for (i) death, (ii) Disability or (iii) for Cause by the Company or a Parent, Subsidiary, Affiliate or successor thereto, as appropriate.

(x) “**Listed Security**” means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority (or any successor thereto).

(y) “**Nonstatutory Stock Option**” means an Option that is not intended to, or does not, in fact, qualify as an Incentive Stock Option.

(z) “**Option**” means a stock option granted pursuant to the Plan.

(aa) “**Option Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(bb) "**Option Exchange Program**" means a program approved by the Administrator whereby outstanding Options (i) are exchanged for Options with a lower exercise price, Restricted Stock, cash or other property or (ii) are amended to decrease the exercise price as a result of a decline in the Fair Market Value.

(cc) "**Optioned Stock**" means Shares that are subject to an Option or that were issued pursuant to the exercise of an Option.

(dd) "**Optionee**" means an Employee or Consultant who receives an Option.

(ee) "**Parent**" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of grant of the Award, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(ff) "**Participant**" means any holder of one or more Awards or Shares issued pursuant to an Award.

(gg) "**Plan**" means this 2012 Stock Plan.

(hh) "**Restricted Stock**" means Shares acquired pursuant to a right to purchase or receive Common Stock granted pursuant to Section 8 below.

(ii) "**Restricted Stock Purchase Agreement**" means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock granted under the Plan and includes any documents attached to such agreement.

(jj) "**Rule 16b-3**" means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(kk) "**Share**" means a share of Common Stock, as adjusted in accordance with Section 11 below.

(ll) "**Stock Exchange**" means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(mm) "**Subsidiary**" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of grant of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(nn) “**Ten Percent Holder**” means a person who owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary measured as of an Award’s date of grant.

3. **Stock Subject to the Plan.** Subject to the provisions of Section 11 below, the maximum aggregate number of Shares that may be issued under the Plan is 19,063,647 Shares, all of which Shares may be issued under the Plan pursuant to Incentive Stock Options. The Shares issued under the Plan may be authorized, but unissued, or reacquired Shares. If an Award should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any Shares which are retained by the Company upon exercise of an Award in order to satisfy the exercise or purchase price for such Award or any withholding taxes due with respect to such Award shall be treated as not issued and shall continue to be available under the Plan and Shares issued under the Plan and later repurchased by the Company at the original purchase price paid to the Company for the Shares (including, without limitation, upon repurchase by the Company in connection with the termination of a Participant’s Continuous Service Status) shall again be available for future grant under the Plan.

4. **Administration of the Plan.**

(a) **General.** The Plan shall be administered by the Board, a Committee appointed by the Board, or any combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Participants and, if permitted by Applicable Laws, the Board may authorize one or more officers of the Company to make Awards under the Plan to Employees and Consultants (who are not subject to Section 16 of the Exchange Act) within parameters specified by the Board.

(b) **Committee Composition.** If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and dissolve a Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 or Section 162(m) of the Code, to the extent permitted or required by such provisions.

(c) **Powers of the Administrator.** Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its sole discretion:

(i) to determine the Fair Market Value in accordance with Section 2(t) above, provided that such determination shall be applied consistently with respect to Participants under the Plan;

(ii) to select the Employees and Consultants to whom Awards may from time to time be granted;

(iii) to determine the number of Shares to be covered by each Award;

(iv) to approve the form(s) of agreement(s) and other related documents used under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Awards may vest and/or be exercised (which may be based on performance criteria), the circumstances (if any) when vesting will be accelerated or forfeiture restrictions will be waived, and any restriction or limitation regarding any Award, Optioned Stock, or Restricted Stock;

(vi) to amend any outstanding Award or agreement related to any Optioned Stock or Restricted Stock, including any amendment adjusting vesting (e.g., in connection with a change in the terms or conditions under which such person is providing services to the Company), provided that no amendment shall be made that would materially and adversely affect the rights of any Participant without his or her consent;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 7(c)(iii) below instead of Common Stock;

(viii) subject to Applicable Laws, to implement an Option Exchange Program and establish the terms and conditions of such Option Exchange Program without consent of the holders of capital stock of the Company, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Participant shall be made without his or her consent;

(ix) to approve addenda pursuant to Section 14 below or to grant Awards to, or to modify the terms of, any outstanding Option Agreement or Restricted Stock Purchase Agreement or any agreement related to any Optioned Stock or Restricted Stock held by Participants who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences; and

(x) to construe and interpret the terms of the Plan, any Option Agreement or Restricted Stock Purchase Agreement, and any agreement related to any Optioned Stock or Restricted Stock, which constructions, interpretations and decisions shall be final and binding on all Participants.

(d) **Indemnification.** To the maximum extent permitted by Applicable Laws, each member of the Committee (including officers of the Company, if applicable), or of the Board, as applicable, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or pursuant to the terms and conditions of any Award except for actions taken in bad faith or failures to act in bad faith, and (ii) any and all amounts paid by him

or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided that such member shall give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

5. **Eligibility.**

(a) **Recipients of Grants.** Nonstatutory Stock Options and Restricted Stock may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.

(b) **Type of Option.** Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(c) **ISO \$100,000 Limitation.** Notwithstanding any designation under Section 5(b) above, to the extent that the aggregate Fair Market Value of Shares with respect to which options designated as incentive stock options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess options shall be treated as nonstatutory stock options. For purposes of this Section 5(c), incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an incentive stock option shall be determined as of the date of the grant of such option.

(d) **No Employment Rights.** Neither the Plan nor any Award shall confer upon any Employee or Consultant any right with respect to continuation of an employment or consulting relationship with the Company (any Parent, Subsidiary or Affiliate), nor shall it interfere in any way with such Employee's or Consultant's right or the Company's (Parent's, Subsidiary's or Affiliate's) right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. **Term of Plan.** The Plan shall become effective upon its adoption by the Board and shall continue in effect for a term of 10 years unless sooner terminated under Section 13 below.

7. **Options.**

(a) **Term of Option.** The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than 10 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be 5 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

(b) Option Exercise Price and Consideration.

(i) **Exercise Price.** The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be such price as is determined by the Administrator and set forth in the Option Agreement, but shall be subject to the following:

(1) In the case of an Incentive Stock Option

a. granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value on the date of grant;

b. granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant;

(2) Except as provided in subsection (3) below, in the case of a Nonstatutory Stock Option the per Share exercise price shall be such price as is determined by the Administrator, provided that, if the per Share exercise price is less than 100% of the Fair Market Value on the date of grant, it shall otherwise comply with all Applicable Laws, including Section 409A of the Code; and

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(ii) **Permissible Consideration.** The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option and to the extent required by Applicable Laws, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) to the extent permitted under, and in accordance with, Applicable Laws, delivery of a promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 152 of the General Corporation Law); (4) cancellation of indebtedness; (5) other previously owned Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised; (6) a Cashless Exercise; (7) such other consideration and method of payment permitted under Applicable Laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

(c) Exercise of Option.

(i) **General.**

(1) **Exercisability.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company, and Parent, Subsidiary or Affiliate, and/or the Optionee.

(2) **Leave of Absence.** The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any leave of absence; provided, however, that in the absence of such determination, vesting of Options shall be tolled during any leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon an Optionee's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Optionee continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(3) **Minimum Exercise Requirements.** An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(4) **Procedures for and Results of Exercise.** An Option shall be deemed exercised when written notice of such exercise has been received by the Company in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised and has paid, or made arrangements to satisfy, any applicable taxes, withholding, required deductions or other required payments in accordance with Section 9 below. The exercise of an Option shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(5) **Rights as Holder of Capital Stock.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of capital stock shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 below.

(ii) **Termination of Continuous Service Status.** The Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. To the extent that an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status, the following provisions shall apply:

(1) **General Provisions.** If the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified below, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to this Section 7).

(2) **Termination other than Upon Disability or Death or for Cause.** In the event of termination of an Optionee's Continuous Service Status other than under the circumstances set forth in the subsections (3) through (5) below, such Optionee may exercise any outstanding Option at any time within 3 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(3) **Disability of Optionee.** In the event of termination of an Optionee's Continuous Service Status as a result of his or her Disability, such Optionee may exercise any outstanding Option at any time within 12 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(4) **Death of Optionee.** In the event of the death of an Optionee during the period of Continuous Service Status since the date of grant of any outstanding Option, or within 3 month(s) following termination of the Optionee's Continuous Service Status, the Option may be exercised by any beneficiaries designated in accordance with Section 15 below, or if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, at any time within 12 month(s) following the date the Optionee's Continuous Service Status terminated, but only to the extent the Optionee is vested in the Optioned Stock.

(5) **Termination for Cause.** In the event of termination of an Optionee's Continuous Service Status for Cause, any outstanding Option (including any vested portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Service Status for Cause. If an Optionee's Continuous Service Status is suspended pending an investigation of whether the Optionee's Continuous Service Status will be terminated for Cause, all the Optionee's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period. Nothing in this Section 7(c)(ii)(5) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

(iii) **Buyout Provisions.** The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the Plan based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

8. Restricted Stock.

(a) **Rights to Purchase.** When a right to purchase or receive Restricted Stock is granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, if any (which shall be as determined by the Administrator, subject to Applicable Laws, including any applicable securities laws), and the time within which such person must accept such offer. The permissible consideration for Restricted Stock shall be determined by the Administrator and shall be the same as is set forth in Section 7(b)(ii) above with respect to exercise of Options. The offer to purchase Shares shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) **Repurchase Option.**

(i) **General.** Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the Participant's Continuous Service Status for any reason (including death or Disability) at a purchase price for Shares equal to the original purchase price paid by the purchaser to the Company for such Shares and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(ii) **Leave of Absence.** The Administrator shall have the discretion to determine whether and to what extent the lapsing of Company repurchase rights shall be tolled during any leave of absence; provided, however, that in the absence of such determination, such lapsing shall be tolled during any leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Shares purchased pursuant to the Restricted Stock Purchase Agreement to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(c) **Other Provisions.** The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each Participant.

(d) **Rights as a Holder of Capital Stock.** Once the Restricted Stock is purchased, the Participant shall have the rights equivalent to those of a holder of capital stock, and shall be a record holder when his or her purchase and the issuance of the Shares is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Restricted Stock is purchased, except as provided in Section 11 below.

