

| | | | (Unaudited) |
|---|------------------|------------------|--------------------|
| Computer equipment | \$ 21,339 | \$ 31,596 | \$ 42,666 |
| Office furniture and equipment | 5,182 | 6,488 | 8,103 |
| Leasehold improvements | 31,815 | 40,771 | 44,599 |
| Internally-developed software | 3,597 | 10,034 | 13,476 |
| Construction in process | — | 1,391 | 16,633 |
| Total | <u>61,933</u> | <u>90,280</u> | <u>125,477</u> |
| Less: Accumulated depreciation and amortization | <u>(10,277)</u> | <u>(26,547)</u> | <u>(40,465)</u> |
| Property and equipment, net | <u>\$ 51,656</u> | <u>\$ 63,733</u> | <u>\$ 85,012</u> |

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Depreciation and amortization expense on property and equipment was \$3.5 million, \$8.2 million, and \$16.5 million, for the years ended December 31, 2012, 2013, and 2014, respectively. Depreciation and amortization expense on property and equipment was \$11.6 million and \$14.2 million, for the nine months ended September 30, 2014 and 2015, respectively.

Construction in Process

Construction in process consists of leasehold improvements and furniture at the Company's offices under construction, as of December 31, 2014 and September 30, 2015. Upon completion of construction, the assets will be depreciated over their useful lives.

NOTE 5—ACQUISITIONS***Fiscal 2015 (unaudited)***

During the nine months ended September 30, 2015, the Company completed acquisitions for a total consideration of \$32.0 million, consisting of 2,923,881 shares of common stock, options to purchase 26,173 shares of common stock, and \$4.5 million in cash. Acquisition-related costs of \$0.6 million were recognized in general and administrative expenses. Of the total purchase price, 355,284 shares of common stock and 22,818 options have been accounted for as post-combination compensation expense.

These acquisitions were accounted for as business combinations. This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Of the total purchase consideration of \$26.6 million, \$14.0 million has been allocated to goodwill, \$12.0 million to acquired intangible assets, \$0.8 million to property and equipment, and \$0.2 million to deferred tax liabilities. The Company's most recent acquisition, completed on September 21, 2015, has a preliminary allocation of the purchase price which is based upon a preliminary valuation and estimates and assumptions are subject to change within the measurement period. Our preliminary purchase price allocation allocates the total consideration of \$5.4 million to intangible assets of \$2.7 million and goodwill of \$2.6 million. The finalization of the above purchase price allocation is pending a final valuation report. The Company expects to finalize this determination on or before December 31, 2015.

As of September 30, 2015, 677,769 shares of the total share consideration remain withheld for indemnification purposes.

Goodwill from these acquisitions is primarily attributable to expected synergies and cost reductions. \$24.5 million of the intangible assets and goodwill generated from these acquisitions is deductible for tax purposes.

The results of operations from these acquisitions have been consolidated with those of Square as of the acquisition date. The acquisitions' impact on revenue and net earnings for the nine months ended September 30, 2015 were not material. There was also no material impact on the Company's revenue and net earnings on a pro forma basis for all periods presented.

Fiscal 2014***Caviar, Inc.***

On August 1, 2014, the Company acquired 100% of the outstanding shares of Caviar, Inc. ("Caviar"), a San Francisco-based food delivery service. This acquisition deepens the Company's commitment to driving more commerce through innovative marketing services such as enabling delivery for restaurants that do not currently deliver.