Employee Stock Purchase Plan

Overview of Upstart's ESPP

July 2026 Open Enrollment

Agenda

1. ESPP Basics
2. ESPP Contribution Example
3. Payroll Deduction Example
4. Tax Treatment
5. Changes & Withdrawals

Charles Schwab will cover the enrollment walkthrough - see Appendix B for reference

What is an ESPP?

Plan Overview

A Section 423 qualified plan giving US Upstarters the opportunity to purchase Upstart (UPST) stock at a discount through payroll deductions.

Completely Voluntary

You choose whether to participate and how much to contribute — there is no obligation to enroll.

Flexible Contributions

Contribute between 1% and 15% of your base pay through convenient automatic payroll deductions.

Upstart

Eligibility

You are currently eligible to participate in the ESPP if you meet the following criteria:

- US-based, Upstart employee
- Joined Upstart prior to the beginning of the offering period
- Work at least 20 hours per week
- Work for Upstart on a regular, not seasonal, basis

Why Participate? The ESPP Advantage

Two powerful features combine to give you guaranteed value — no matter what the stock does.

15% Discount

You always purchase stock at 85 cents on the dollar — an instant guaranteed return the moment you buy.

Lookback Feature

Your price uses the LOWER of the opening or closing price of the offering period, then applies the 15% discount.

How the lookback works — three scenarios starting at $35/share:

Scenario	Offering Period Start Price	Offering Period End Price	Your Purchase Price	Immediate Gain*
Stock Rises	$35	$40	85% x $35 = $29.75	**26% below market**
Stock Flat	$35	$35	85% x $35 = $29.75	**15% below market**
Stock Falls	$35	$25	85% x $25 = $21.25	**15% below market**

**If shares sold immediately on purchase date. Actual gains depend on timing of sale and applicable taxes.*

Contributions

Contribution Rules

Payroll Deductions: Calculated as a % of pre-tax base pay and deducted via payroll on a post-tax basis.

No Interest: No interest is paid on your contributions during the offering period.

Exclusions: Bonuses and sales commissions are not included in the contribution calculation.

Purchase Limit: Maximum of 2,000 shares can be purchased per offering period.

Election Changes: You can decrease your contribution election once during the offering period.