9. Taxes.

(a) As a condition of the grant, vesting and exercise of an Award, the Participant (or in the case of the Participant's death or a permitted transferee, the person holding or exercising the Award) shall make such arrangements as the Administrator may require for the satisfaction of any applicable U.S. federal, state, local or foreign tax, withholding, and any other required deductions or payments that may arise in connection with such Award. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

(b) The Administrator may, to the extent permitted under Applicable Laws, permit a Participant (or in the case of the Participant's death or a permitted transferee, the person holding or exercising the Award) to satisfy all or part of his or her tax, withholding, or any other required deductions or payments by Cashless Exercise or by surrendering Shares (either directly or by stock attestation) that he or she previously acquired; provided that, unless specifically permitted by the Company, any such Cashless Exercise must be an approved broker-assisted Cashless Exercise or the Shares withheld in the Cashless Exercise must be limited to avoid financial accounting charges under applicable accounting guidance and any such surrendered Shares must have been previously held for any minimum duration required to avoid financial accounting charges under applicable accounting guidance. Any payment of taxes by surrendering Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

10. Non-Transferability of Awards.

(a) **General.** Except as set forth in this Section 10, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a Participant will not constitute a transfer. An Option may be exercised, during the lifetime of the holder of the Option, only by such holder or a transferee permitted by this Section 10.

(b) **Limited Transferability Rights.** Notwithstanding anything else in this Section 10, the Administrator may in its sole discretion grant Nonstatutory Stock Options that may be transferred by instrument to an inter vivos or testamentary trust in which the Options are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to Family Members. Further, beginning with (i) the period when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) promulgated under the Exchange Act, as determined by the Board in its sole discretion, and (ii) ending on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Board in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are Family Members through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant. Notwithstanding the foregoing sentence, the Board, in its sole discretion, may permit transfers of Nonstatutory Stock Options to the Company or in connection with a Change of Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

11. **Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.**

(a) **Changes in Capitalization.** Subject to any action required under Applicable Laws by the holders of capital stock of the Company, (i) the numbers and class of Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each such outstanding Option, and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, shall be automatically proportionately adjusted in the event of a stock split, reverse stock split, stock dividend, combination, consolidation, reclassification of the Shares or subdivision of the Shares. In the event of any increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, a declaration of an extraordinary dividend with respect to the Shares payable in a form other than Shares in an amount that has a material effect on the Fair Market Value, a recapitalization (including a recapitalization through a large nonrecurring cash dividend), a rights offering, a reorganization, merger, a spin-off, split-up, change in corporate structure or a similar occurrence, the Administrator shall make appropriate adjustments, in its discretion, in one or more of (i) the numbers and class of Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each outstanding Option and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, and any such adjustment by the Administrator shall be made in the Administrator's sole and absolute discretion and shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award. If, by reason of a transaction described in this Section 11(a) or an adjustment pursuant to this Section 11(a), a Participant's Award agreement or agreement related to any Optioned Stock or Restricted Stock covers additional or different shares of stock or securities, then such additional or different shares, and the Award agreement or agreement related to the Optioned Stock or Restricted Stock in respect thereof, shall be subject to all of the terms, conditions and restrictions which were applicable to the Award, Optioned Stock and Restricted Stock prior to such adjustment.

(b) **Dissolution or Liquidation.** In the event of the dissolution or liquidation of the Company, each Award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c) **Corporate Transactions.** In the event of (i) a transfer of all or substantially all of the Company's assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, or (iii) the consummation of a transaction, or series of related transactions, in which 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 more than 50% of the Company's then outstanding capital stock (a "Corporate Transaction"), each outstanding Award (vested or unvested) will be treated as the

Administrator determines (subject to the last sentence of this paragraph), which determination may be made without the consent of any Participant and need not treat all outstanding Awards (or portion thereof) in an identical manner. Such determination, without the consent of any Participant, may dispose of Awards that are not vested as of the effective date of such Corporate Transaction in any manner permitted by Applicable Laws, including (without limitation) the cancellation of such Awards without the payment of any consideration. Without limiting the foregoing, such determination, without the consent of any Participant, may provide for one or more of the following with respect to Awards that are vested and exercisable as of the effective date of such Corporate Transaction: (A) the continuation of such outstanding Awards by the Company (if the Company is the surviving corporation); (B) the assumption of such outstanding Awards by the surviving corporation or its parent; (C) the substitution by the surviving corporation or its parent of new options or equity awards for such Awards; (D) the cancellation of such Awards and a payment to the Participants equal to the excess of (1) the Fair Market Value of the Shares subject to such Awards as of the closing date of such Corporate Transaction over (2) the exercise price or purchase price for the Shares to be issued pursuant to the exercise of such Awards (such payment shall be made in the form of cash, cash equivalents and/or securities of the surviving corporation or its parent with a Fair Market Value equal to the required amount; if the exercise price or purchase price per Share of the Shares to be issued pursuant to the exercise of such Awards exceeds the Fair Market Value per Share of such Shares, as of the closing date of the Corporate Transaction, then such Awards may be cancelled without making a payment to the Participants); or (E) the cancellation of such Awards for no consideration. Notwithstanding anything stated herein or in any other agreement to the contrary, whether such agreement was entered into before or after the date this Plan is effective, if any Award, or any agreement applicable to any Award, provides for accelerated vesting in connection with any termination of service that occurs on or after a Corporate Transaction, and the successor does not agree to assume the Award, or to substitute an equivalent award or right for the Award, then any acceleration of vesting that would otherwise occur upon such termination of service shall occur immediately prior to, and contingent upon, the consummation of such Corporate Transaction.

12. **Time of Granting Awards.** The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award, or such other date as is determined by the Administrator.

13. **Amendment and Termination of the Plan.** The Board may at any time amend or terminate the Plan, but no amendment or termination shall be made that would materially and adversely affect the rights of any Participant under any outstanding Award, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain the approval of holders of capital stock with respect to any Plan amendment in such a manner and to such a degree as required.

14. **Conditions Upon Issuance of Shares.** Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of any Option or purchase of any Restricted Stock, the Company may require the

person exercising the Option or purchasing the Restricted Stock to represent and warrant at the time of any such exercise or purchase that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is advisable or required by Applicable Laws. Shares issued upon exercise of Options or purchase of Restricted Stock prior to the date, if ever, on which the Common Stock becomes a Listed Security shall be subject to a right of first refusal in favor of the Company pursuant to which the Participant will be required to offer Shares to the Company before selling or transferring them to any third party on such terms and subject to such conditions as is reflected in the applicable Option Agreement or Restricted Stock Purchase Agreement.

15. **Beneficiaries.** If permitted by the Company, a Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. Except as otherwise provided in an Award Agreement, if no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Award(s) shall be transferred or distributed to the Participant's estate or to any person who has the right to acquire the Award by bequest or inheritance.

16. **Approval of Holders of Capital Stock.** If required by Applicable Laws, continuance of the Plan shall be subject to approval by the holders of capital stock of the Company within 12 months before or after the date the Plan is adopted or, to the extent required by Applicable Laws, any date the Plan is amended. Such approval shall be obtained in the manner and to the degree required under Applicable Laws.

17. **Addenda.** The Administrator may approve such addenda to the Plan as it may consider necessary or appropriate for the purpose of granting Awards to Employees or Consultants, which Awards may contain such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom, which may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.

18. **Information to Holders of Options.** In the event the Company is relying on the exemption provided by Rule 12h-1(f) under the Exchange Act, the Company shall provide the information described in Rule 701(e)(3), (4) and (5) of the Securities Act of 1933, as amended, to all holders of Options in accordance with the requirements thereunder until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. The Company may request that holders of Options agree to keep the information to be provided pursuant to this Section confidential. If the holder does not agree to keep the information to be provided pursuant to this Section confidential, then the Company will not be required to provide the information unless otherwise required pursuant to Rule 12h-1(f)(1) of the Exchange Act.

ADDENDUM A

2012 Stock Plan

(California Participants)

Prior to the date, if ever, on which the Common Stock becomes a Listed Security and/or the Company is subject to the reporting requirements of the Exchange Act, the terms set forth herein shall apply to Awards issued to California Participants. All capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the Plan.

1. The following rules shall apply to any Option in the event of termination of the Participant's Continuous Service Status:

(a) If such termination was for reasons other than death, "Permanent Disability" (as defined below), or Cause, the Participant shall have at least 30 days after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

(b) If such termination was due to death or Permanent Disability, the Participant shall have at least 6 months after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

"Permanent Disability" for purposes of this Addendum shall mean the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Company or any Parent or Subsidiary because of the sickness or injury of the Participant.

2. Notwithstanding anything to the contrary in Section 11(a) of the Plan, the Administrator shall in any event make such adjustments as may be required by Section 25102(o) of the California Corporations Code.

3. Notwithstanding anything stated herein to the contrary, no Option shall be exercisable on or after the 10th anniversary of the date of grant and any Award agreement shall terminate on or before the 10th anniversary of the date of grant.

4. The Company shall furnish summary financial information (audited or unaudited) of the Company's financial condition and results of operations, consistent with the requirements of Applicable Laws, at least annually to each California Participant during the period such Participant has one or more Awards outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such Participant owns such Shares; provided, however, the Company shall not be required to provide such information if (i) the issuance is limited to key persons whose duties in connection with the Company assure their access to equivalent information or (ii) the Plan or any agreement complies with all conditions of Rule 701 of the Securities Act of 1933, as amended; provided that for purposes of determining such compliance, any registered domestic partner shall be considered a "family member" as that term is defined in Rule 701.

UPSTART HOLDINGS, INC.

