

This amount will be credited to stockholders' equity when it is realized on the tax return.

As of December 31, 2014, the Company also had \$6.9 million of federal and \$5.4 million of state research credit carryforwards. The federal credit carryforward will begin to expire in 2029 while the state credit carryforward has no expiration date.

The Company also has California Enterprise Zone credit carryforwards of \$1.8 million, which will begin to expire in 2023.

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An annual limitation may apply to the use of the net operating loss and credit carryforwards, under provisions of the Internal Revenue Code and similar state tax provisions that are applicable if the Company experiences an "ownership change." As of December 31, 2014, the Company has performed an analysis on the potential limitations on the utilization of net operating losses and determined that they are not subject to any limitations that would preclude the use of the net operating losses.

As of December 31, 2014, the unrecognized tax benefit was \$78.0 million, of which \$1.0 million would impact the annual effective tax rate if recognized and the remainder of which would result in a corresponding adjustment to the valuation allowance. As of September 30, 2015, the Company had an unrecognized tax benefit of \$86.2 million, of which \$1.4 million would impact the annual effective tax rate if recognized and the remainder of which would result in a corresponding adjustment to the valuation allowance.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is presented below (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Balance at the beginning of the year	\$ 45	\$ 105	\$14,152
Additions related to prior year tax positions	—	513	27,080
Reductions related to prior year tax positions	—	—	(390)
Additions related to current year tax positions	60	13,534	37,189
Balance at the end of the year	<u>\$ 105</u>	<u>\$14,152</u>	<u>\$78,031</u>

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. As of December 31, 2014, there were no significant accrued interest and penalties related to uncertain tax positions. The Company does not believe that it will release any significant unrecognized tax benefits within the next 12 months.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. The Company's various tax years starting with 2009 to 2014 remain open in various taxing jurisdictions.

As of December 31, 2014, the Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from earnings for certain non-U.S. subsidiaries, which are permanently reinvested outside the U.S. Those earnings and the unrecognized deferred tax liability associated with these temporary differences were not material at December 31, 2014.

### **NOTE 13—STOCKHOLDERS' EQUITY**

#### *Retirement of Preferred Stock*

In January 2014, the Company's Chief Executive Officer contributed 8,976,000 shares of preferred stock back to the Company for no consideration. The purpose of the contribution was to retire such shares in order to offset stock ownership dilution to existing investors in connection with future issuances under the 2009 Stock Plan.

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