LIST OF EXHIBITS

EXHIBIT A	Certificate of Good Standing in Delaware
EXHIBIT B	Certificate of Authority to Transact Business in Utah
EXHIBIT C	Managerial and Technical Qualifications
EXHIBIT D	Financial Information

<u>EXHIBIT A</u>

Certificate of Good Standing in Delaware

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "RCLEC, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FOURTH DAY OF JUNE, A.D. 2015.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "RCLEC, INC." WAS INCORPORATED ON THE TWENTY-SIXTH DAY OF JANUARY, A.D. 2012.

SECRETARY OF STATE · 1776 · DELAWARE · 1970

Jeffrey W. Bullock, Secretary of State

5101145 8300

150963447

AUTHENTICATION: 2495593

DATE: 06-24-15

You may verify this certificate online at corp.delaware.gov/authver.shtml

EXHIBIT B

Certificate of Authority to Transact Business in Utah

STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF CORPORATIONS & COMMERCIAL CODE
PO BOX 146705
SALT LAKE CITY, UT 84114-6705

FIRST CLASS
US POSTAGE
PAID
SLC UT
PERMIT NO. 4621

Certificate of Registration

PRESORTED AUTO

Entity Type: Corporation - Foreign - Profit
Entity Number: 9275351-0143
Issue Date: January 9, 2015
Access Code #: 5352489

RCLEC, INC.
INCORP SERVICES, INC.
5278 S PINEMONT DR STE A250
MURRAY UT 84123

XU-SPi 84123

CERTIFICATE OF REGISTRATION

State of Utah
Department of Commerce
Division of Corporations & Commercial Code

This certifies that this entity has been filed & approved and has been issued a registration number in the office of the Division and hereby issues this Certification thereof.

Kathy Berg

KATHY BERG
Division Director

<u>EXHIBIT C</u>

Managerial and Technical Qualifications

John Marlow, President and Chief Executive Officer of RCLEC, Inc.

Mr. Marlow serves as President and Chief Executive Officer of RCLEC, Inc. Mr. Marlow also oversees business and legal affairs at RingCentral, RCLEC's parent company. For the last six years, Mr. Marlow has worked as RingCentral's General Counsel and Senior Vice President of Corporate Development.

Before joining RingCentral, Mr. Marlow was the founding and managing partner of Entrepreneurs Law Group (ELG), a boutique law firm based in San Francisco specializing in corporate, securities, tax, intellectual property, venture capital, mergers and acquisitions and licensing matters. During his five years at ELG, Mr. Marlow represented companies in a broad range of industries, including software, hardware, information technology, and telecommunications.

Before founding ELG, Marlow was a partner in the San Francisco office of Reed Smith, a full-service international law firm. Prior to that, Mr. Marlow was a partner at Crosby, Heafey, Roach & May, LLP, a law firm that was acquired by Reed Smith.

Mr. Marlow received his law degree from University of California Berkeley School of Law (Boalt Hall) in 1994, and a Bachelor's degree, *summa cum laude*, from Colgate University.

Mahesh Patel, Treasurer and Chief Financial Officer of RCLEC, Inc.

Mr. Patel serves as Treasurer and Chief Financial Officer of RCLEC, Inc. Mr. Patel has over 13 years' experience and skills in finance planning and analysis, audits, SEC filings, technical accounting leadership, and ledger and financial close management.

Mr. Patel has served as the Vice President and Corporate Controller for Intematix Corp., where he was responsible for SEC filings, audits, improving internal financial controls and financial reporting systems, and accounting management. Prior to that, Mr. Patel was Senior Director of Finance and Corporate Controller and Director at QualcommAtheros, Inc., where he developed the company's Finance Planning & Analysis function, and developed reporting requirements for multiple product lines and business unit income statements. Mr. Patel managed accounting close function processes, including consolidations, revenue, credit and collections, and supervised an accounting staff of more than 25 individuals worldwide. Mr. Patel was also responsible for SEC reporting and technical accounting. Mr. Patel has also worked as an Experienced Senior Auditor at Pricewaterhouse Coopers and as a Senior Consultant at Ernst & Young.

Mr. Patel holds a Juris Doctorate degree from Golden Gate University, School of Law. Mr. Patel is a Certified Public Accountant in the State of California. He received his Bachelor of Science degree in Business Administration from the University of California, Riverside.

Bruce Johnson, Secretary of RCLEC, Inc.

Mr. Johnson serves as Secretary of RCLEC, Inc. Mr. Johnson also serves as Vice President, Legal, of RCLEC's parent company, RingCentral, Inc.

Mr. Johnson has over 25 years' experience as an attorney, and has served as in–house legal counsel to telecommunications-related companies for 14 years. Mr. Johnson served as Associate General Counsel of Atheros Communications, Inc., a provider of wireless and wired connectivity semiconductors and systems, where he handled and effectively managed every aspect of Atheros becoming and remaining a publically traded company in good legal standing. He served as Senior Director and Legal Counsel for Qualcomm Atheros, Inc. following the acquisition of Atheros by Qualcomm Incorporated. Prior to that, Mr. Johnson served as General Counsel to Vyyo, Inc., and prior to that, Mr. Johnson was an Associate and Partner at Bay Venture Counsel, LLP, a law firm, and an Associate at Brobeck, Phleger & Harrison, a law firm.

Mr. Johnson holds a Juris Doctorate degree from University of California at Los Angeles, School of Law. Mr. Johnson received his Bachelor of Arts degree in Economics and English from Duke University.

Jeff Slater, Senior Director of Voice Gateways of RCLEC, Inc.

Mr. Slater serves as the Senior Director of Voice Gateways at RCLEC, Inc.

Mr. Slater has 30 years managerial experience in the telecommunications industry. Mr. Slater's experience includes executive management, business plan development, product and service development, engineering, network implementation, operations management, back office integration, vendor and facility contract negotiations, regulatory and compliance processes, and development of new sales channels both domestically and internationally.

Mr. Slater has served as the Chief Operating Officer of Covista Communications, providing traditional long distance, UNE-based local service and next generation SIP trunking and hosted PBX products to residential and business customers throughout the US. Prior to that, he was President of Broadvox, a CLEC providing next-generation local service using and providing IP originated and terminated calls.

As Vice President of Business Development at CIMCO, Mr. Slater was responsible for planning the next generation of products, services and network topologies for the company. Mr. Slater was responsible for managing the IP-based SMB business initiative, building network strategies to overcome UNE regulatory issues, mapping CoEu, wireless and fiber network strategies, and auditing all internal process to secure retroactive and prospective cost savings.

As the President of Cedar Valley Communications, Mr. Slater succeeded in developing and implementing a reorganization plan, attaining positive cash flow, and attracting equity investments resulting in the sale of the Company.