2012 STOCK PLAN

NOTICE OF STOCK OPTION GRANT

You have been granted an option to purchase Common Stock of Upstart Holdings, Inc., a Delaware corporation (the "Company"), as follows:

Date of Grant:	_____
Exercise Price Per Share:	\$ _____
Total Number of Shares:	_____
Total Exercise Price:	\$ _____
Type of Option:	_____
Expiration Date:	10 years after Date of Grant
Vesting Commencement Date:	_____
Vesting/Exercise Schedule:	So long as your Continuous Service Status does not terminate, the Shares underlying this Option shall vest and become exercisable in accordance with the following schedule _____
Termination Period:	Subject to the terms of Section 5 of the Stock Option Agreement, this Option with respect to the Shares that are vested shall be exercisable for three (3) months after the date on which your Continuous Service Status ceases (the " <u>Termination Date</u> "), unless such termination is due to your death or Disability, in which case this Option shall be exercisable for twelve (12) months after the Termination Date; <i>provided that</i> if on the Termination Date, you have completed a minimum of three (3) years of Continuous Service Status, this Option with respect to the Shares that are vested shall be exercisable until the earliest of (a) the Expiration Date; (b) the date that is seven (7) years after the Termination Date; (c) the closing date of a Change of Control or Corporate Transaction (each as defined in the Company's 2012 Stock Plan (the " <u>Plan</u> ")); (d) the date that is immediately prior to a liquidation or dissolution of the Company; (e) the date on which you have committed Cause (as defined in the Plan), as determined by the Company in its sole discretion; or (f) the date that is otherwise permitted or required under the Plan or the Stock Option Agreement. This Option to the extent it is unvested as of the Termination Date shall terminate on the Termination Date. You are responsible for keeping track of these exercise periods following the Termination Date for any reason. The Company will not provide further notice of such periods.

Transferability:

You may not transfer this Option.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of this Notice and the Upstart Holdings, Inc. 2012 Stock Plan and Option Agreement, both of which are attached to and made a part of this Notice.

In addition, you agree and acknowledge that your rights to any Shares underlying this Option will be earned only as you provide services to the Company over time, that the grant of this Option is not as consideration for services you rendered to the Company prior to your date of hire, and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause. Also, to the extent applicable, the Exercise Price Per Share has been set in good faith compliance with the applicable guidance issued by the IRS under Section 409A of the Code. However, there is no guarantee that the IRS will agree with the valuation, and by signing below, you agree and acknowledge that the Company, its Board, officers, employees and agents shall not be held liable for any applicable costs, taxes, or penalties associated with this Option if, in fact, the IRS or any other person (including, without limitation, a successor corporation or an acquirer in a Change of Control) were to determine that this Option constitutes deferred compensation under Section 409A of the Code. You should consult with your own tax advisor concerning the tax consequences of such a determination by the IRS. For purposes of this paragraph, the term "Company" will be interpreted to include any Parent, Subsidiary or Affiliate.

THE COMPANY:

UPSTART HOLDINGS, INC.

By: _____
(Signature)

Name: _____

Title: _____

OPTIONEE:

UPSTART HOLDINGS, INC.

2012 STOCK PLAN

STOCK OPTION AGREEMENT

1. **Grant of Option.** Upstart Holdings, Inc., a Delaware corporation (the “Company”), hereby grants to _____ (“Optionee”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice of Stock Option Grant (the “Notice”), at the exercise price per Share set forth in the Notice (the “Exercise Price”) subject to the terms, definitions and provisions of the Upstart Holdings, Inc. 2012 Stock Plan (the “Plan”) adopted by the Company, which is incorporated in this Stock Option Agreement (this “Agreement”) by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement or the Notice shall have the meanings defined in the Plan.

2. **Designation of Option.** This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice, and to the extent it is not so designated or to the extent this Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other incentive stock options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of \$100,000, the Shares in excess of \$100,000 shall be treated as subject to a nonstatutory stock option, in accordance with Section 5(c) of the Plan.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 7(c) of the Plan as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee’s death, Disability or other termination of Continuous Service Status, the exercisability of this Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of the Exercise Agreement attached hereto as Exhibit A or of any other form of written notice approved for such purpose by the Company which shall state Optionee's election to exercise this Option, the number of Shares in respect of which this Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Company in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the aggregate Exercise Price for the purchased Shares.

(ii) As a condition to the exercise of this Option and as further set forth in Section 9 of the Plan, Optionee agrees to make adequate provision for federal, state or other applicable tax, withholding, required deductions or other payments, if any, which arise upon the grant, vesting or exercise of this Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise, as determined by the Company in its sole discretion.

(iii) The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of this Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. This Option may not be exercised until such time as the Plan has been approved by the holders of capital stock of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such Shares would constitute a violation of any Applicable Laws, including any applicable U.S. federal or state securities laws or any other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which this Option is exercised with respect to such Shares.

(iv) Subject to compliance with Applicable Laws, this Option shall be deemed to be exercised upon receipt by the Company of the appropriate written notice of exercise accompanied by the Exercise Price and the satisfaction of any applicable obligations described in Section 3(b)(ii) above.

4. **Method of Payment.** Payment of the Exercise Price shall be by cash or check or, following the initial public offering of the Company's Common Stock, by Cashless Exercise pursuant to which the Optionee delivers an irrevocable direction to a securities broker (on a form prescribed by the Company and according to a procedure established by the Company).

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Service Status for any reason (the "Termination Date"), Optionee may exercise this Option only as set forth in the Notice and this Section 5. If Optionee does not exercise this Option within the Termination Period set forth in the Notice, this Option shall terminate in its entirety. In no event may any Option be exercised after the Expiration Date of this Option as set forth in the Notice.

(a) **General Termination.** In the event of termination of Optionee's Continuous Service Status, Optionee may, to the extent Optionee is vested in the Optioned Stock at the date of such termination, exercise this Option during the Termination Period set forth in the Notice.

(b) **Death of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's death, this Option may be exercised at any time during the Termination Period set forth in the Notice by any beneficiaries designated in accordance with Section 15 of the Plan or, if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee is vested in this Option.

(c) **Termination for Cause.** In the event of termination of Optionee's Continuous Service Status for Cause, this Option (including any vested portion thereof) shall immediately terminate in its entirety upon the date on which the Company determines that the Optionee has committed Cause. If Optionee's Continuous Service Status is suspended pending an investigation of whether Optionee's Continuous Service Status will be terminated for Cause, all Optionee's rights under this Option, including the right to exercise this Option, shall be suspended during the investigation period.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee. Further, beginning with (i) the period when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) promulgated under the Exchange Act, as determined by the Board in its sole discretion, and (ii) ending on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Board in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are Family Members through gifts or domestic relations orders, or (ii) to an executor or guardian of Optionee upon the death or disability of Optionee. Notwithstanding the foregoing sentence, the Board, in its sole discretion, may permit transfers of Nonstatutory Stock Options to the Company or in connection with a Change of Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

7. **Lock-Up Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing such offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering. [Notwithstanding the foregoing, if during the last 17 days of the restricted period, the Company

issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the 16-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this subsection shall continue to apply until the end of the third trading day following the expiration of the 15-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond 216 days after the effective date of the registration statement.]

8. **Effect of Agreement.** Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein and in the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Administrator regarding any questions relating to this Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail.

9. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Optionee's participation in the Plan, on the Option and on any Award or Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan. Optionee agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Optionee acknowledges that the laws of the country in which Optionee is working at the time of grant, vesting and exercise of the Option or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Optionee to additional procedural or regulatory requirements that Optionee is and will be solely responsible for and must fulfill.

10. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to Optionee's current or future participation in the Plan by electronic means or to request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

11. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of [California], without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of [California] and agree that any such litigation shall be conducted only in the courts of [California] or the federal courts of the United States located in [California] and no other courts.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement, together with the Notice to which this Agreement is attached and the Plan, sets forth the entire agreement and understanding of the parties relating to the subject matter herein and therein and merges all prior or contemporaneous discussions between the parties. Except as contemplated under the Plan, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

(d) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email or fax (upon customary confirmation of receipt), or forty-eight (48) hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address or fax number as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(e) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(f) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Optionee under this Agreement may not be assigned without the prior written consent of the Company.

EXHIBIT A

UPSTART HOLDINGS, INC.

2012 STOCK PLAN

EXERCISE AGREEMENT

This Exercise Agreement (this "**Agreement**") is made as of _____, by and between Upstart Holdings, Inc., a Delaware corporation (the "**Company**"), and _____ ("**Purchaser**"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Company's 2012 Stock Plan (the "**Plan**") and the Option Agreement (as defined below).

1. **Exercise of Option**. Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase _____ shares of the Common Stock (the "**Shares**") of the Company under and pursuant to the Plan, the Notice of Stock Option Grant and the Stock Option Agreement granted _____ (the "**Option Agreement**"). The purchase price for the Shares shall be \$ _____ per Share for a total purchase price of \$ _____. The term "**Shares**" refers to the purchased Shares and all securities received in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. **Time and Place of Exercise**. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement, the payment of the aggregate exercise price by any method listed in Section 4 of the Option Agreement, and the satisfaction of any applicable tax, withholding, required deductions or other payments, all in accordance with the provisions of Section 3(b) of the Option Agreement. The Company shall issue the Shares to Purchaser by entering such Shares in Purchaser's name as of such date in the books and records of the Company or, if applicable, a duly authorized transfer agent of the Company, against payment of the exercise price therefor by Purchaser. If applicable, the Company will deliver to Purchaser a certificate representing the Shares as soon as practicable following such date.

3. **Limitations on Transfer**. In addition to any other limitation on transfer created by Applicable Laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares except in compliance with the provisions below and Applicable Laws.

(a) **Right of First Refusal**. Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "**Holder**") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(a) (the "**Right of First Refusal**").

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the “Notice”) stating: (A) the Holder’s bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee (“Proposed Transferee”); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the terms and conditions of each proposed sale or transfer, including (without limitation) the purchase price for such Shares (the “Purchase Price”). The Holder shall offer the Shares at the Purchase Price and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) **Exercise of Right of First Refusal.** At any time within 30 days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase any or all of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the Purchase Price. If the Purchase Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board in good faith.

(iii) **Payment.** Payment of the Purchase Price shall be made, at the election of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 60 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(iv) **Holder’s Right to Transfer.** If any of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(a), then the Holder may sell or otherwise transfer any unpurchased Shares to that Proposed Transferee at the Purchase Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any Applicable Laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 and the waiver of statutory information rights in Section 8 shall continue to apply to the Shares in the hands of such Proposed Transferee. The Company, in consultation with its legal counsel, may require the Holder to provide an opinion of counsel evidencing compliance with Applicable Laws. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(v) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Holder’s lifetime or on Holder’s death by will or intestacy to Holder’s Immediate Family or a trust for the benefit of Holder’s Immediate Family shall be exempt from the provisions of this Section 3(a). “Immediate Family” as used herein shall mean lineal descendant or antecedent, spouse (or spouse’s antecedents), father, mother, brother or sister (or their descendants), stepchild (or their antecedents or descendants), aunt or uncle (or their antecedents or descendants), brother-in-law or sister-in-law (or their antecedents or descendants) and shall include adoptive relationships. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section 3, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(b) **Company's Right to Purchase upon Involuntary Transfer.** In the event of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(v) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase any or all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the Fair Market Value of the Shares on the date of transfer (as determined by the Company). Upon such a transfer, the Holder shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of 30 days following receipt by the Company of written notice from the Holder.