New Updates for 2026

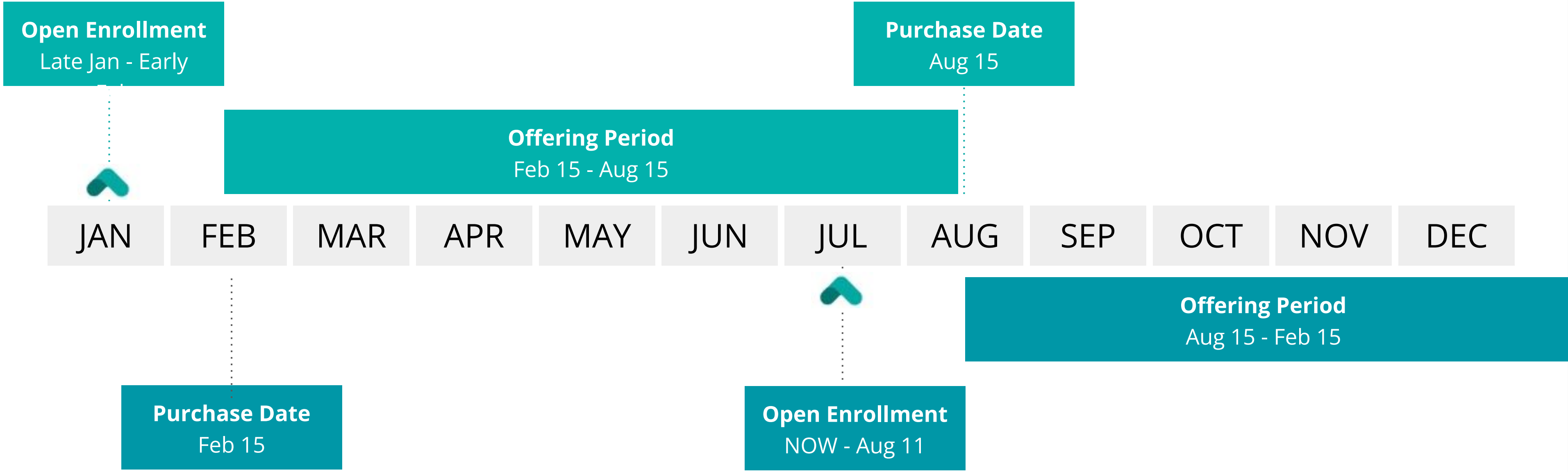
NEW FOR 2026

IRS Limits Monitoring: Stock Admin and Payroll are partnering to review accumulated contributions and will pause them when needed based on IRS limits.

NEW FOR JULY 2026

Contribution Updates to Zero Percent: Contribution updates to zero percent (to stop further contributions) are allowed, even if a prior decrease has occurred during the offering period. Accumulated contributions will still be used to make a purchase.

ESPP Cycle



Open Enrollment
Late Jan - Early
Purchase Date
Aug 15
Offering Period
Feb 15 - Aug 15
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Offering Period
Aug 15 - Feb 15
Purchase Date
Feb 15
Open Enrollment
NOW - Aug 11

What is the enrollment period?

Definition

Enrollment

The specific window when Upstarters can choose to participate or change their contribution percentage for the upcoming offering period.

Upcoming Window

July 29 – Aug 11

For the August 2026 offering period, the enrollment window runs through August 11, 2026.

Current Participants

No Action Needed

Active participants require no action unless changing contributions, increasing rates, or re-enrolling from zero.

What is the offering period?

Offering periods are the time during which the contributions you elect to make are being deducted from your pay and saved up to purchase stock. They are **six-months long** and run in two distinct cycles:

Offering Period 1

Feb 15 – Aug 15

Enroll: late January

Offering Period 2

Aug 15 – Feb 15

Enrollment now open

What is the purchase date?

Definition

Purchase Date

The last day of the offering period - the day your accumulated contributions are used to purchase shares.

Upcoming Date

Feb 12, 2027

For the August 2026 offering period. Shifted due to weekend and holiday constraints.

Share Delivery

1–2 Days

Shares will be delivered to your Charles Schwab Equity Award Center account within 1-2 business days.

What is the purchase price?

Your purchase price is 85% of the LOWER of:

Opening Price

Closing stock price on the FIRST day of the offering period

vs

Closing Price

Closing stock price on the LAST day of the offering period

Purchase Price = 85% x Lower of (Opening, Closing)

Why this matters — the lookback protects you:

Stock goes UP

You lock in the lower opening price — giving you **MORE than a 15% discount** off the current market value.

Stock goes DOWN

You use the lower closing price on the purchase date — still guaranteeing you a **15% discount**.

Either way, you always pay at least 15% below market price on the day of purchase!

$25K IRS Limit

Regulation

$25K Limit

Under IRS Section 423, you cannot purchase more than **$25,000** worth of stock in a single calendar year.

Any contributions exceeding this limit are automatically refunded after purchase.

Calculation

FMV Basis

The limit is based on the stock's **Fair Market Value (FMV)** on the first day of the offering period, before any discount is applied.

Example: If opening FMV is $35, your max purchase is 714 shares ($25k / $35).

Carryforward

Multi-Year

If an offering period spans two calendar years, each year's limit applies separately.

Importantly, any unused limit from the prior calendar year carries forward to the current year.

$25K IRS Limit - How your Share Cap is Set

The $25K limit caps the **NUMBER OF SHARES** you may purchase — not the dollar amount you contribute.