Mr. Slater has also held executive positions as Founder and President of JTek Systems, Chief Operating Officer of TotalTel, a Covista Communications Company, Vice President of Operations of Charter Network, and Director of Lexicom.

Mr. Slater received his degree in Business from DePaul University.

Curtis Lee Peterson

Mr. Peterson serves RCLEC in a consulting capacity to contribute his technological and managerial knowledge to RCLEC, Inc.

Mr. Peterson has established his ability to rapidly grow businesses when he helped NuVox grow from a $550,000 business to $550M in ten years. Mr. Peterson also has strong skills in VOIP, IP Networking, and Information Technology. His information technology experience includes software design and design management, hardware and network design, security, implementation and deployment, virtualization/cloud services management of rapid application development, and multi-department project management. His network operations experience includes VOIP, TDM, wireless, aggregation, content delivery networks, data centers, high availability applications, network design and operation, and SAAS.

Mr. Peterson developed his technical and managerial skills in his long career at NuVox (previously NewSouth Communications, Inc.). As Vice President of Center Operations of NuVox, he managed 120 technical professionals, improving the customer base and reliability of the VoIP network. Mr. Peterson oversaw the operations of 29 Class 5 switches, 40 Central Office Sites, 500+ collocations, 4 Customer (SAS-70 II certified) data centers, 24 Softswitch gateways, 16 state MPLS / IP network with over 550 routers, and the VOIP platform.

Mr. Peterson worked in diverse managerial positions throughout his career at NuVox, including Director of Data Product Development/Senior Manager of Data Products, Director of Customer Marketing, and Director of IT. Prior to that, Mr. Peterson was Director of IP Operations at Talk.com (formerly Omnicall), and District Technology Coordinatory for a multi-campus school district.

Mr. Peterson holds a degree in Computer Engineering from Auburn University in Auburn, Alabama.

<u>EXHIBIT D</u>

Financial Information

PUBLIC REDACTED COPY

RCLEC Inc. is a privately held company and its confidential financial records are being submitted under seal pursuant to rule 746-100-16.

RCLEC Inc. is supported by its parent company, RingCentral Inc. Applicant is providing a letter verifying RingCentral's support and an excerpt from RingCentral's latest 10-K report. RingCentral is a publically traded company, and its financial quarterly and annual reports may be accessed at: http://ir.ringcentral.com/docs.aspx?iid=4406983

Confidential Exhibit D contains:

1. Verification that financials are prepared in accordance with GAAP
2. RCLEC Income Statement
3. RCLEC Balance Sheet
4. Projected Cash Flow Statement
5. RCLEC Bank Statement

RingCentral®

May 27, 2015

RCLEC, Inc.
20 Davis Drive
Belmont, CA 94002

LETTER OF PARENT COMPANY SUPPORT

Dear Sirs,

We are writing to confirm our commitment and intention to provide financial support RCLEC, Inc., as our subsidiary, indefinitely. In particular, we agree to meet all RCLEC's financial obligations in Utah and nationwide to the extent that RCLEC is unable to meet those obligations itself. We acknowledge that we will not seek or demand immediate repayment from RCLEC of any funds which RingCentral makes available in order to meet RCLEC's financial obligations.

Sincerely,

DocuSigned by:
Bruce Johnson
6EA40D1BEF794E2...

Bruce Johnson
Acting General Counsel, VP of Legal
bruce.johnson@ringcentral.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
RingCentral, Inc.:

We have audited the accompanying consolidated balance sheets of RingCentral, Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RingCentral, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG, LLP

Santa Clara, California
February 27, 2015

RINGCENTRAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value per share)

	December 31, 2014	December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	$ 113,182	$ 116,378
Short-term investments	28,479	—
Accounts receivable, net	7,651	3,045
Inventory	1,710	2,111
Prepaid expenses and other current assets	8,767	5,214
Total current assets	159,789	126,748
Property and equipment, net	25,527	16,660
Other assets	3,021	1,777
Total assets	$ 188,337	$ 145,185
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 4,181	$ 4,414
Accrued liabilities	29,236	20,559
Current portion of capital lease obligation	509	347
Current portion of long-term debt	16,764	9,871
Deferred revenue	25,586	16,552
Total current liabilities	76,276	51,743
Long-term debt	7,813	24,356
Sales tax liability	3,953	3,988
Capital lease obligation	535	247
Other long-term liabilities	3,255	1,336
Total liabilities	91,832	81,670
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Class A common stock, $0.0001 par value; 1,000,000 shares authorized at December 31, 2014 and 2013; 50,770 and 9,201 shares issued and outstanding at December 31, 2014 and 2013	5	1
Class B common stock, $0.0001 par value; 250,000 shares authorized at December 31, 2014 and 2013; 17,789 and 53,043 shares issued and outstanding at December 31, 2014 and 2013	2	5
Additional paid-in capital	274,844	193,574
Accumulated other comprehensive loss	(251)	(310)
Accumulated deficit	(178,095)	(129,755)
Total stockholders' equity	96,505	63,515
Total liabilities and stockholders' equity	$ 188,337	$ 145,185

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2014	2013	2012
Revenues:			
Subscriptions	$ 200,098	$ 145,995	$ 105,693
Product	19,789	14,510	8,833
Total revenues	219,887	160,505	114,526
Cost of revenues:			
Subscriptions	58,673	47,230	36,215
Product	18,100	14,289	8,688
Total cost of revenues	76,773	61,519	44,903
Gross profit	143,114	98,986	69,623
Operating expenses:			
Research and development	44,582	33,399	24,450
Sales and marketing	104,827	72,336	54,566
General and administrative	38,910	34,284	24,434
Total operating expenses	188,319	140,019	103,450
Loss from operations	(45,205)	(41,033)	(33,827)
Other income (expense), net:			
Interest expense	(2,007)	(5,384)	(1,503)
Other income (expense), net	(1,031)	274	32
Other income (expense), net	(3,038)	(5,110)	(1,471)
Loss before provision (benefit) for income taxes	(48,243)	(46,143)	(35,298)
Provision (benefit) for income taxes	97	(45)	92
Net loss	$ (48,340)	$ (46,098)	$ (35,390)
Net loss per common share:			
Basic and diluted	$ (0.72)	$ (1.39)	$ (1.58)
Weighted-average number of shares used in computing net loss per share:			
Basic and diluted	66,818	33,155	22,353

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year ended December 31,		
	2014	**2013**	**2012**
Net loss	$ (48,340)	$ (46,098)	$ (35,390)
Other comprehensive loss:			
Foreign currency translation adjustments, net	276	(225)	(65)
Unrealized loss on available-for-sale securities	(217)	—	—
Comprehensive loss	$ (48,281)	$ (46,323)	$ (35,455)