(c) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any holder or holders of capital stock of the Company or other persons or organizations.

(d) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement and the terms of the Option Agreement, including, without limitation, Section 7 of the Option Agreement. Any sale or transfer of the Shares shall be void unless the provisions of this Agreement are satisfied.

(e) **Termination of Rights.** The Right of First Refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act. Upon termination of such transfer restrictions, the Company will remove any stop-transfer notices referred to in Section 5(b) below and related to the restrictions in this Section 3 and, if certificates are issued, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without the legend referred to in Section 5(a)(ii) below and delivered to Holder.

4. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any other person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities.

(d) Purchaser is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 4(d), Purchaser acknowledges and agrees to the restrictions set forth in Section 4(e) below.

(e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

5. Restrictive Legends and Stop-Transfer Orders.

(a) **Legends.** Any certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by the Company or applicable state and federal corporate and securities laws):

- (i) "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR

DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.”

- (ii) “THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH AND MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY AT NO CHARGE.”

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

6. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent, subsidiary or affiliate of the Company, to terminate Purchaser’s employment or consulting relationship, for any reason, with or without cause.

7. **Lock-Up Agreement.** The lock-up provisions set forth in Section 7 of the Option Agreement shall apply to the Shares issued upon exercise of the Option hereunder and Purchaser reaffirms Purchaser’s obligations set forth therein.

8. **Waiver of Statutory Information Rights.** Optionee acknowledges and understands that, but for the waiver made herein, Optionee would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company’s stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the General Corporation Law of Delaware (any and all such rights, and any and all such other rights of Optionee as may be provided for in Section 220, the “Inspection Rights”). In light of the foregoing, until the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, Optionee hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be

commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Optionee in Optionee's capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Optionee under any written agreement with the Company.

9. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement, together with the Option Agreement and the Plan, sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior or contemporaneous discussions between them. No modification or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email or fax (upon customary confirmation of receipt), or forty-eight (48) hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address or fax number as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(e) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(f) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(g) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

The parties have executed this Exercise Agreement as of the date first set forth above.

THE COMPANY:

UPSTART HOLDINGS, INC.

By: _____
(Signature)

Name: _____

Title: _____

Address:

PURCHASER:

Address:

Email: _____

I, _____, spouse of _____ (“Purchaser”), have read and hereby approve the foregoing Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be bound irrevocably by the Agreement and further agree that any community property or other such interest that I may have in the Shares shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Spouse of Purchaser (if applicable)

2950 South Delaware St.
San Mateo, CA

Upstart Holdings, Inc.

SUB-SUBLEASE AGREEMENT

This Sub-Sublease Agreement (“**Sub-Sublease**”) is made effective as of the 1st day of April, 2019, (the “**Effective Date**”) by and between SNOWFLAKE, INC., a Delaware corporation f/k/a Snowflake Computing, Inc. (“**Sub-Sublandlord**”), and UPSTART HOLDINGS, INC., a Delaware corporation (“**Sub-Subtenant**”) with reference to the following facts:

A. BAY MEADOWS STATION 3 INVESTORS, LLC, a Delaware limited liability company (“**Master Landlord**”), as landlord, and OPEN TEXT INC., a Delaware corporation (“**Master Sublandlord**”), as tenant, entered into that certain Lease dated October 7, 2016 (“**Master Lease**”), whereby Master Landlord leased to Master Sublandlord and Master Sublandlord leased from Master Landlord those certain premises consisting of approximately 108,015 rentable square feet on the 3rd and 4th floors of the office building located at 2950 South Delaware Street, San Mateo, California as further set forth in the Master Lease (the “**Master Premises**”).

B. Master Sublandlord, as Sublandlord, and Sub-Sublandlord, as subtenant, entered into that certain Sublease dated August 28, 2018 (“**Original Sublease**”) as amended by that certain Amendment 1 to Sublease dated November 22, 2018 (“**First Amendment**” and collectively “**Master Sublease**”), whereby Master Sublandlord subleased to Sub-Sublandlord and Sub-Sublandlord subleased from Master Sublandlord those certain premises consisting of approximately 48,244 rentable square feet which compromise the 3rd floor of the Master Premises as more fully set forth in the Master Sublease (the “**Premises**”).

C. Master Landlord, Master Sublandlord and Sub-Sublandlord are parties to that certain Sublease Consent and Agreement dated September __, 2018 [sic] (“**Sublease Consent**”) whereby Master Landlord granted its consent to the sublease of the Premises to Sub-Sublandlord.

D. Sub-Sublandlord agrees to sub-sublease to Sub-Subtenant, and Sub-Subtenant agrees to sub-sublease from Sub-Sublandlord, the entire Premises upon the terms and conditions set forth in this Sub-Sublease.

AGREEMENT

1. **Sub-Sublease of Premises.** Subject to the terms and conditions of this Sub-Sublease, Sub-Sublandlord hereby sub-leases to Sub-Subtenant and Sub-Subtenant hereby sub-leases from Sub-Sublandlord the Premises.

2. **Master Lease and Other Agreements.**

2.1 **Subordinate to Master Lease.** Except as specifically set forth herein, this Sub-Sublease is subject and subordinate to all of the terms and conditions of the Master Lease, Master Sublease and Sublease Consent. Sub-Subtenant hereby assumes and agrees to perform the obligations of “Subtenant” under the Master Sublease and Sublease Consent as more particularly set forth hereafter, as such obligations may be modified by the terms of this Sub-Sublease. Unless otherwise defined, all capitalized terms used herein shall have the same meanings as given them in the Master Sublease. A copy of the Master Lease is attached hereto as **Exhibit A** and incorporated herein by this reference, a copy of the Master Sublease is attached hereto as **Exhibit B** and incorporated herein by this reference, and a copy of the Sublease Consent is attached hereto as **Exhibit C** and incorporated herein by this reference. Sub-Subtenant shall not commit or permit to be committed any act or omission which would violate any term or condition of the Master Lease, Master Sublease and Sublease Consent. Sub-Subtenant shall neither do nor permit anything to be done which would cause the Master Lease or Master Sublease to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in Master Landlord under the Master Lease or Master Sublandlord under the Master Sublease. Sub-Subtenant shall indemnify and hold Sub-Sublandlord harmless from and against all claims, liabilities, judgments, costs, demands, penalties, expenses, and damages of any kind whatsoever, including, without limitation, attorneys’ fees, consultants’ fees and costs and court costs, (“**Claims**”) by reason of any failure on the part of Sub-Subtenant to perform any of the obligations of “Subtenant” under the Master Sublease which Sub-

Subtenant has become obligated hereunder to perform, and such indemnity and hold harmless shall survive the expiration or sooner termination of this Sub-Sublease. In the event of the termination of the Master Lease or Master Sublease for any reason, then this Sub-Sublease shall terminate automatically upon such termination without any liability owed to Sub-Subtenant by Master Landlord, Master Sublandlord, or by Sub-Sublandlord unless the termination is due to Sub-Sublandlord's breach of the Master Sublease and not due to Sub-Subtenant's breach of the Sub-Sublease. Sub-Subtenant represents and warrants to Sub-Sublandlord that it has read and is familiar with the Master Lease and Master Sublease (except as to redacted provisions thereof). Sub-Sublandlord shall not voluntarily terminate or modify the Master Sublease in such a manner that will adversely and materially affect Sub-Subtenant's rights or obligation under this Sub-Sublease without the prior written consent of Sub-Subtenant, which consent shall not be unreasonably withheld; provided however, nothing herein shall prohibit Sub-Sublandlord from exercising any right to terminate the Master Sublease as set forth in the Master Sublease or pursuant to applicable law.

2.2 Applicable Provisions.

(a) All of the terms and conditions contained in the Master Sublease (and the Master Lease to the extent incorporated into the Master Sublease) as they may apply to the Premises are incorporated herein and shall be terms and conditions of this Sub-Sublease, except those directly contradicted or modified by the terms and conditions contained in this Sub-Sublease. Each reference therein to "Sublandlord", "Subtenant", "Premises" and "Sublease" to be deemed to refer to Sub-Sublandlord, Sub-Subtenant, Premises and Sub-Sublease, respectively, as appropriate.

2.3 Modifications. For the purposes of incorporation herein, the terms of the Master Sublease are subject to the following additional modifications:

(a) In all provisions of the Master Sublease (under the terms thereof and without regard to modifications thereof for purposes of incorporation into this Sub-Sublease) requiring the approval or consent of Master Landlord and/or Master Sublandlord, Sub-Subtenant shall be required to obtain the approval or consent of both Sub-Sublandlord and Master Landlord and/or Master Sublease, under the same standards of consent as set forth in the Master Sublease or Master Lease as applicable and the approval of Sub-Sublandlord may be withheld, in its sole and absolute discretion, if Master Landlord's and/or Master Sublandlord's consent is not obtained.

(b) In all provisions of the Master Sublease requiring "Subtenant" to submit, exhibit to, supply or provide Master Landlord and/or Master Sublandlord with evidence, certificates, or any other matter or thing, Sub-Subtenant shall be required to submit, exhibit to, supply or provide, as the case may be, the same to both Master Landlord and/or Master Sublandlord and Sub-Sublandlord.

(c) Sub-Sublandlord shall have no obligation to restore or rebuild any portion of the Premises after any destruction or taking by eminent domain or to maintain, repair, restore or control any portion of the Building or Project.

(d) Sub-Sublandlord shall not be obligated to provide any services, utilities or to maintain, repair or restore any portion of the Building or Project (unless such maintenance is the obligation of "Subtenant" under the Master Sublease and not the obligation of Sub-Subtenant herein).

(e) Sub-Sublandlord shall not be obligated to maintain any building systems (unless such maintenance is the obligation of "Subtenant" under the Master Sublease and not the obligation of Sub-Subtenant herein), any common area or any other repair or maintenance obligations which are Master Sublandlord's obligations under the Master Sublease.