Max Shares Allowed = $25,000 ÷ Closing FMV on Day 1 of Offering Period

Closing FMV per Share	Max Shares Allowed	Takeaway
$64.09 (Aug 2025)	**390**	Stock dropped → cap hit for only ~$10K
$35.00 (Aug 2026)	**714**	Lower price = more shares allowed
$25.00	**1,000**	Even lower = even more shares

IRS Note: The $25,000 annual limit is an IRS guideline established under Section 423 of the Internal Revenue Code. This limit has not been updated by Congress and does not adjust for inflation.

$25K Limit in Action — Aug 2025 to Feb 2026 Offering Period Example

When the stock price drops significantly during an offering period, the share cap can be reached spending far less than $25,000.

1. Offering Starts (Aug 15, 2025)

Opening FMV: $64.09 per share

Max Shares Allowed: $25,000 ÷ $64.09 = **390 shares**

The share cap is locked at 390 for this entire offering period.

2. Offering Ends (Feb 15, 2026)

Closing Price: $30.68 (down from $64.09)

Purchase Price: 85% x $30.68 = **$26.08/share**

Result: 390 shares x $26.08 = $10,171 spent

390	$30.68	$26.08	$10,171
Share Cap Set	**Actual Closing Price**	**Your Purchase Price**	**Total Spent to Hit Cap**
Based on $64.09 opening	*vs. $64.09 opening*	*85% × $30.68 closing*	*vs. $25,000 allowed limit*

Key Takeaway: The $25K IRS limit caps your **SHARES**, not your cost. When prices fall, you purchase the same number of shares for far less money. Excess contributions are refunded via payroll.

ESPP Contribution Example

Example: Part 1 - Your Contribution & Purchase Price

1. Your Contributions

100K

Base Salary

Annual salary of $100,000.

$4,166.67 paid semi-monthly.

5%

Election

You contribute 5% of base salary.

$208.33 per pay period.

$2,500

Total Contributed

Your total contribution at the end of the 6-month period.

2. Share Pricing & Purchase

$35

First Day

Value of UPST stock on the first day of the offering period.

$40

Last Day

Value of UPST stock on the last day of the offering period.

$29.75

Purchase Price

85% (15% discount) of the lower of first or last day value.

$35 x 0.85 = $29.75

Example: Part II - Shares Purchased & Gain

84

Shares purchased

You contributed $2,500
Your purchase price is $29.75

$2,500 / $29.75 = 84.03

Since we cannot purchase fractional shares, 84 shares will be deposited into your Charles Schwab EAC account.

$1.00

Roll over amount

This is the remaining value of the fractional share that will be rolled over into your next offering period (or refunded).

$2,500 - (84 x $29.75) = $1.00

$3,360

Current Market Value

The total value of your ESPP stock based on the final market price of $40 per share.

84 shares x $40 = $3,360

$861

Instant Gain*

The 15% discount on the lower price yields an immediate gain on your purchase.

(84 x $40) - (84 x $29.75) = $861

**If shares sold immediately on purchase date. Actual gains depend on timing of sale and applicable taxes. Shares are deposited to EAC in 1-2 business days.*

Payroll Deduction Example

Payroll Deduction Example

Example: An Upstarter with a semi-monthly salary of $5,000 who is contributing the maximum amount of 15% to their ESPP would be contributing $750 from each of their paychecks ($5,000 x 0.15 = $750).

The $750 is *calculated before taxes*, but it is deducted *after taxes and other disbursements* (i.e. 401(k)). This is important to consider when determining your desired contribution amount.

Pay Component	Amount	Payroll Subtotal
Gross Salary	$5,000	
Taxes	($1,750)	$3,250
401(k)	($200)	$3,050
ESPP Contribution	($750)	**$2,300**

Tax Treatment Overview

Tax Treatment (US Specific)

01

Purchase

Your ESPP purchase is not considered taxable income at the time of purchase*

02

Sale

When you decide to sell your shares, the gain on the sale of shares is taxable

03

Timing

The specific tax treatment depends on the timing of the sale

Talk with your personal tax or financial advisor for more guidance.