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Convertible Preferred Stock		Common stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of December 31, 2011	27,272	$ 44,109	22,210	$ 2	$ 5,628	$ (20)	$ (48,267)	$ 1,452
Issuance of common stock upon exercise and early exercise of stock options	—	—	484	—	419	—	—	419
Issuance of preferred stock warrants in connection with a debt agreement	—	—	—	—	169	—	—	169
Issuance of Series E convertible preferred stock (net of issuance costs of $89)	3,097	29,911	—	—	—	—	—	29,911
Reclassification of preferred stock warrant	—	—	—	—	473	—	—	473
Share-based compensation	—	—	—	—	3,102	—	—	3,102
Foreign currency translation adjustments, net	—	—	—	—	—	(65)	—	(65)
Net Loss	—	—	—	—	—	—	(35,390)	(35,390)
Balance as of December 31, 2012	30,369	74,020	22,694	2	9,791	(85)	(83,657)	71
Issuance of common stock upon exercise and early exercise of stock options	—	—	616	—	1,007	—	—	1,007
Issuance of common stock for legal settlement	—	—	20	—	257	—	—	257
Issuance of preferred stock warrants in connection with a debt agreement	—	—	—	—	866	—	—	866
Reclassification of preferred stock warrant	—	—	—	—	820	—	—	820
Conversion of preferred stock into common stock in connection with IPO	(30,369)	(74,020)	30,369	3	74,017	—	—	—
Issuance of common stock in connection with IPO (net of issuance costs of $11,809)	—	—	8,545	1	99,276	—	—	99,277
Share-based compensation	—	—	—	—	7,540	—	—	7,540
Foreign currency translation adjustments, net	—	—	—	—	—	(225)	—	(225)
Net Loss	—	—	—	—	—	—	(46,098)	(46,098)
Balance as of December 31, 2013	—	—	62,244	6	193,574	(310)	(129,755)	63,515
Issuance of common stock in connection with Secondary Offering (net of issuance costs of $1,050)	—	—	2,792	—	56,117	—	—	56,117
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans	—	—	3,523	1	9,637	—	—	9,638
Share-based compensation	—	—	—	—	15,516	—	—	15,516
Foreign currency translation adjustments, net	—	—	—	—	—	276	—	276
Unrealized loss on available-for-sale securities	—	—	—	—	—	(217)	—	(217)
Net Loss	—	—	—	—	—	—	(48,340)	(48,340)
Balance as of December 31, 2014	—	$ —	68,559	$ 7	$ 274,844	$ (251)	$ (178,095)	$ 96,505

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net loss	$ (48,340)	$ (46,098)	$ (35,390)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	10,378	8,980	6,191
Share-based compensation	15,516	7,540	3,102
Non-cash interest and other expense related to debt	259	2,014	265
Loss on disposal of assets	100	338	26
Deferred income tax	(35)	(16)	(56)
Changes in assets and liabilities:			
Accounts receivable	(4,606)	(355)	(2,256)
Inventory	401	(1,279)	769
Prepaid expenses and other current assets	(3,553)	(1,873)	(2,022)
Other assets	(1,012)	(328)	(366)
Accounts payable	(510)	(453)	(1,392)
Accrued liabilities	9,054	1,370	12,898
Deferred revenue	9,034	5,262	2,248
Other liabilities	1,884	1,127	968
Net cash used in operating activities	(11,430)	(23,771)	(15,015)
Cash flows from investing activities:			
Purchases of property and equipment	(17,965)	(10,789)	(10,172)
Purchases of available-for-sale securities	(28,696)	—	—
Restricted investments	—	(130)	—
Net cash used in investing activities	(46,661)	(10,919)	(10,172)
Cash flows from financing activities:			
Net proceeds from public offerings of common stock	57,167	103,309	—
Net proceeds from debt agreements	—	37,857	24,538
Repayment of debt	(9,909)	(26,309)	(5,356)
Repayment of capital lease obligations	(698)	(422)	(675)
Net proceeds from issuance of preferred stock	—	—	29,911
Proceeds from issuance of preferred stock warrants	—	1,625	501
Payment of offering costs	(1,219)	(3,720)	—
Proceeds from issuance of stock in connection with stock plans	9,446	893	556
Net cash provided by financing activities	54,787	113,233	49,475
Effect of exchange rate changes on cash and cash equivalents	108	(29)	(1)
Net increase (decrease) in cash and cash equivalents	(3,196)	78,514	24,287
Cash and cash equivalents:			
Beginning of period	116,378	37,864	13,577
End of period	$ 113,182	$ 116,378	$ 37,864
Supplemental disclosure of cash flow data:			
Cash paid for interest	$ 1,267	$ 2,437	$ 791
Cash paid for income taxes	96	46	64
Noncash investing and financing activities:			
Change in liability for unvested exercised options	$ 47	$ 114	$ 20
Accrued liability for deferred offering costs	—	313	—
Conversion of convertible preferred stock into common stock	—	74,020	—
Reclassification of preferred stock warrants from liability to equity	—	820	473
Deferred debt issuance costs recorded in connection with issuance of preferred stock warrants	—	—	122
Equipment purchased and unpaid at period end	1,013	775	2,700
Equipment acquired under capital lease	1,149	—	1,329
Unrealized loss on available-for-sale securities	217	—	—

See accompanying notes to consolidated financial statements

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

RingCentral, Inc. ("the Company") is a provider of software-as-a-service ("SaaS") solutions for business communications. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013.

Public Offerings

On October 2, 2013, the Company completed an initial public offering (the "IPO") and sold 8,625,000 shares of Class A common stock to the public, including the underwriters' overallotment option of 1,125,000 shares of Class A common stock and 80,000 shares of Class A common stock sold by selling stockholders, at a price of $13.00 per share. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190815) (the "Initial Registration Statement"). The Company received aggregate proceeds of $103,309,000 from the IPO, net of underwriters' discounts and commissions, but before deduction of offering expenses of approximately $3,888,000.

On March 11, 2014, the Company completed a secondary public offering and sold 7,991,551 shares of Class A common stock to the public, including 791,551 of the underwriters' overallotment option and 5,200,000 shares of Class A common stock sold by selling stockholders, at a price of $21.50 per share. The offer and sale of all of the shares in the secondary public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-194132) (the "Secondary Registration Statement"). The Company received aggregate proceeds of $57,167,000 from the secondary public offering, net of underwriters' discounts and commissions, but before deduction of offering expenses of approximately $1,050,000.

The Company did not receive any proceeds from the sale of shares by the selling stockholders.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the consolidated accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, accounts receivable, the allowance for doubtful accounts, inventory and inventory reserves, share-based compensation, deferred revenue, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as part of a separate component of stockholders' equity and reported in the statement of comprehensive loss. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Foreign currency transaction gains and losses are included in other income (expense) for the period.