(f) Sub-Sublandlord shall have no obligation to construct or pay for any improvements.

(g) In all provisions of the Master Sublease requiring "Subtenant" to designate Master Landlord and/or Master Sublandlord as an additional or named insured on its insurance policy, Sub-Subtenant shall be required to so designate Master Landlord, Master Sublandlord, Sub-Sublandlord and any individual, party or entity as required by Master Landlord, Master Sublandlord or Sub-Sublandlord on its insurance policy.

(h) If and to the extent that Sub-Sublandlord's rental obligation is abated or reduced pursuant to the Master Sublease due to a casualty, condemnation or other interference with the use of the Premises, the Rent hereunder shall be abated or reduced in the same proportion and period as the abatement or reduction under the Master Sublease. Sub-Subtenant shall not be entitled to any further abatement or reduction in Rent.

(i) Whenever in the Master Sublease a time is specified for the giving of any notice or the making of any demand by the "Subtenant" thereunder, such time is hereby changed, for the purpose of this Sub-Sublease only, by adding two (2) business days thereto and whenever in the Master Sublease a time is specified for the giving of any notice or the making of any demand by the "Sublandlord", such time is hereby changed, for the purpose of this Sub-Sublease only, by subtracting two (2) business days therefrom. It is the purpose and intent of the foregoing provisions to provide Sub-Sublandlord with time within which to transmit to Master Sublandlord any notices or demands received from Sub-Subtenant and to transmit to Sub-Subtenant any notices or demands received from Master Sublandlord.

2.4 Exclusions. Notwithstanding the terms of Section 2.2 above, Sub-Subtenant shall have no rights under any of the following provisions of the Master Sublease: (i) any rights or options to expand, extend, renew or terminate the Master Sublease, this Sub-Sublease or the Premises, and (ii) any rights of first offer, rights of first negotiation, or similar rights, or any rights to any tenant improvement allowance (except for the tenant improvement allowance as expressly provided herein). In addition, the following provisions of the Master Sublease and Master Lease are NOT incorporated herein: Sections 2, 3(a), 3(c) (except the last sentence) and 11(b) of the Original Sublease; the last sentence of Section 13(a)(i) of the Original Sublease; Sections 13(a)(ii), 16, 18, 19, 24(a), 24(b) and 24(c) of the Original Sublease; Exhibit C of the Original Sublease; the First Amendment (except for the definition of Premises); the Basic Lease Information of the Master Lease (except definitions of Project, Building, Permitted Use, Parking, Business Days and Building Business Hours); Sections 1 (except first 3 sentences) and 8.6 of the Master Lease; the first sentence of Section 10.1 of the Master Lease; Sections 25.1 and 32 of the Master Lease; and all portion of the Master Lease excluded from the Master Sublease. Any excluded provisions also include subsections unless otherwise expressly provided. All of the incorporated terms of the Master Sublease as referenced and qualified above along with all of the following terms and conditions set forth in this document shall constitute the complete terms and conditions of this Sub-Sublease.

2.5 Obligations of Sub-Sublandlord.

(a) Notwithstanding anything herein contained, the only services or rights to which Sub-Subtenant is entitled hereunder are those to which Sub-Sublandlord is entitled under the Master Sublease, and for all such services and rights Sub-Subtenant shall look solely to the Master Landlord under the Master Lease or Master Sublandlord under the Master Sublease, as the case may be, and the obligations of Sub-Sublandlord hereunder shall be limited to using its reasonable good faith efforts to obtain the performance by Master Sublandlord of its obligations (including its obligations, if any, to enforce the Master Lease), provided Sub-Subtenant shall reimburse Sub-Sublandlord for all reasonable costs incurred by Sub-Sublandlord in such efforts. Sub-Sublandlord shall have no liability to Sub-Subtenant or any other person for damage of any nature whatsoever as a result of the failure of Master Landlord and/or Master Sublease to perform said obligations.

(b) Sub-Sublandlord shall send to Sub-Subtenant copies of all written notices received or issued by Sub-Sublandlord with respect to a default by Sub-Sublandlord, Master Sublandlord or Master Landlord, as applicable, under the Master Sublease or the Master Lease. Sub-Sublandlord shall deliver to Master Sublandlord any reasonable request of Sub-Subtenant requiring Master Landlord's approval under the Master Lease, and/or Master Sublandlord's approval under the Master Sublease.

3. Term.

3.1 Initial Term. The term of this Sub-Sublease ("**Term**") shall commence the earlier of (i) the date Sub-Subtenant first commences to conduct business in the Premises, or (ii) May 1, 2019, but in no event before the date of Master Landlord's and Master Sublandlord's written consent of this Sub-Sublease ("**Commencement Date**") and shall end on March 31, 2024 ("**Expiration Date**"), unless sooner terminated pursuant to any provision of the Master Lease applicable to the Premises or the terms of this Sub-Sublease. Sub-Sublandlord shall have no obligation to Sub-Subtenant to exercise any of its options to extend under the Master Lease.

3.2 Option to Extend. Sub-Subtenant shall have no option to extend this Sub-Sublease.

3.3 Sub-Sublandlord's Inability to Deliver the Premises. In the event Sub-Sublandlord is unable to deliver possession of the Premises on or before the Commencement Date, Sub-Sublandlord shall not be liable for any damage caused thereby, nor shall this Sub-Sublease be void or voidable, and the term hereof shall not be extended by such delay. If Sub-Subtenant, with Sub-Sublandlord's and Master Landlord's consent, takes possession prior to commencement of the term, Sub-Subtenant shall do so subject to all the covenants and conditions hereof and shall pay pro-rated Base Rent for each day at the same rate as that prescribed for the first month of the term.

3.4 Early Access. Upon Master Landlord's and Master Sublandlord's consent to this Sub-Sublease, Sub-Subtenant shall have reasonable access to the Premises for the purposes of construction of approved improvements and installation of furniture, fixtures, equipment and cables. Sub-Subtenant's access shall be subject to all the terms and conditions of this Sub-Sublease, including without limitation, all insurance and maintenance obligations, and all monetary obligations except the payment of Base Rent.

3.5 Early Termination. Sub-Sublandlord shall have the one-time right to terminate this Sub-Sublease effective upon the day immediately preceding the third (3rd) anniversary of the Commencement Date provided that Sub-Sublandlord deliver Sub-Subtenant at least nine (9) months prior written notice exercising its right to terminate this Sub-Sublease.

4. Rent.

4.1 Base Rent. Sub-Subtenant shall pay to Sub-Sublandlord each month during the term of this Sub-Sublease, rent, in advance, on Sub-Subtenant's execution hereof for the first month and on or before the 1st of each month thereafter ("**Base Rent**") per month pursuant to the following schedule:

<u>Period During Term</u>	<u>Approx. Monthly Base Rent Per Rentable Square foot</u>	<u>Monthly Installment of Base Rent</u>
Commencement Date – April 30, 2020	\$ 6.25	\$ 301,525.00
May 1, 2020 – April 30, 2021	\$ 6.44	\$ 310,570.75
May 1, 2021 – April 20, 2022	\$ 6.63	\$ 319,887.87
May 1, 2022 – April 30, 2023	\$ 6.83	\$ 329,484.51
May 1, 2023 – March 31, 2024	\$ 7.03	\$ 339,369.04

4.2 Expenses and Taxes. Commencing upon the Commencement Date and in addition to Base Rent, Sub-Subtenant shall pay to Sub-Sublandlord all Addition Rent as charged Sub-Sublandlord. Any refund of Additional Rent paid by Sub-Subtenant that Sub-Sublandlord received from Master Sublandlord shall be refunded to Sub-Subtenant and any amounts of Additional Rent paid by Sub-Subtenant with respect to the Term to the extent Sub-Sublandlord pursuant to Sections 7.5 or 7.7 of the Master Lease (as applicable to the Master Sublease) shall be refunded to Sub-Subtenant within thirty (30) days of Sub-Sublandlord's receipt. Sub-Sublandlord shall promptly deliver to Sub-Subtenant all copies of statements of Estimated Operating Expenses and Annual Statements received by Sub-Sublandlord and all invoices for Additional Rent received by Sub-Sublandlord. Sub-Subtenant shall pay the Additional Rent in the same manner as set forth in Section 3(b) of the Master Sublease. To the extent Sub-Sublandlord has such right under the Master Sublease, Sub-Subtenant shall have the right to cause Sub-Sublandlord to cause an Independent Review of Master Landlord's books and records as provided in Section 7.7 of the Master Lease provided that Sub-Subtenant has delivered Sub-Sublandlord written notice exercising such right at least twenty (20) days prior to the date Sub-Sublandlord's right to cause an Independent Review under the Master Sublease expires. Following Sub-Sublandlord's written request, Sub-Sublandlord shall make the same written request to Master Sublandlord pursuant to Section 3(b) of the Master Sublease to cause Master Sublandlord to perform such Independent Review; provided however, Sub-Sublandlord shall have no liability or further obligation is Master Sublandlord fails to perform such Independent Review or if Master Landlord prohibits such Independent Review on Sub-Subtenant's behalf. Sub-Subtenant shall be responsible for all costs incurred by Sub-Sublandlord relating to such Independent Review.

4.3 Utilities and Services. Sub-Subtenant shall pay to for all utilities and services supplied to the Master Premises either directly the service provider (if obtained directly by Sub-Subtenant) or to Sub-Sublandlord, Master Sublandlord or Master Landlord as Sub-Sublandlord shall direct.

4.4 Additional Services. If Sub-Subtenant shall procure any additional services from Master Landlord or Master Sublandlord, including, but not limited to, after-hours HVAC, or if additional rent or other sums are incurred under the Master Sublease as a result of Sub-Subtenant's use or occupancy of the Premises, Sub-Subtenant shall make such payment to Sub-Sublandlord, Master Sublandlord or Master Landlord, as Sub-Sublandlord shall direct.

4.5 Rent. All amounts set forth in this Section 4 and any other rent or other sums payable by Sub-Subtenant under this Sub-Sublease shall constitute and be due as additional rent. Base Rent, and additional rent shall herein be referred to as "**Rent**". Rent for partial months at the commencement or termination of this Sub-Sublease shall be prorated. Rent shall be paid to the Sub-Sublandlord at its notice address noted herein, or at any other place Sub-Sublandlord may from time to time designate by written notice mailed or delivered to Sub-Subtenant.