* See appendix for exceptions (PA and OH employees)

What is a qualifying disposition?

A qualifying disposition is when you sell shares meeting **BOTH** of these holding period requirements:

At least 2 years
from the beginning of the offering period

AND

At least 1 year
from the actual purchase date

If qualifying, your gain is taxed in two pieces:

15% Purchase Discount
Generally treated as ordinary income.

Additional Gain
May be treated as long-term capital gain (typically taxed at a lower rate).

Talk with your personal tax or financial advisor for more guidance.

What is a disqualifying disposition?

A disqualifying disposition is when you sell shares earlier than **two years** from beginning of Offering Period **OR one year** from purchase date.

Total Discount

The total discount on purchase date is generally treated as ordinary income.

Post-Purchase Value

Normal capital gains rules apply to post-purchase value increases.

Talk with your personal tax or financial advisor for more guidance.

Changes & Withdrawals

Making changes to your contribution

Enrollment Window

• Contributions carry over automatically from one offering period to the next — no action required.

• Increase or decrease your rate freely during the active enrollment window only.

During Offering Period

• Only **one decrease** is allowed per period. Rate increases are not permitted until the next enrollment window.

NEW: Decrease to zero is now allowed, even if you have already made a prior decrease.

Withdrawing from ESPP

• You can withdraw from the plan at any time before the offering period cut-off date.

Note: Contributions will be returned in your next available payroll and no stock will be purchased.

Limits & Re-enrollment

• If you withdraw or reduce your rate to zero, you must manually re-enroll to participate in future periods.

• Payroll deductions may be automatically paused if your annual IRS maximum has been met.

Next Steps

1 Decide your contribution %

Choose between 1%–15% of your base salary. Even a small percentage takes advantage of the 15% discount.

2 Enroll on eac.schwab.com

Log in during the enrollment window (July 29 – August 11, 2026) and complete the enrollment form.

3 Monitor your contributions

Check your pay stubs to monitor deductions beginning with the August 15 offering period start.

4 Learn more at go/ESPP

Find upcoming dates, FAQs, and resources on the internal Upstart ESPP page.

Important Recap & Reminders

Contribution Rules

You can contribute 1% to 15% of your base pay. Note that contributions can only be made via payroll deductions.

Purchase Limits

Limit of $25,000 worth of stock per calendar year, and max 2,000 shares per offering period. Excess contributions are refunded.

Lookback Feature

You always purchase at a 15% discount off the lower of the opening or closing price, securing a guaranteed discount.

Tax Treatment

Sell timing affects your taxes. Holding your purchased shares for the full qualifying period can yield more favorable tax treatment.

Additional contact information & resources

Upstart

Email Support

Stock-Administration@Upstart.com

Internal Resources

go/ESPP

Charles Schwab

Stock Plan Services

1-800-654-2593

Online Portal

eac.schwab.com

Thank you!

APPENDIX A: Tax Examples

Tax Treatment: Example

Opening FMV (First Day)	Closing FMV (Purchase Date)	Purchase Price (85% x $35)	Shares Purchased	Discount ($40-$29.75) x 100
$35	**$40**	**$29.75**	**100**	**$1,025**

The **$1,025** discount ($10.25 per share x 100 shares) will be reported as income **when you sell**.

Sale Scenario: You later sell all 100 shares at $50/share

Sale Price	Purchase Price	Sale Value ($50 x 100)	Purchase Value ($29.75 x 100)	Total Gain ($5k - $2,975)
$50	**$29.75**	**$5,000**	**$2,975**	**$2,025**

Tax Treatment: Qualifying vs. Disqualifying Disposition

Using the same example: 100 shares, opened at $35, purchased at $29.75, sold at $50 (total gain $2,025):

Disposition Type	Ordinary Income	Capital Gain	Capital Gain Type
Qualifying Disposition (hold 2 yrs from offer start + 1 yr from purchase)	$525	$1,500	Long-Term
Disqualifying Disposition (sell before holding periods are met)	$1,025	$1,000	Short-Term

A qualifying disposition results in lower ordinary income ($525 vs. $1,025) and the remaining capital gain is taxed at the more favorable long-term rate. Timing your sale matters.

