

subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Company. As of December 31, 2013 and 2014, there were 370,000,000 and 445,000,000 shares of common stock authorized for each period presented and 138,017,900 and 154,603,683 shares issued and outstanding, respectively. As of September 30, 2015 there were 445,000,000 shares of common stock authorized and 156,742,206 shares issued and outstanding.

Common Stock Subject to Repurchase

In 2011, the Company gave service providers the option of amending their existing stock option agreements to allow them to exercise stock options prior to vesting. This amendment was not considered to be a modification of a stock option

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for accounting purposes. After the amendment was made, the Company offered this option to all new service providers that received stock option grants. The Company has the right to repurchase at the original purchase price any unvested (but outstanding) common shares upon termination of service of a service provider. The consideration received for an early exercise of a stock option is considered to be a deposit of the exercise price and the related amount is recorded as a liability. The liability is reclassified into equity on a ratable basis as the stock options vest. The Company has recorded a liability, in other current and other non-current liabilities, of \$9.2 million as of December 31, 2014 for the 16,455,816 shares that were early exercised by service providers in 2011 through 2014 and initially subject to repurchase by the Company. Unvested shares of 2,465,866 at December 31, 2014 were subject to a repurchase right held by the Company at the original issuance price in the event the optionees' employment is terminated either voluntarily or involuntarily. The Company has recorded a liability, in other current and other non-current liabilities, of \$3.5 million as of September 30, 2015 for the 17,114,444 shares that were early exercised by employees in 2011 through September 30, 2015 and initially subject to repurchase by the Company. Unvested shares of 606,151 at September 30, 2015 were subject to a repurchase right held by the Company at the original issuance price in the event the optionees' employment is terminated either voluntarily or involuntarily. The shares that are subject to a repurchase right held by the Company are legally issued and outstanding shares as of each period presented.

Warrants

On August 7, 2012, the Company entered into a payment processing agreement with Starbucks and issued it three warrants to purchase common stock, which warrants become exercisable if certain performance thresholds under the agreement are achieved prior to the termination of the agreement. The first warrant is exercisable for up to 9,456,950 shares of the Company's common stock at \$11.01 per share, if the Company's payment processing solution is available in 33% of Starbucks' owned and operated stores in the United States. The second warrant is exercisable for up to 3,152,310 shares of the Company's common stock at \$14.37 per share, if the Company's payment processing solution is available in 25% of Starbucks' owned and operated stores in the United Kingdom. The third warrant is exercisable for up to 3,152,310 shares of the Company's common stock at \$14.37 per share, if the Company's payment processing solution is available in 25% of Starbucks' owned and operated stores in Japan. The warrants also become exercisable even if such performance thresholds are not achieved if the Company consummates a change of control transaction, which does not include an initial public offering of the Company's equity securities. The warrants expire on the earlier of: (1) five years from the date of exercisability; (2) the termination of the related commercial agreement; or (3) the consummation of a change of control transaction.

On November 8, 2012, the performance threshold related to the warrant to purchase 9,456,950 shares was reached. As such, the Company recognized the fair value of the warrant in the amount of \$2.2 million, using a Black-Scholes option pricing model, as a share-based customer incentive, a contra-revenue component of the Company's Starbucks transaction revenue. Due to certain provisions contained within the original warrant agreements, the Company was required to remeasure the fair value of the warrants through earnings each reporting period. The Company recognized the changes in fair value within other income and expense.

On September 30, 2013, the Company and Starbucks entered into an amendment to the warrant agreements, which included the removal of a financing down round protection provision. As a result, the warrants were thereafter considered to be indexed to the Company's own common stock valuation, and liability-classification is no longer required. On September 30, 2013, the Company performed a final remeasurement of the fair value of the warrants and reclassified the balance from liability to equity. The Company recognized the change in fair value within other income and expense.

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