5. Letter of Credit. Concurrently upon Sub-Subtenant's execution of this Sub-Sublease, Sub-Subtenant shall provide to Sub-Sublandlord an unconditional, clean, irrevocable Letter of Credit ("**Letter of Credit**") in the amount of Two Million and No/100 Dollars (\$2,000,000.00) in favor of Sub-Sublandlord and issued by a bank (which accepts deposits, maintains accounts and will negotiate a letter of credit, and whose deposits are insured by the FDIC) located in the San Francisco Bay Area and acceptable to Sub-Sublandlord ("**Issuer**"). The Letter of Credit shall (1) be fully transferable by Sub-Sublandlord without payment of transfer fees payable by Sub-Sublandlord, (2) permit multiple drawings, and (3) provide that draws, including partial draws, at Sub-Sublandlord's election, will be honored upon the delivery to the Issuer. The Letter of Credit is to be issued pursuant to ISP98 rather than UCP 500. If (i) Sub-Subtenant fails to pay Rent or any other sums as and when due hereunder and such failure has continued beyond any applicable notice and cure period, (ii) Sub-Subtenant otherwise defaults with respect to any provision of this Sub-Sublease and such default has continued beyond any applicable notice and cure period, or (2) Sub-Subtenant has filed a voluntary petition under the U. S. Bankruptcy Code or any state bankruptcy code (collectively, "**Bankruptcy Code**"); or (3) an involuntary petition has been filed against Sub-Subtenant under the Bankruptcy Code; or (4) the Issuer has notified Sub-Sublandlord that the Letter of Credit will not be renewed or extended through its final expiration date and Sub-Subtenant fails to deliver to Sub-Sublandlord a replacement Letter of Credit meeting the requirements of this Section 5 at least thirty (30) days prior to the expiration of the existing Letter of Credit, Sub-Sublandlord may (but shall not be obligated to) use, apply or retain all or any portion of the Letter of Credit for payment of any sum for which Sub-Subtenant is obligated or which will compensate Sub-Sublandlord for any loss or damage which Sub-Sublandlord may suffer thereby. Any draw or partial draw of the Letter of Credit shall not constitute a waiver by Sub-Sublandlord of its right to enforce its other remedies hereunder, at law or in equity. If any portion of the Letter of Credit is drawn upon, Sub-Subtenant shall, within ten (10) days after delivery of written demand from Sub-Sublandlord, restore said Letter of Credit to its original amount. The Letter of Credit shall be in effect for the entire term of this Sub-Sublease plus ninety (90) days beyond the expiration of the Sub-Sublease term. The Letter of Credit will automatically renew each year during the Sub-Sublease term unless the beneficiary under the Letter of Credit is given at least thirty (30) days prior notice of a non-renewal by the Issuer, and Sub-Sublandlord shall be able to draw on the Letter of Credit in the event of such notice. The parties agree that the provisions of Civil Code Sections 1950.7 and 1951.7 do not apply to the Letter of Credit or any proceeds from the Letter of Credit.

6. Premises.

6.1 Condition of the Premises. Sub-Subtenant acknowledges that as of the Commencement Date, Sub-Subtenant shall have inspected the Premises, and every part thereof, and by taking possession shall have acknowledged that the Premises is in good condition and without need of repair, and Sub-Subtenant accepts the Premises "as is", Sub-Subtenant having made all investigations and tests it has deemed necessary or desirable in order to establish to its own complete satisfaction the condition of the Premises. Sub-Subtenant accepts the Premises in their condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances, and regulations governing and regulating the use of the Premises and any covenants or restrictions of record. Sub-Subtenant acknowledges that neither Sub-Sublandlord nor Master Landlord have made any representations or warranties as to the condition of the Premises or its present or future suitability for Sub-Subtenant's purposes. Notwithstanding the foregoing, Sub-Sublandlord shall deliver the Premises to Sub-Subtenant with the

building systems servicing the Premises in good working condition, including, but not limited to, the HVAC, electrical, plumbing and lighting to the extent that Sub-Sublandlord is responsible to maintain such building systems under the Master Sublease and to the extent that the condition of such building systems is not Sub-Sublandlord's obligation under the Master Sublease, Sub-Sublandlord shall have no obligation to repair any systems which are not in good working condition. In the event that maintenance and repair of such building system was Sub-Sublandlord's obligation under the Master Sublease prior to the Effective Date, then provided that Sub-Subtenant notifies Sub-Sublandlord within thirty (30) days following the date Sub-Sublandlord delivery of possession of the Premises to Sub-Subtenant that such systems are not in good working condition, Sub-Sublandlord shall perform such maintenance and repair to the extent Sub-Sublandlord was so required under the Master Sublease.

6.2 Maintenance and Surrender. Sub-Subtenant shall keep the Premises in the condition required under the Master Sublease and perform all maintenance, repair and replacement obligations of "Subtenant" required under the Master Sublease. Sub-Subtenant shall surrender the Premises in the condition as required under the Master Sublease as if Sub-Subtenant were the named "Subtenant" under the Master Sublease it being agreed that Sub-Subtenant as assumed all of Sub-Sublandlord's obligations under the Master Sublease with regards to the condition of the Premises.

7. Insurance.

7.1 Sub-Subtenant's Insurance. With respect to the "Subtenant's" insurance under the Master Sublease, the same is to be provided by Sub-Subtenant as described in the Master Sublease (and/or as incorporated into the Master Sublease from the Master Lease), and such policies of insurance shall include as additional insureds Master Landlord, Master Sublandlord, Sub-Sublandlord, any individual, party or entity as required by Master Landlord, Master Sublandlord or Sub-Sublandlord.

7.2 Waiver of Subrogation. With respect to the waiver of subrogation contained in the Master Sublease (or incorporated from the Master Lease), such waiver shall be deemed to be modified to constitute an agreement by and among Master Landlord, Master Sublandlord, Sub-Sublandlord and Sub-Subtenant (and Master Landlord's and Master Sublandlord's consent to this Sub-Sublease shall be deemed to constitute its approval of this modification).

8. Use and Alterations.

8.1 Use of Premises. Sub-Subtenant shall use the Premises only for those purposes permitted in the Master Sublease.

8.2 Alterations. Sub-Subtenant shall not make any Alteration (as defined in the Master Lease) to the Premises without the express prior written consent of Sub-Sublandlord, Master Sublease (to the extent Master Sublandlord's consent is required under the Master Sublease) and of Master Landlord (to the extent Master Landlord's consent is required under the Master Lease), which consent by Sub-Sublandlord shall not be unreasonably withheld. Sub-Subtenant shall reimburse Sub-Sublandlord for all costs which Sub-Sublandlord may incur in connection with reviewing Sub-Subtenant plans for such Alteration for any alterations and additions, including, without limitation, any costs charged by Master Sublandlord and/or Master. Sub-Subtenant shall comply with the terms of Section 12 of the Master Lease which regards to any such Alterations. On termination of this Sub-Sublease, if required by Master Landlord, Sub-Subtenant shall remove any or all of such Alterations and restore the Premises (or any part thereof) to the same condition as of the date Sub-Sublandlord provided Sub-Subtenant with access; provided however, if this Sub-Sublease terminates, for any reason, prior to the expiration of the Master Sublease, then Sub-Sublandlord shall have the right to require Sub-Subtenant to remove such Alterations. Should Sub-Subtenant fail to remove such Alterations and restore the Premises on termination of this Sub-Sublease unless as otherwise set forth above, Sub-Sublandlord shall have the right to do so, and charge Sub-Subtenant therefor, plus a service charge of ten percent (10%) of the costs incurred by Sub-Sublandlord in addition to any costs or expenses charged by Master Landlord and/or Master Sublandlord.

8.3 Signage. To the extent transferable, Sub-Subtenant shall have all signage rights available to Sub-Sublandlord under the Master Sublease. All signs shall be at Sub-Subtenant's sole cost and shall comply with the terms of the Master Lease and Master Sublease and with all local, federal and state rules, regulations, statutes, and ordinances at all times during the Term. Sub-Subtenant acknowledges and agrees that its request for consent to signage shall be limited to signage at the Premises. Sub-Subtenant, at Sub-Subtenant's cost, shall remove all such signs and graphics prior to the termination of this Sub-Sublease and repair any damage caused by such removal.

9. Assignment, Subletting and Encumbrance.

9.1 Consent Required. Sub-Subtenant shall not assign this Sub-Sublease or any interest therein nor shall Sub-Subtenant sublet, license, encumber or permit the Premises or any part thereof to be used or occupied by others (“**Transfer**”), without Sub-Sublandlord’s, Master Sublandlord’s and Master Landlord’s prior written consent. Sub-Sublandlord’s consent shall not be unreasonably withheld; provided, however, Sub-Sublandlord’s withholding of consent shall in all events be deemed reasonable if for any reason Master Landlord’s and/or Master Sublandlord’s consent is not obtained. The consent by Sub-Sublandlord, Master Sublandlord and Master Landlord to any Transfer shall not waive the need for Sub-Subtenant (and Sub-Subtenant’s assignee or subtenant) to obtain the consent of Sub-Sublandlord, Master Sublandlord and Master Landlord to any different or further Transfer. All conditions and standards set forth in the Master Sublease regarding Transfers shall apply.

9.2 Transfer Premium. To the extent there is any Transfer Premium as set forth in Master Lease as a result of a Transfer, such Transfer Premium shall first be split with Sub-Sublandlord in the same manner of set forth in the Master Lease. If Master Landlord and/or Master Sublandlord is also entitled to any portion of the Transfer Premium, then Sub-Subtenant shall be responsible to pay such Transfer Premiums to Master Landlord and Master Sublandlord to the extent they are entitled.

9.3 Form of Document. Every Transfer shall (i) recite that it is and shall be subject and subordinate to the provisions of this Sub-Sublease, that the assignee or subtenant assumes Sub-Subtenant’s obligation hereunder, that the termination of this Sub-Sublease shall at Sub-Sublandlord’s sole election, constitute a termination of every such Transfer, and (ii) contain such other terms and conditions as shall be reasonably requested or provided by Sub-Sublandlord’s attorneys.