Cash, Cash Equivalents and Investments in Marketable Securities

The Company considers highly liquid investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company's cash equivalents consist of money market funds. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. At December 31, 2014 the Company's marketable securities consist of investments in commercial paper and corporate debt securities. At December 31, 2014, all investments were designated as available-for-sale and reported at fair value based either upon quoted prices in active markets, quoted prices in less active markets, or quoted market prices for similar investments, with unrealized gains and losses, net of related tax, if any, included in accumulated other comprehensive loss in the consolidated balance sheet. We may sell these securities at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, all of our investments held at December 31, 2014 were classified as current assets in the accompanying consolidated balance sheet. We determine any realized gains or losses on the sale of marketable securities on a specific identification method, and we record such gains and losses as a component of other income (expense).

The Company monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair value and the decline in value is determined to be other-than-temporary (i.e., when the Company does not intend to sell the debt securities and it is not more likely than not that the Company will be required to sell the debt securities prior to anticipated recovery of its amortized cost basis), management records an impairment charge to other income (expense), in the amount of the credit loss and the balance, if any, is recorded in accumulated other comprehensive loss in the consolidated balance sheets. No impairment losses have been recognized for the years ended December 31, 2014, 2013 and 2012.

Allowance for Doubtful Accounts

For the years ended December 31, 2012 and 2013, a significant portion of revenues were realized from credit card transactions with only a small portion of revenues generating accounts receivable. For the year ended December 31, 2014, the portion of revenues generating accounts receivable has increased as the Company has been acquiring larger customers that request credit terms. For all periods presented, the Company has not experienced any significant defaults on its accounts receivable. The Company determines provisions based on historical experience and upon a specific review of customer receivables.

Below is a summary of the changes in allowance for doubtful accounts for the years ended December 31, 2014, 2013 and 2012:

	Balance at Beginning of Period	Provision, net of Recoveries	Write-offs	Balance at End of Period
Year ended December 31, 2012	$ 5	$ 428	$ —	$ 433
Year ended December 31, 2013	433	(8)	286	139
Year ended December 31, 2014	139	40	54	125

Inventory

The Company's inventory consists primarily of telephones and peripheral equipment held at third parties. Inventory is stated at the lower of cost computed on a first-in, first-out basis, or market value. Inventory write-downs are recorded when the cost of inventory exceeds its net realizable value and establishes a new cost basis for the inventory. On a quarterly and annual basis, the Company analyzes inventory on a part by part basis in comparison to forecasted demand to identify potential excess and obsolescence issues, and adjusts carrying amounts to estimated net realizable value accordingly.

Internal-Use Software Development Costs

The Company capitalizes qualifying internal-use software development costs that are incurred during the application development stage, provided that management with the relevant authority authorizes and commits to the funding of the project and it is probable the project will be completed and the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation operation activities are expensed as incurred. Capitalized internal-use software development costs are included in property and equipment and are amortized on a straight-line basis to cost of revenues when the underlying project is ready for its intended use. For the years ended December 31, 2014 and 2013, the Company capitalized $698,000 and $1,317,000 of internal-use software development costs incurred, respectively. The carrying value of internal-use software development costs, net of amortization, was $1,658,000 and $2,325,000 at December 31, 2014 and 2013, respectively.

Property and Equipment, Net

Property and equipment, net is stated at cost, less accumulated depreciation and amortization, and is depreciated using the straight-line method over the estimated useful lives of the assets. Computer hardware and software, and furniture and fixtures are depreciated over useful lives ranging from three to five years; internal-use software development costs are amortized over useful lives ranging from three to four years; and leasehold improvements are depreciated over the respective lease term or useful life, whichever is shorter. Maintenance and repairs are charged to expense as incurred.

The Company evaluates the recoverability of property and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows of the assets or asset groups are expected to generate. If such evaluation indicates that the carrying amount of the assets or asset groups is not recoverable, the carrying amount of such assets or asset groups is reduced to its estimated fair value. No impairment losses have been recognized in the fiscal years ended December 31, 2014, 2013 and 2012.

Concentrations

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments in marketable securities and accounts receivable. The Company maintains its cash, cash equivalent and investment balances, which may exceed federally insured limits, with financial institutions and corporate entities that management believes are financially sound and have minimal credit risk exposure.

The Company's accounts receivable are primarily derived from sales by resellers and to larger direct customers. The Company performs ongoing credit evaluations of its resellers and does not require collateral on accounts receivable. The Company maintains an allowance for doubtful accounts for estimated potential credit losses. At December 31, 2014 and 2013, AT&T, one of our resellers, accounted for 44% and 68% of the Company's total accounts receivable, respectively. For the year ended December 31, 2014, AT&T accounted for 12% of the Company's total revenues. For the years ended December 31, 2013 and 2012, no single customer accounted for greater than 10% of the Company's total revenues.

The Company purchased or contracted a significant portion of its software development efforts from third-party vendors located in Russia and the Ukraine during the years ended December 31, 2014, 2013 and 2012, respectively. A cessation of services provided by these vendors could result in a disruption to the Company's research and development efforts.

Revenue Recognition

The Company's revenues consist of subscriptions revenues and product revenues. The Company's subscriptions revenues include all fees billed in connection with subscriptions to the Company's RingCentral Office, RingCentral Professional and RingCentral Fax SaaS applications. These service fees include recurring fixed plan subscription fees, recurring administrative cost recovery fees, variable usage-based fees for blocks of additional minutes systematically purchased in advance of usage in excess of plan limits and one-time upfront fees. The Company provides its subscriptions pursuant to contractual arrangements that range in duration from one month to three years. The Company's service fees are generally billed in advance directly to customer credit cards or via invoices issued to larger customers. The Company's product revenues consists of sales of pre-configured office phones used in connection with the service and includes shipping and handling fees.

The Company recognizes revenues when the following criteria are met:

- there is persuasive evidence of an arrangement;
- the subscription is being provided to the customer or the product has been delivered;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

Revenues under subscription plans are recognized as follows:

- fixed plan subscription and administrative cost recovery fees are recognized on a straight-line basis over their respective contractual subscription terms;
- fees for additional minutes of usage in excess of plan limits are recognized over the estimated usage period in a manner that approximates actual usage; and
- one-time upfront fees are initially deferred and recognized on a straight-line basis over the estimated average customer life.

Product revenues are billed at the time the order is received and recognized when the product has been delivered to the customer.

