

December 31, 2014, primarily due to the addition of personnel in our engineering, product, and design teams. For the year ended December 31, 2014, product development expenses included \$24.8 million in share-based compensation expense, a \$15.9 million increase compared to the year ended December 31, 2013. In 2014, we also incurred an incremental \$6.7 million in depreciation expense primarily related to data center equipment and internally developed software.

Product development expenses for the year ended December 31, 2013, increased by \$36.3 million, or 78%, compared to the year ended December 31, 2012, primarily due to the addition of personnel in our engineering, product, and design teams. For the year ended December 31, 2013, product development expenses included \$8.8 million in share-based compensation expense, a \$4.8 million increase compared to the year ended December 31, 2012.

Sales and Marketing

The following table sets forth our sales and marketing expenses for the periods shown:

	Year Ended December 31,			2012 to 2013 % Change	2013 to 2014 % Change
	2012	2013	2014		
	(in thousands)				
Sales and marketing	\$56,648	\$64,162	\$112,577	13%	75%
Percentage of total net revenue	28%	12%	13%		

Sales and marketing expenses for the year ended December 31, 2014, increased by \$48.4 million, or 75%, compared to the year ended December 31, 2013. Sales and marketing personnel increased by 191% in the period from December 31, 2013, to December 31, 2014. For the year ended December 31, 2014, sales and marketing expenses included \$3.7 million in share-based compensation expense, a \$2.5 million increase compared to the year ended December 31, 2013. We also increased paid marketing expenses by \$17.8 million in 2014 over 2013 as we executed a series of direct response TV, email, direct mail, and online marketing campaigns focused on bringing new sellers onto our platform and driving awareness of new product and service offerings. As a result, we also incurred increased expenses related to providing Square Readers for magnetic stripe cards to these new sellers.

Sales and marketing expenses for the year ended December 31, 2013, increased by \$7.5 million, or 13%, compared to the year ended December 31, 2012, due to increased investment in paid marketing channels, shipments of Square Readers for magnetic stripe cards, and the addition of sales and marketing personnel. For the year ended December 31, 2013, sales and marketing expenses included \$1.2 million in share-based compensation expense, a \$0.6 million increase compared to the year ended December 31, 2012.

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General and Administrative

The following table sets forth our general and administrative expenses for the periods shown:

	Year Ended December 31,			2012 to 2013 % Change	2013 to 2014 % Change
	2012	2013	2014		
	(in thousands)				
General and administrative	\$36,184	\$68,942	\$94,220	91%	37%
Percentage of total net revenue	18%	12%	11%		

General and administrative expenses for the year ended December 31, 2014, increased by \$25.3 million, or 37%, compared to the year ended December 31, 2013. General and administrative personnel increased by 65% in the period from December 31, 2013, to December 31, 2014. For the year ended December 31, 2014, general and administrative expenses included \$7.6 million in share-based compensation expense, a \$3.0 million increase compared to the year ended December 31, 2013. Additionally, during 2014 we incurred increased third-party legal, finance, tax, consulting, and software license expenses.

General and administrative expenses for the year ended December 31, 2013, increased by \$32.8 million, or 91%, compared to the year ended December 31, 2012, primarily reflecting the addition of personnel in our general and administrative functions. For the year ended December 31, 2013, general and administrative expenses included \$4.6 million in share-based compensation expense, a \$1.1 million increase compared to the year ended December 31, 2012. During 2013, we also incurred increased third-