9.4 No Release of Sub-Subtenant. Regardless of Sub-Sublandlord’s consent, no Transfer shall release Sub-Subtenant of Sub-Subtenant’s obligation or alter the primary liability of Sub-Subtenant to pay the Rent and to perform all other obligations to be performed by Sub-Subtenant hereunder. The acceptance of Rent by Sub-Sublandlord from any other person shall not be deemed to be a waiver by Sub-Sublandlord of any provision hereof. In the event of default by any assignee, subtenant or any other successor of Sub-Subtenant, in the performance of any of the terms hereof, Sub-Sublandlord may proceed directly against Sub-Subtenant without the necessity of exhausting remedies against such assignee, subtenant, transferee or successor.

9.5 Default. An involuntary assignment shall constitute a default and Sub-Sublandlord shall have the right to elect to terminate this Sub-Sublease, in which case this Sub-Sublease shall not be treated as an asset of Sub-Subtenant.

9.6 Recapture. Notwithstanding the foregoing, in the event Sub-Subtenant requests Sub-Sublandlord’s consent to sublet all or any portion of the Premises, or to assign this Sub-Sublease, Sub-Sublandlord may in its sole discretion, elect to terminate this Sub-Sublease within thirty (30) days after receipt of Sub-Subtenant’s request by written notification to Sub-Subtenant of such election, in which case the Sub-Sublease shall terminate effective thirty (30) days following such election.

10. Default.

10.1 Default Described. The occurrence of any of the following shall constitute a “**Default**” by Sub-Subtenant: (i) failure to pay Rent or any other amount within three (3) days after written notice that such payment is past due; (ii) all those items of default set forth in the Master Sublease where the obligation is incorporated in this Sub-Sublease which remain uncured after the one-half (1/2) of the cure period provided in the Master Sublease; or (iii) Sub-Subtenant’s failure to perform timely and remain uncured after fifteen (15) days written notice of the default, any other provision of this Sub-Sublease.

10.2 Sub-Sublandlord’s Remedies. In the event of a Default, Sub-Sublandlord shall have the remedies set forth in the Master Lease as if Sub-Sublandlord is Master Landlord. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

10.3 Sub-Subtenant's Right to Possession Not Terminated. Sub-Sublandlord has the remedy described in California Civil Code Section 1951.4 (landlord may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations). Sub-Sublandlord may continue this Sub-Sublease in full force and effect, and Sub-Sublandlord shall have the right to collect rent and other sums when due. During the period Sub-Subtenant is in default, Sub-Sublandlord may enter the Premises and relet them, or any part of them, to third parties for Sub-Subtenant's account and alter or install locks and other security devices at the Premises. Sub-Subtenant shall be liable immediately to Sub-Sublandlord for all costs Sub-Sublandlord incurs in reletting the Premises, including, without limitation, attorneys' fees, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting may be for a period equal to, shorter or longer than the remaining term of this Sub-Sublease and rent received by Sub-Sublandlord shall be applied to (i) first, any indebtedness from Sub-Subtenant to Sub-Sublandlord other than rent due from Sub-Subtenant; (ii) second, all costs incurred by Sub-Sublandlord in reletting, including, without limitation, brokers' fees or commissions and attorneys' fees, the cost of removing and storing the property of Sub-Subtenant or any other occupant, and the costs of repairing, altering, maintaining, remodeling or otherwise putting the Premises into condition acceptable to a new Sub-Subtenant or Sub-Subtenants; (iii) third, rent due and unpaid under this Sub-Sublease. After deducting the payments referred to in this Section 10.3, any sum remaining from the rent Sub-Sublandlord receives from reletting shall be held by Sub-Sublandlord and applied in payment of future rent and other amounts as rent and such amounts become due under this Sub-Sublease. In no event shall Sub-Subtenant be entitled to any excess rent received by Sub-Sublandlord.

10.4 All Sums Due and Payable as Rent. Sub-Subtenant shall also pay without notice, or where notice is required under this Sub-Sublease, immediately upon demand without any abatement, deduction, or setoff, as additional rent all sums, impositions, costs, expenses, and other payments which Sub-Subtenant in any of the provisions of this Sub-Sublease assumes or agrees to pay, and, in case of any nonpayment thereof, Sub-Sublandlord shall have, in addition to all other rights and remedies, all the rights and remedies provided for in this Sub-Sublease or by law in the case of nonpayment of rent.

10.5 No Waiver. Sub-Sublandlord may accept Sub-Subtenant's payments without waiving any rights under the Sub-Sublease, including rights under a previously served notice of default. No payment by Sub-Subtenant or receipt by Sub-Sublandlord of a lesser amount than any installment of rent due or other sums shall be deemed as other than a payment on account of the amount due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Sub-Sublandlord may accept such check or payment without prejudice of Sub-Sublandlord's right to recover the balance of such rent or other sum or pursue any other remedy provided in this Sub-Sublease, at law or in equity. If Sub-Sublandlord accepts payments after serving a notice of default, Sub-Sublandlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Sub-Subtenant any further notice or demand. Furthermore, Sub-Sublandlord's acceptance of rent from Sub-Subtenant when the Sub-Subtenant is holding over without express written consent does not convert Sub-Subtenant's tenancy from a tenancy at sufferance to a month-to-month tenancy. No waiver of any provision of this Sub-Sublease shall be implied by any failure of Sub-Sublandlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Sub-Sublandlord of any provision of this Sub-Sublease must be in writing. Such waiver shall affect only the provisions specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Sub-Sublandlord shall impair such right or remedy or be construed as a waiver thereof by Sub-Sublandlord. No act or conduct of Sub-Sublandlord, including, without limitation the acceptance of keys to the Premises shall constitute acceptance or the surrender of the Premises by Sub-Subtenant before the Expiration Date. Only written notice from Sub-Sublandlord to Sub-Subtenant of acceptance shall constitute such acceptance or surrender of the Premises. Sub-Sublandlord's consent to or approval of any act by Sub-Subtenant which requires Sub-Sublandlord's consent or approval shall not be deemed to waive or render unnecessary Sub-Sublandlord's consent to or approval of any subsequent act by Sub-Subtenant.

10.6 Sub-Sublandlord Default. For purposes of this Sub-Sublease, Sub-Sublandlord shall not be deemed in default hereunder unless and until Sub-Subtenant shall first deliver to Sub-Sublandlord thirty (30) days' prior written notice, and Sub-Sublandlord shall fail to cure said default within said thirty (30) day period, or in the event Sub-Sublandlord shall reasonably require in excess of thirty (30) days to cure said default, shall fail to commence said cure with said thirty (30) day period, and thereafter diligently prosecute the same to completion.

11. **Consent of Master Landlord and Master Sublandlord.** Sub-Subtenant acknowledges that the Master Sublease requires that Sub-Sublandlord obtain the consent of Master Landlord and Master Sublandlord to any subletting by Sub-Sublandlord. This Sub-Sublease shall not be effective unless and until Master Landlord and Master Sublandlord each sign a consent to this subletting reasonably satisfactory to Sub-Sublandlord and Sub-Subtenant. The third-party costs of obtaining such consents payable by Sub-Sublandlord pursuant to the Master Sublease and Sublease Consent and Sub-Sublandlord's costs, including legal fees, incurred in connection with obtaining such consents and negotiating this Sub-Sublease shall be borne entirely by Sub-Sublandlord; provided, however, that costs and fees charged by Master Landlord or Master Sublandlord to Sub-Sublandlord in connection with Sub-Subtenant's request for and negotiation of incorporation of rights of recognition following any termination of the Master Sublease or other requests of Sub-Subtenant for rights not provided to Sub-Sublandlord in the Sublease Consent into such consents shall be borne entirely by Sub-Subtenant. Notwithstanding anything to the contrary, Sub-Subtenant acknowledges that Master Landlord and Master Sublandlord are under no obligation to recognize this Sub-Sublease as a direct lease/sublease following any termination of the Master Lease or Master Lease or to provide any other rights not provided to Sub-Sublandlord and that this Sub-Sublease is not conditioned upon either Master Landlord or Master Sublandlord granting such additional rights. Any consent to this Sub-Sublease by Master Landlord or Master Sublandlord which does not contain such provisions shall not be deemed unsatisfactory to Sub-Subtenant.

12. **Notices and Payments.** Any notice, demand, request, consent, approval, submittal or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class certified mail or commercial overnight delivery service. Such Notice shall be effective on the date of actual receipt (in the case of personal service or commercial overnight delivery service) or two days after deposit in the United States mail, to the following addresses:

To the Sub-Sublandlord: Snowflake, Inc.

With a copy to:

To the Sub-Subtenant: At the Premises

Either party may, by written notice to the other, specify a different address for notice purposes. When this Sub-Sublease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Sub-Sublease) shall replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure Section 1162 or any similar or successor statute.

13. **Holding Over.** Sub-Subtenant shall have no right to holdover. If Sub-Subtenant does not surrender and vacate the Premises at the Expiration Date of this Sub-Sublease, Sub-Subtenant shall be a tenant at sufferance, or at the sole election of Sub-Sublandlord, a month to month tenancy, and the parties agree in either case that the reasonable rental value, if at sufferance, or the Rent if a month to month tenancy shall be the greater of (1) the monthly rate of one hundred fifty percent (150%) of the monthly Rent set forth in Section 4, or (2) the fair market value for the Premises; provided however, if Sub-Subtenant causes Sub-Sublandlord to be in holdover under the Master Sublease, then such rent shall be increased to the holdover rent due to Master Sublandlord from Sub-Sublandlord under the holdover provisions of the Master Sublease, including, but not limited to, operating expenses and property taxes due and payable during such holdover period of time. In connection with the foregoing, Sub-Sublandlord and Sub-Subtenant agree that the reasonable rental value of the Premises following the Expiration Date of the Sub-Sublease shall be the amounts set forth above per month. Sub-Sublandlord and Sub-Subtenant acknowledge and agree that, under the circumstances existing as of the Effective Date, it is impracticable and/or extremely difficult to ascertain the reasonable rental value of the Premises on the Expiration Date and that the reasonable rental value established herein is a reasonable estimate of the damage that Sub-Sublandlord would suffer as the result of the failure of Sub-Subtenant to timely surrender possession of the Premises. The parties acknowledge that the liquidated damages established herein is not intended as a forfeiture or penalty within the meaning of California Civil Code sections 3275 or 3369, but is intended to constitute liquidated damages to Sub-Sublandlord pursuant to California Civil Code sections 1671, 1676, and 1677. Notwithstanding the foregoing, and in addition to

all other rights and remedies on the part of Sub-Sublandlord if Sub-Subtenant fails to surrender the Premises upon the termination or expiration of this Sub-Sublease, in addition to any other liabilities to Sub-Sublandlord accruing therefrom, Sub-Subtenant shall indemnify, defend and hold Sub-Sublandlord harmless from all Claims resulting from such failure, including, without limitation, any Claims by any third parties based on such failure to surrender and any lost profits to Sub-Sublandlord resulting therefrom.