The Company enters into arrangements with multiple-deliverables that generally include services to be provided under the subscription plan and the sale of products used in connection with the Company’s subscriptions. The Company allocates the consideration to each deliverable in a multiple-deliverable arrangement based upon its relative selling prices. The Company determines the selling price using vendor-specific objective evidence (“VSOE”) for its subscription plans and best estimated selling price (“BESP”) for its product offerings. Consideration allocated to each deliverable, limited to the amount not contingent on future performance, are then recognized to revenue when the basic revenue recognition criteria are met for the respective deliverable.

The Company determines VSOE based on historical standalone sales to customers. In determining VSOE, the Company requires that a substantial majority of the selling prices fall within a reasonably narrow pricing range. VSOE exists for all of the Company’s subscription plans. The Company uses BESP as the selling price for its product offerings because the Company is not able to determine VSOE of fair value from standalone sales or third-party evidence of selling price (“TPE”). The Company estimates BESP for a product by considering company-specific factors such as pricing objectives, direct product and other costs, bundling and discounting practices and contractually stated prices.

A portion of the Company’s subscriptions revenues and product revenues are generated through sales by resellers. When the Company assumes a majority of the business risks associated with performance of the contractual obligations, it records these revenues at the gross amount paid by the customer with amounts retained by the resellers recognized as sales and marketing expense. The Company’s assumption of such business risks is evidenced when, among other things, it takes responsibility for delivery of the product or subscription, is involved in establishing pricing of the arrangement, assumes credit and inventory risk, and is the primary obligor in the arrangement. When a reseller assumes the majority of the business risks associated with the performance of the contractual obligations, the Company records the associated revenues at the net amount received from the reseller. The Company recognizes revenues from resellers when the following criteria are met:

- persuasive evidence of an arrangement exists through a contract with the customer;
- the subscription is being provided to the customer or the product has been delivered;
- the amount of fees to be paid by the customer is fixed or determinable; and
- the collection of the fees is reasonably assured.

The Company’s deliverables sold through its reseller agreements consist of the Company’s subscriptions and products. Subscriptions sold through resellers are recognized on a straight-line basis over the period the underlying subscriptions are provided to the end customer. Products sold through resellers are shipped directly to the end customer and are recognized when title transfers to the end customer. Revenues from resellers have predominantly been recorded on a gross basis for all periods presented.

The Company records reductions to revenues for estimated sales returns and customer credits at the time the related revenues are recognized. Sales returns and customer credits are estimated based on historical experience, current trends and expectations regarding future experience.

Customer billings related to taxes imposed by and remitted to governmental authorities on revenue-producing transactions are reported on a net basis. When such remitted taxes exceed the amount billed to customers, the cost is included in general and administrative expenses.

Amounts billed in excess of revenues recognized for the period are reported as deferred revenue on the consolidated balance sheet. The Company’s deferred revenue consists primarily of unearned revenue on annual and monthly subscription plans.

The Company received one-time up-front payments for implementation services to be performed in connection with its carrier agreements with British Telecom (“BT”) and TELUS Corporation (“TELUS”) during the year ended December 31, 2014. These amounts will be amortized on a straight-line basis over their respective initial contractual terms beginning in 2015 when customer acceptance criteria are met. The BT and TELUS arrangements have initial contractual terms of three to five years, which approximates the estimated average customer life of each respective agreement. Accordingly, the portion of these one-time up-front payments that is estimated to be realized beyond December 31, 2015, or $1,372,000, is included as a component of other long-term liabilities in the consolidated balance sheet.

Cost of Revenues

Cost of subscriptions revenues primarily consists of costs of network capacity purchased from third-party telecommunications providers, network operations, costs to equip and maintain data centers, including co-location fees for the right to place the Company’s servers in data centers owned by third-parties, depreciation of the servers and equipment, along with related utilities and maintenance costs. Cost of subscriptions revenue also includes personnel costs associated with non-administrative customer care and support of the functionality of the Company’s platform and data center operations, including share-based compensation expenses and allocated costs of facilities and information technology. Cost of subscriptions revenues is expensed as incurred.

Cost of product revenues is comprised primarily of the cost associated with purchased phones, shipping costs, as well as personnel costs for contractors and allocated costs of facilities and information technology related to the procurement, management and shipment of phones. Cost of product revenues is expensed in the period product is delivered to the customer.

Share-Based Compensation

All share-based compensation granted to employees is measured as the grant date fair value of the award and recognized in the consolidated statement of operations over the requisite service period, which is generally the vesting period. The Company estimates the fair value of stock options using the Black-Scholes-Merton option pricing model. Compensation expense is recognized using the straight-line method net of estimated forfeitures.

Compensation expense for stock options granted to non-employees is calculated using the Black-Scholes-Merton option pricing model and is recognized in the consolidated statement of operations over the service period. Compensation expense for non-employee stock options subject to vesting is revalued as of each reporting date until the stock options are vested.

Research and Development

Research and development expenses consist primarily of third-party contractor costs, personnel costs, technology license expenses, and depreciation associated with research and development equipment. Research and development costs are expensed as incurred, except for internal-use software development costs that qualify for capitalization.

Advertising Costs

Advertising costs, which include various forms of e-commerce such as search engine marketing, search engine optimization and online display advertising, as well as more traditional forms of media advertising such as radio and billboards, are expensed as incurred and were $27,110,000, $22,943,000, and $21,915,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Commissions

Commissions consist of variable compensation earned by sales personnel and third-party resellers. Sales commissions associated with the acquisition of a new customer contract are recognized as sales and marketing expense at the time the customer has entered into a binding agreement.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. As of December 31, 2014 and 2013, except for deferred tax assets associated with its subsidiaries in the United Kingdom, the Netherlands and China, the Company recorded a full valuation allowance against all other net deferred tax assets because of its history of operating losses. The Company classifies interest and penalties on unrecognized tax benefits as income tax expense.

Segment Information

The Company has determined the chief executive officer is the chief operating decision maker. The Company's chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. Accordingly, the Company has determined that it operates in a single reporting segment.

Indemnification

Certain of the Company's agreements with resellers and customers include provisions for indemnification against liabilities if its subscriptions infringe a third-party's intellectual property rights. At least quarterly, the Company assesses the status of any significant matters and its potential financial statement exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount or the range of loss can be estimated, the Company accrues a liability for the estimated loss. The Company has not incurred any material costs as a result of such indemnification provisions and the Company has not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2014 or 2013.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new guidance is a result of a joint project with the International Accounting Standards Board (the "IASB") to clarify and converge the revenue recognition principles under U.S. GAAP and IFRS and to develop guidance that would streamline and enhance revenue recognition requirements. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2. Financial Statement Components

Cash and cash equivalents consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Cash	$ 12,800	$ 34,561
Money market funds	100,382	81,817
Total cash and cash equivalents	$ 113,182	$ 116,378

Accounts receivable, net consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Accounts receivable	$ 5,935	$ 2,192
Unbilled accounts receivable	1,841	992
Allowance for doubtful accounts	(125)	(139)
Accounts receivable, net	$ 7,651	$ 3,045

Property and equipment, net consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Computer hardware and software	$ 43,805	$ 30,449
Internal-use software development costs	5,335	4,636
Furniture and fixtures	2,020	1,127
Leasehold improvements	2,870	859
Property and equipment, gross	54,030	37,071
Less: accumulated depreciation and amortization	(28,503)	(20,411)
Property and equipment, net	$ 25,527	$ 16,660

Total depreciation and amortization expense was $10,378,000, $8,980,000, and $6,191,000 for the fiscal years ended December 31, 2014, 2013 and 2012, respectively.

