

Method can be a useful alternative to explicitly modeling all PWERM scenarios, in situations where the company has transparency into one or more near term exits, but is unsure about what will occur if the current plans fall through. An advantage of the hybrid method is that it takes the advantage of the conceptual framework of option-pricing theory to model a continuous distribution of future outcomes and to capture the option-like payoffs of the various share classes while also explicitly considering future scenarios and the discontinuities in outcomes that companies may experience.

To determine the Fair Value of one share of common stock, we relied on the Hybrid Method, in which we utilized the PWERM to allocate the value under certain Initial Public Offering (IPO) scenarios, and the OPM to allocate the value under scenarios other than an IPO (the All Other scenario). We then applied an appropriate weighting to each scenario. Our

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selection of this equity allocation method was primarily based on our stage of development, estimated time to liquidity, and capital structure, as well as our expectations for a possible IPO.

### ***Recent Accounting Pronouncements***

Under the JOBS Act, we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the FASB issued an accounting standards update that will replace existing revenue recognition guidance. Among other things, the updated guidance requires companies to recognize revenue in a way that depicts 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. This guidance will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We have not yet selected a transition method and are evaluating the impact of adopting this new accounting standard update on the consolidated financial statements and related disclosures. In August 2015, the FASB issued an accounting standards update, which amended the current standard to provide a one-year deferral of the effective date, as well as providing the option to early adopt the standard on the original effective date. Accordingly, we may adopt the standard in either our fiscal year ending December 31, 2017 or 2018. The guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We have not yet selected a transition method and are evaluating the impact of adopting this new accounting standard update on the consolidated financial statements and related disclosures.

In August 2014, the FASB issued an accounting standard update under which management will be required to assess an entity's ability to continue as a going concern and provide related footnote disclosures in certain circumstances. The new guidance is effective for annual periods beginning after December 15, 2016 and for annual and interim periods thereafter. The adoption of this guidance is not expected to have an effect on our financial statements or disclosures.

In April 2015, the FASB issued an accounting standards update under which the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendment is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. We have early adopted this new guidance, which did not have any effect on our financial statements.

In April 2015, the FASB issued new guidance that will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance as to whether an arrangement includes the sale or license of software. This guidance will be effective for our fiscal year ending December 31, 2016, with early adoption permitted. We do not believe the pending adoption of this guidance will have a material impact on our consolidated financial statements.

In July 2015, the FASB issued an accounting standards update, which will simplify how we measure inventory. The current guidance requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost,