

Assets Measured at Fair Value on a Non-recurring Basis

The Company measures certain assets at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the years ended December 31, 2012, 2013, and 2014 and the nine months ended September 30, 2014 and 2015, no indications of other-than-temporary impairment were identified and therefore no fair value measurements were required.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the years ended December 31, 2012, 2013, and 2014 and the nine months ended September 30, 2014 and 2015, the Company did not have any transfers between Level 2 or Level 3 assets.

NOTE 3—MERCHANT CASH ADVANCE RECEIVABLE, NET

The Company enters into purchase and sale transactions with pre-qualified sellers in which the Company purchases a designated amount of future receivables for an upfront cash purchase price. The delivery of the future receivables purchased in exchange for the advance cash purchase price is facilitated through the merchant's payment processing activities with the Company. There is no economic recourse to the seller in the event that the future receivables are not

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generated. There is also no fixed period of time in which the seller must deliver the purchased future receivables to the Company, as delivery of the purchased future receivables is contingent on the sellers' generation of such receivables. The Company does have limited contractual remedies in the event that a seller breaches its agreement with the Company (e.g. where a seller does not use the Company as its exclusive processor while future receivables purchased by the Company remain outstanding). Although there is no economic recourse to the seller in the event that the future receivables are not generated, the degree of uncertainty related to this economic benefit is mitigated by the extensive due diligence performed by the Company prior to purchasing the seller's future receivables, and is further mitigated by limited contractual remedies. The Company's due diligence includes, but is not limited to: detailed analyses of the seller's historical processing volumes, transaction count, chargebacks, growth, and account longevity.

The Company is exposed to losses related to uncollectible receivables purchased by the Company other than receivables that are sold to third parties in accordance with the Company's arrangements with these third parties.

The Company establishes reserves for uncollectible receivables based on historical trends, adverse economic conditions, and specific merchant activity. Subsequent delivery to the Company of a previously designated uncollectible receivable is reflected as a reduction in the allowance for uncollectible receivables when the delivery of the receivable occurs. No provision existed prior to fiscal year 2014.

The following table summarizes the activities of the Company's allowance for uncollectible receivables (in thousands):

	<u>Year Ended December 31, 2014</u>	<u>Nine Months Ended September 30, 2015 (Unaudited)</u>
Allowance for uncollectible receivables, beginning of the period	\$ —	\$ 2,431
Provision for uncollectible receivables	2,431	4,616
Receivables charged off	—	(1,111)
Allowance for uncollectible receivables, end of the period	<u>\$ 2,431</u>	<u>\$ 5,936</u>

NOTE 4—PROPERTY AND EQUIPMENT, NET

The following is a summary of property, equipment, and internally-developed software at cost, less accumulated depreciation and amortization (in thousands):

<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>September 30, 2015</u>
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