Accrued liabilities consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Accrued compensation and benefits	$ 7,596	$ 5,660
Accrued sales, use and telecom related taxes	5,277	3,967
Other accrued expenses	16,363	10,932
Total accrued liabilities	$ 29,236	$ 20,559

Note 3. Fair Value of Financial Instruments

The Company carries certain financial assets consisting of money market funds and certificates of deposit at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1: Observable inputs which include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar valuation techniques.

The fair value of assets carried at fair value was determined using the following inputs (in thousands):

	Balance at December 31, 2014	(Level 1)	(Level 2)	(Level 3)
Cash equivalents:				
Money market funds	$ 100,570	$ 94,274	$ 6,296	$ —
Short-term investments:				
Corporate debt securities	$ 26,481	$ 26,481	$ —	$ —
Commercial paper	$ 1,998	$ —	$ 1,998	$ —
Other assets:				
Certificates of deposit	$ 630	$ —	$ 630	$ —

	Balance at December 31, 2013	(Level 1)	(Level 2)	(Level 3)
Cash equivalents:				
Money market funds	$ 81,817	$ 72,717	$ 9,000	$ —
Other assets:				
Certificates of deposit	$ 630	$ —	$ 630	$ —

During the third quarter of 2014, the Company purchased investments in commercial paper and corporate debt securities. At December 31, 2014, all investments were designated as available-for-sale and reported at fair value based either upon quoted prices in active markets, quoted prices in less active markets, or quoted market prices for similar investments, with unrealized gains and losses, net of related tax, if any, included in other comprehensive loss. At December 31, 2014, available-for-sale securities consisted of the following (in thousands):

	Available-for-Sale Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 26,700	$ 45	$ (264)	$ 26,481
Commercial paper	1,996	2	—	1,998
Total	$ 28,696	$ 47	$ (264)	$ 28,479

The expected maturities of our investments in available-for-sale securities at December 31, 2014 are shown below (in thousands):

Available-for-Sale Securities	Amortized Cost	Estimated Fair Value
Due in less than one year	$ 28,696	$ 28,479
Total	$ 28,696	$ 28,479

The Company's other financial instruments, including accounts receivable, accounts payable and other current liabilities, are carried at cost which approximates fair value due to the relatively short maturity of those instruments.

In June 2013 and August 2013, the Company issued TriplePoint preferred stock warrants in connection with debt agreements that were recorded as liabilities at issuance and were carried at fair value for a portion of the year prior to reclassification (September 26, 2013), the date of effectiveness of the Registration Statement for the IPO, to stockholders' equity. The fair value of the warrants at the issuance dates in June 2013 and August 2013 were $265,000 and $495,000, respectively. The fair value of the June 2013 and August 2013 warrants at the date of reclassification were $320,000 and $500,000, respectively. The fair value of preferred stock warrants was determined by the Black-Scholes-Merton option pricing model which is a technique using level 3 inputs which are detailed in Note 6.

On December 31, 2013, the Company refinanced a substantial portion of its outstanding debt obligations. Based on borrowing rates available to the Company for loans with similar terms, the stable interest rate environment and considering the Company's credit risks, management concluded the carrying value of debt approximated fair value at December 31, 2013. At December 31, 2014, the Company estimated the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities, and considering its own credit risk. The estimated fair value of the Company's current and non-current debt obligations was $25,671,000 at December 31, 2014, compared to its carrying amount of $24,577,000 at that date. If the debt was measured at fair value in the consolidated balance sheets, the Company's current and non-current debt would be classified in Level 2 of the fair value hierarchy.

Note 4. Debt

Silicon Valley Bank Credit Facility

Under the SVB agreement, the Company has two outstanding growth capital term loans (i.e., “the 2012 term loan” and “the 2013 term loan”), and a revolving line of credit.

The 2012 term loan was borrowed in March 2012 with a principal amount of $8,000,000, which is being repaid in 36 equal monthly installments of principal and interest. Under the 2012 term loan, interest is paid monthly and accrues at a floating rate based on the Company’s option of the (i) prime rate plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and, based on cash balances maintained with SVB at December 31, 2014, the current interest rate is 3.5%. In addition, a final terminal payment equal to 0.5% of the original loan principal, or $40,000, is due at maturity. The remaining principal balance and the final terminal payment are classified as current liabilities in the accompanying consolidated balance sheet because the loan matures in March 2015. As of December 31, 2014, the outstanding principal balance of the 2012 term loan was $667,000. As of December 31, 2014, the unamortized discount on the 2012 term loan was $2,000 which is recorded in the current portion of long-term debt line in the accompanying consolidated balance sheet.

On December 31, 2013, the Company refinanced certain of its outstanding debt as described below, to lower the interest rate on such debt (the “Refinancing”). In connection with the Refinancing, on December 31, 2013, the Company entered into a Second Amendment to the Amended SVB Credit Agreement (the “Amendment”) by and among the Company and SVB. The Amendment amends the terms of the Company’s Amended SVB Credit Agreement and provides for an additional term loan in the principal amount of up to $15,000,000 (the “2013 term loan”) all of which the Company borrowed from SVB on December 31, 2013.

The proceeds of the New SVB term loan were used to repay previously outstanding debt obligations (borrowed in fiscal years 2012 and 2013 from SVB and TriplePoint Capital). Amounts repaid under the prior term loans cannot be reborrowed and upon repayment, all obligations under the prior term loans have terminated. In connection with the Refinancing, the Company recognized a loss on the early extinguishment of previously outstanding debt of $1,833,000. The loss, which has been charged to interest expense in the statement of operations, is composed of $1,342,000 of non-cash interest expense related to the write-off of unamortized loan discounts and debt issuance costs and $491,000 of cash interest expense related to unaccrued end of term interest payments due upon pre-payment of the loans.