14. **Certified Access Specialist Disclosure**. For purposes of Section 1938 of the California Civil Code, Sub-Sublandlord hereby discloses to Sub-Subtenant, and Sub-Subtenant hereby acknowledges, that to Sub-Sublandlord's actual knowledge, the Premises have not undergone inspection by a CASp.

California Civil Code Section 1938 states:

“A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

Notwithstanding anything to the contrary in the Sub-Sublease, Sub-Sublandlord and Sub-Subtenant hereby agree that Sub-Subtenant shall be responsible for (i) the payment of the fee for any CASp inspection that Sub-Subtenant desires, and (ii) making, at Sub-Subtenant's sole cost, any repairs necessary to correct violations of construction-related accessibility standards within the Premises, whether such violations occurred before or occur after the Effective Date, if such CASp inspection at Sub-Subtenant's request reveals a violation, provided that such repairs shall be in accordance with the terms of the Sub-Sublease. Sub-Subtenant hereby agrees that: any CASp inspecting the Premises shall be selected by Sub-Sublandlord or Master Landlord; Sub-Subtenant shall promptly deliver to Sub-Sublandlord, Master Sublandlord and Master Landlord any CASp report regarding the Premises obtained by Sub-Subtenant; and Sub-Subtenant shall keep information contained in any CASp report regarding the Premises confidential, except as may be necessary for Sub-Subtenant or its agents to complete any repairs or correct violations with respect to the Premises that Sub-Subtenant agrees to undertake. Sub-Subtenant shall have no right to cancel or terminate the Sub-Sublease due to violations of construction-related accessibility standards within the Premises identified in a CASp report obtained during the Term.

15. **Miscellaneous**.

15.1 **Conflict with Master Sublease; Interpretation**. In the event of any conflict between the provisions of the Master Sublease and this Sub-Sublease, this Sub-Sublease shall control; provided however, nothing herein shall grant Sub-Subtenant more rights than granted to Sub-Sublandlord under the Master Sublease. No presumption shall apply in the interpretation or construction of this Sub-Sublease as a result of Sub-Sublandlord having drafted the whole or any part hereof.

15.2 **Remedies Cumulative**. The rights, privileges, elections, and remedies of Sub-Sublandlord in this Sub-Sublease, at law, and in equity are cumulative and not alternative.

15.3 **Waiver of Redemption**. Sub-Subtenant hereby expressly waives any and all rights of redemption to which it may be entitled by or under any present or future laws in the event Sub-Sublandlord shall obtain a judgment for possession of the Premises.

15.4 **Damage and Destruction; Condemnation**. In the event of any damage, destruction, casualty, condemnation or threat of condemnation affecting the Premises, Rent payable hereunder shall be abated but only to the extent that rent is abated under the Master Sublease with respect to the Premises. Sub-Subtenant shall have no right to terminate this Sub-Sublease in connection with any damage, destruction, casualty, condemnation or threat of condemnation except to the extent the Master Sublease is also terminated as to the Premises or any portion thereof.

15.5 Effect of Conveyance. As used in this Sub-Sublease, the term “Sub-Sublandlord” means the holder of the “Subtenant’s” interest under the Master Sublease. In the event of any assignment or transfer of the “Subtenant’s” interest under the Master Sublease, which assignment or transfer may occur at any time during the Term hereof in Sub-Sublandlord’s sole discretion, Sub-Sublandlord shall be and hereby is entirely relieved of the future performance of all covenants and obligations of Sub-Sublandlord hereunder to the extent first arising after the effective date of such assignment or transfer if such future performance is assumed by the transferee in a writing and a copy thereof is delivered to Sub-Subtenant. Sub-Sublandlord may transfer and deliver any security of Sub-Subtenant to the transferee of the “Subtenant’s” interest under the Master Sublease, and thereupon Sub-Sublandlord shall be discharged from any further liability with respect thereto if such transferee assumes in writing Sub-Sublandlord’s obligations with regard to such security in a writing delivered to Sub-Subtenant.

15.6 Broker’s Commission. Sub-Sublandlord and Sub-Subtenant represent and warrant to each other that each has dealt with the following brokers Newmark Knight Frank (“**Sub-Sublandlord’s Broker**”) and Newmark Knight Frank (“**Sub-Subtenant’s Broker**”, collectively the “**Brokers**”) and with no other agent, finder, or other such person with respect to this Sub-Sublease and each agrees to indemnify and hold the other harmless from any Claims asserted against the other by any broker, agent, finder, or other such person not identified above as Sub-Sublandlord’s Broker or Sub-Subtenant’s Broker. The Commission to the Brokers is pursuant to separate agreement.

15.7 Offer. Preparation of this Sub-Sublease by either Sub-Sublandlord or Sub-Subtenant or either party’s agent and submission of same to Sub-Sublandlord or Sub-Subtenant shall not be deemed an offer to Sub-Sublease. This Sub-Sublease is not intended to be binding until executed and delivered by all Parties hereto.

15.8 Due Authority. Each of the persons executing this Sub-Sublease on behalf of Sub-Subtenant represent and warrant that they have the authority to bind Sub-Subtenant, Sub-Subtenant has been and is qualified to do business in the State of California, that the corporation has full right and authority to enter into this Sub-Sublease, and that all persons signing on behalf of the corporation were authorized to do so by appropriate corporate actions. Each of the persons executing this Sub-Sublease on behalf of Sub-Sublandlord represent and warrant that they have the authority to bind Sub-Sublandlord (subject to Master Landlord’s and Master Sublandlord’s consent to this Sub-Sublease), Sub-Sublandlord has been and is qualified to do business in the State of California, that the corporation has full right and authority to enter into this Sub-Sublease, and that all persons signing on behalf of the corporation were authorized to do so by appropriate corporate actions. Sub-Subtenant agrees to furnish promptly upon request a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the authorization of Sub-Subtenant to enter into this Sub-Sublease.

15.9 Multiple Counterparts. This Sub-Sublease may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. This Sub-Sublease may be executed by a party’s signature transmitted by DocuSign or by electronic mail in pdf format (“**pdf**”), and copies of this Sub-Sublease executed and delivered by means of DocuSign or pdf signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon DocuSign or pdf signatures as if such signatures were originals. Any party executing and delivering this Sub-Sublease by pdf shall promptly thereafter deliver a counterpart of this Sub-Sublease containing said party’s original signature. All parties hereto agree that DocuSign or pdf signature page may be introduced into evidence in any proceeding arising out of or related to this Sub-Sublease as if it were an original signature page.

15.10 Attorney Fees. In the event any action or proceeding at law or in equity, bankruptcy or any arbitration proceeding be instituted by either party, for an alleged breach of any obligation of a party under this Sub-Sublease, to recover rent, to terminate the tenancy of Sub-Subtenant at the Premises, or to enforce, protect, or establish any right or remedy of a party to this Sub-Sublease Agreement, the prevailing party (by judgment or settlement) in such action or proceeding shall be entitled to recover as part of such action or proceeding such reasonable attorneys’ fees, expert witness fees, and court costs as may be fixed by the court or jury, but this provision shall not apply to any cross-complaint filed by anyone other than Sub-Sublandlord in such action or proceeding.

15.11 Sub-Sublandlord’s Costs. In any case where Sub-Subtenant requests permission from Sub-Sublandlord, Master Sublandlord and/or Master Landlord to assign, sublet, make alterations, or receive any other consent or obtain any waiver from or modification to the terms of this Sub-Sublease, Sub-Subtenant shall reimburse Sub-Sublandlord for all costs incurred, including without limitation, any amount charged by Master Landlord and/or Master Sublandlord and reasonable attorney’s fees incurred by Sub-Sublandlord in reviewing such request.

15.12 Limitation of Liability. Notwithstanding anything contained in this Sub-Sublease to the contrary, the obligations of Sub-Sublandlord under this Sub-Sublease (including any actual or alleged breach or default by Sub-Sublandlord) do not constitute personal obligations of the individual partners, directors, officers, members or shareholders of Sub-Sublandlord or Sub-Sublandlord's members or partners, and Sub-Subtenant shall not seek recourse against the individual partners, directors, officers, members, shareholders or employees of Sub-Sublandlord. Notwithstanding any contrary provision herein, neither Sub-Sublandlord nor the individual partners, directors, officers, members, shareholders or employees of Sub-Sublandlord nor Sub-Sublandlord's members or partners or any other persons or entities having any interest in Sub-Sublandlord, shall be liable under any circumstances for injury or damage to, or interference with Sub-Subtenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

15.13 Exhibits and Attachments. All exhibits and attachments to this Sub-Sublease are a part hereof.

IN WITNESS WHEREOF, Sub-Sublandlord and Sub-Subtenant have executed and delivered this Sub-Sublease on the date first set forth above.

SUB-SUBLANDLORD

SUB-SUBTENANT

SNOWFLAKE, INC.,
a Delaware corporation

UPSTART HOLDINGS, INC.,
a Delaware corporation

/s/ Thomas Tuchscher

/s/ Dave Girouard

By: Thomas Tuchscher

By: Dave Girouard

Its: CFO

Its: CEO

/s/ Sanjay Datta

By: Sanjay Datta

Its: CFO



*NOTE:

If Sub-Subtenant is a corporation, then one of the following alternative requirements must be satisfied:

(A) This Sub-Sublease must be signed by two (2) officers of such corporation: one being the chairman of the board, the president or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer. If one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer.

(B) If the two (2) signatories do not satisfy the requirements of (A) above, then Sub-Subtenant shall deliver to Sub-Sublandlord a certified copy of a corporate resolution in a form reasonably acceptable to Sub-Sublandlord authorizing the signatory(ies) to execute this Sub-Sublease.