Talk with your personal tax or financial advisor for more guidance.

Disqualifying Disposition: Ohio Taxes

- Upstart is required to withhold local taxes from disqualifying dispositions on ESPP sales by our employees in certain jurisdictions in Ohio.
- ESPP shares that were not held for at least two years from the beginning of the offering period from which they were acquired or one year from the date they were purchased, are sold, that means that the holding period for the shares was not met, ultimately causing the sales of those shares to be a disqualifying disposition for tax purposes.

Ordinary Income Tax

Value on Purchase Date**$25.00**

Purchase Price with Discount**$21.25**

Taxable Discount Per Share$3.75

Taxed as Ordinary Income

$3.25 x 100 shares = $375

2.5% Local Ohio Tax x $375 = $9.38

$9.38 in local taxes will be owed at the time of your sale transaction. Upstart will pay this on your behalf and will make arrangements with you to recoup this amount.

Short-Term Capital Gain

Sale Price**$50**

Value on Purchase Date**$25**

Capital Gain Per Share$25

Taxed as Short Term Capital Gain

$25 x 100 shares = $2,500

Gain is subject to ordinary federal income tax rates since holding period requirements were not met.

Tax at Purchase: Pennsylvania Taxes

- Upstart is required to withhold local and state taxes on the discount at the time of purchase for Pennsylvania employees.
- Pennsylvania does not recognize the qualified status of the ESPP; however, it still qualifies for the Federal tax to be delayed until sale.

Ordinary Income Tax (At Purchase)

Value on Purchase Date**$25.00**

Purchase Price with Discount**$21.25**

Taxable Discount Per Share$3.75

Taxed as Ordinary Income

$3.75 x 100 shares = $375

3.2% PA State Tax x $375 = $12.00

$12.00 in state taxes will be owed at purchase. Upstart collects this through payroll within 1 paycycle. $375.00 will be reported on your W-2 as PA taxable income.

Federal Tax (Deferred Until Sale)

At the time of sale, the difference between the actual purchase price and the FMV determined by the length of time the shares were held will then be reported on your W-2 for Federal taxes only.

Federal Tax Status

Delayed Until Sale Transaction

This treatment allows Pennsylvania employees to align Federal tax liability with the ultimate disposition of the ESPP shares, even though state taxes are withheld at purchase.

APPENDIX B: Charles Schwab Enrollment

How to Enroll in Charles Schwab

1. **Log in to Schwab:** Go to eac.schwab.com and log in to your account.
2. **Navigate to Equity Awards:** Click the "Accounts" menu, then select "Equity Awards" from the submenu.
3. **Click Enroll:** Under the Employee Stock Purchase Plan notification, click the green "Enroll" button.
4. **Set Your Contribution %:** Enter your desired contribution percentage (1%–15%) and review the enrollment agreement.
5. **Agree & Submit:** Check "I agree to the terms & conditions" and click "Enroll" to complete.

Already enrolled? No action needed — your election carries forward automatically to the next period, but you may increase during open enrollment!

Viewing & Managing Your ESPP in Schwab

To view or change your ESPP elections after enrolling:

01

Log In

Log in to Schwab.com, navigate to Accounts, and select Equity Awards.

02

Locate ESPP

From the dashboard, locate "Employee Stock Purchase Plan Shares" and click "Manage ESPP".

03

Review Info

Review your Current Contribution % and the current offering period dates.

04

Adjust Rate

Click "Change" to adjust contribution rate (decrease only) or "Withdraw" to exit.

Important Note: If you withdraw during an offering period, your contributions will be refunded in the next payroll and you will not purchase stock.