The 2013 term loan was borrowed on December 31, 2013 with a principal amount of $15,000,000, which is being repaid in 48 equal monthly installments of principal and interest. Interest is due monthly and accrues at a floating rate based on the Company’s option of an annual rate of either the (i) prime rate plus a margin of 0.75% or 1.00% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.75% or 4.00%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and based on cash balances maintained with SVB at December 31, 2014, the current interest rate is 4.0%. As of December 31, 2014, the outstanding principal balance of the 2013 term loan was $11,563,000. Approximately $7,813,000 of the remaining principal balance is classified as non-current liabilities in the accompanying consolidated balance sheet as this portion of the remaining principal balance is due beyond December 31, 2015.

The revolving line of credit provides for a maximum borrowing of up to $15,000,000 subject to limits based on the outstanding principal balance of the 2012 term loan and recurring subscription revenue amounts as defined in the agreement. The recurring subscription revenue requirement is not expected to limit the amount of borrowings available under the line of credit. Under the line of credit, interest is paid monthly and accrues at a floating rate based on the Company’s option of the (i) prime rate plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on cash balances maintained with SVB. The Company elected the prime rate option and based on cash balances maintained with SVB at December 31, 2014, the current interest rate is 3.5%. All outstanding principal and unpaid interest must be repaid by August 13, 2015. The outstanding principal balance is classified as a current liability in the accompanying consolidated balance sheet because the loan matures in August 2015. As of December 31, 2014, the outstanding principal balance and the available borrowing capacity of the line of credit were $10,778,000 and $3,556,000, respectively. As of December 31, 2014, the unamortized discount on the revolving line of credit was $149,000 which is recorded in the current portion of long-term debt line in the accompanying consolidated balance sheet.

The Company has pledged all of its assets, excluding intellectual property, as collateral to secure its obligations under the SVB agreement. The SVB agreement contains customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The SVB agreement also contains customary affirmative covenants, including requirements to, among other things, (i) maintain minimum cash balances representing the greater of $10,000,000 or three times the Company's quarterly cash burn rate, as defined in the agreement, and (ii) maintain minimum EBITDA levels, as determined in accordance with the agreement. On June 17, 2014, the Company adjusted certain financial covenant thresholds to expand its ability to invest in certain foreign subsidiaries. The Company was in compliance with all covenants under its credit agreement with SVB as of December 31, 2014.

TriplePoint Capital Credit Facility

Under the equipment loan and security agreement with TriplePoint, the Company borrowed equipment term loans with aggregate principal of $9,691,000 in August 2012. The equipment term loans are being repaid in 36 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 5.75%. In addition, a final terminal payment is due at maturity equal to 10% of the original loan principal, or $970,000. The remaining principal balance and the final terminal payment are classified as current liabilities in the accompanying consolidated balance sheet because the loan matures in August 2015. As of December 31, 2014, the outstanding principal balance of the TriplePoint equipment term loan was $1,725,000. As of December 31, 2014, the unamortized discount on the revolving line of credit was $5,000 which is recorded in the current portion of long-term debt line in the accompanying consolidated balance sheet.

The TriplePoint equipment loan is securitized by certain hardware and software equipment totaling $9,691,000 that was purchased by the Company prior to the loan draw down in August 2012. The Company has pledged this equipment as collateral to secure its obligations under the equipment loan agreement. The TriplePoint equipment loan and security agreement contains customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The TriplePoint equipment loan and security agreement also contain customary affirmative covenants, including requirements to, among other things, deliver audited financial statements. On June 17, 2014, the Company adjusted certain financial covenant thresholds to expand its ability to invest in certain foreign subsidiaries. The Company was in compliance with all covenants under its credit agreements with TriplePoint as of December 31, 2014.

The Company's outstanding balances under its debt agreements as of December 31, 2014 and 2013 were as follows (in thousands):

	December 31, 2014	December 31, 2013
SVB loan and security agreement	$ 23,008	$ 29,111
TriplePoint equipment loan agreement	1,725	5,032
Other	—	500
	24,733	34,643
Loan discounts	(156)	(416)
Net carrying value of debt	$ 24,577	$ 34,227
Less: Current portion of long-term debt	(16,764)	(9,871)
Long-term debt	$ 7,813	$ 24,356

As of December 31, 2014, future principal payments are scheduled as follows (in thousands):

	December 31, 2014
Year ending December 31,	
2015	$ 16,920
2016	3,750
2017	3,750
2018	313
	$ 24,733

Note 5. Commitments and Contingencies

Leases

The Company leases facilities for office space under noncancelable operating leases for its U.S. and international locations and has entered into capital lease arrangements to obtain property and equipment for its operations. In addition, the Company leases space from third party datacenter hosting facilities under co-location agreements to support its cloud infrastructure. As of December 31, 2014, noncancelable leases expire on various dates between 2016 and 2021 and require the following future minimum lease payments by year (in thousands):

	Capital Leases	Operating Leases
Year ending December 31,		
2015	$ 581	$ 5,609
2016	397	5,747
2017	188	4,756
2018	—	4,271
2019	—	3,787
2020	—	3,104
2021	—	1,866
Total future minimum lease payments	1,166	$ 29,140
Less: amount representing interest	(122)	
Total capital lease obligation	1,044	
Less: Current portion of capital lease obligation	(509)	
Capital lease obligation	$ 535	

Property and equipment recorded under capital leases consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Total assets acquired under capital lease	$ 3,466	$ 2,317
Less: accumulated amortization	(2,129)	(1,693)
Leased property and equipment, net	$ 1,337	$ 624

Leases for certain office facilities include scheduled periods of abatement and escalation of rental payments. The Company recognizes rent expense on a straight-line basis for all operating lease arrangements with the difference between required lease payments and rent expense recorded as deferred rent. Total rent expense was $2,243,000, $1,324,000, and $1,261,000 for the fiscal years ended December 31, 2014, 2013 and 2012, respectively.

Sales Tax Liability

During 2010 and 2011, the Company increased its sales and marketing activities in the U.S., which may be asserted by a number of states to create an obligation under nexus regulations to collect sales taxes on sales to customers in the state. Prior to 2012, the Company did not collect sales taxes from customers on sales in all states. In the second quarter of 2012, the Company commenced collecting and remitting sales taxes on sales in all states, therefore the loss contingency is applicable to sales and marketing activities in 2010, 2011 and the three months ended March 31, 2012. As of December 31, 2014 and 2013, the Company recorded a long-term sales tax liability of $3,953,000, and $3,988,000, respectively, based on its best estimate of the probable liability for the loss contingency incurred as of those dates. The Company's estimate of a probable outcome under the loss contingency is based on analysis of its sales and marketing activities, revenues subject to sales tax, and applicable regulations in each state in each period. No significant adjustments to the long-term sales tax liability have been recognized in the accompanying consolidated financial statements for changes to the assumptions underlying the estimate. However, changes in management's assumptions may occur in the future as the Company obtains new information which can result in adjustments to the recorded liability. Increases and decreases to the long-term sales tax liability are recorded as general and administrative expense.

A current sales tax liability for non-contingent amounts expected to be remitted in the next 12 months of $4,178,000 and $3,451,000 is included in accrued liabilities as of December 31, 2014 and 2013, respectively.

Legal Matters

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred. As of December 31, 2014 and 2013, there were no significant ongoing legal matters and the Company did not have any accrued liabilities recorded for such loss contingencies.

Employee Agreements

The Company has signed various employment agreements with executives and key employees pursuant to which if the Company terminates their employment without cause or if the employee does so for good reason following a change of control of the Company, the employees are entitled to receive certain benefits, including severance payments, accelerated vesting of stock options and continued COBRA coverage. As of December 31, 2014, no triggering events which would cause these provisions to become effective have occurred. Therefore, no liabilities have been recorded for these agreements in the consolidated financial statements.

Note 6. Stockholders' Equity

In connection with the Company's initial public offering ("IPO"), the Company reincorporated in Delaware on September 26, 2013. The Delaware certificate of incorporation provides for two classes of common stock: Class A and Class B common stock, both with a par value of $0.0001 per share. In addition the certificate of incorporation authorizes shares of undesignated preferred stock with a par value of $0.0001 per share. The terms of preferred stock are described below.

Preferred Stock

The Board of Directors may, without further action by the stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorizes their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of the Class A and Class B common stock. As of December 31, 2014, there were 100,000,000 shares of preferred stock authorized and no shares issued or outstanding.

Class A and Class B Common Stock

The Company has authorized 1,000,000,000 and 250,000,000 shares of Class A common stock and Class B common stock for issuance. Holders of our Class A common stock and Class B common stock have identical rights for matters submitted to a vote of our stockholders. Holders of Class A common stock are entitled to one vote per share of Class A common stock and holders of Class B common stock are entitled to 10 votes per share of Class B common stock. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) except for specific circumstances that would adversely affect the powers, preferences or rights of a particular class of common stock. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, holders of Class A and Class B common stock share equally, identically and ratably, on a per share basis, with respect to any dividend or distribution of cash, property or shares of the Company's capital stock. Holders of Class A and Class B common stock also share equally, identically and ratably in all assets remaining after the payment of any liabilities and liquidation preferences and any accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock at the time. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically to Class A common stock upon: (i) the date specified by an affirmative vote or written consent of holders of at least 67% of the outstanding shares of Class B common stock, or (ii) the seven year anniversary of the closing date of the IPO (October 2, 2020).

Shares of Class A common stock reserved for future issuance were as follows (in thousands):

	December 31, 2014
Preferred stock	100,000
Class B common stock	17,789
2013 Employee stock purchase plan	1,505
2013 Equity incentive plan:	
Outstanding options and restricted stock unit awards	10,897
Available for future grants	7,198
	137,389

As of December 31, 2014 and 2013, there were 14,893 and 37,075 shares of common stock outstanding related to the early exercise of nonvested options subject to repurchase at the original exercise price by the Company upon termination of service by an employee.

Warrants

The Company has issued common stock warrants to consultants for services and preferred stock warrants to lenders in connection with its debt agreements. Upon effectiveness of the Company's Registration Statement and the filing of its Certificate of Incorporation in Delaware on September 26, 2013, all outstanding preferred stock warrants automatically converted to Class B common stock warrants. As of December 31, 2013, outstanding warrants to purchase shares of Class B common stock were as follows (number of warrant shares in thousands):

Class of shares	Number of Warrant Shares Outstanding and Exercisable	Weighted-Average Exercise price Per Share	Weighted-Average Contractual Term (in Years)
Common stock	502	$ 5.05	5.9

In connection with amendments to its loan agreements with SVB and TriplePoint in August 2013, the Company issued SVB a warrant to purchase 90,324 shares of Series E preferred stock (the "2013 SVB Series E warrants") and issued TriplePoint a warrant to purchase 51,614 shares of Series E preferred stock (the "2013 TriplePoint Series E warrants"). As the 2013 SVB Series E warrants were issued in connection with a loan and had a fixed exercise price of $9.68 per share, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of $866,000 being recorded, with a corresponding increase to additional paid in capital as part of stockholders' equity. See Note 4 for assumptions used in Black-Scholes-Merton option pricing model to fair value the 2013 SVB Series E warrants at issuance.

The 2013 TriplePoint Series E warrants were issued with an exercise price equal to the lower of: (i) $9.68 or (ii) lowest price per share in the next round of equity financing. As the 2013 TriplePoint Series E warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of $495,000 being recorded. As a result of the exercise price adjustment feature, the 2013 TriplePoint Series E warrants were not indexed to the Company's stock and were classified as liabilities on the date of issuance. The exercise price adjustment feature for the 2013 TriplePoint Series E warrants expired upon the effectiveness of the Registration Statement and the filing of the Company's Certificate of Incorporation in Delaware (September 26, 2013). Upon the expiration of the exercise price adjustment feature, the 2013 TriplePoint Series E warrants became indexed to the Company's stock and were reclassified as stockholders' equity. The 2013 TriplePoint Series E warrants were recorded at fair value for the period the warrants were classified as liabilities with changes in fair value recognized in other income and expense. The fair value of the 2013 TriplePoint Series E warrants was reclassified to stockholders' equity on September 26, 2013 when the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the 2013 TriplePoint Series E warrants was measured during the period outstanding through the reclassification date using the Black-Scholes-Merton option pricing model with the following assumptions:

Expected volatility	58%-60%
Expected life in years	9.9-10.0
Risk free interest rate	2.64%-2.71%
Dividend yield	0.00%

In connection with the $4,000,000 growth capital part II loan draw from TriplePoint in June 2013, the Company issued TriplePoint a warrant to purchase 33,192 shares of Series D preferred stock with the exercise price set at the lower of: (i) $6.03 per share or (ii) the lowest price per share in the next round of equity financing (the "2013 TriplePoint Series D warrants"). As the 2013 TriplePoint Series D warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of $265,000 being recorded. As a result of the exercise price adjustment feature, the 2013 TriplePoint Series D warrants were not indexed to the Company's stock and were classified as liabilities on the date of issuance. The exercise price adjustment feature for the 2013 TriplePoint Series D warrants expired upon the effectiveness of the Registration Statement and the filing of the Company's Certificate of Incorporation in Delaware (September 26, 2013). Upon the expiration of the exercise price adjustment feature, the 2013 TriplePoint Series D warrants became indexed to the Company's stock and were reclassified as stockholders' equity. The 2013 TriplePoint Series D warrants were recorded at fair value for the period the warrants were classified as liabilities with changes in fair value recognized in other income and expense. The fair value of the 2013 TriplePoint Series D warrants was reclassified to stockholders' equity on September 26, 2013 when the Series D preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the 2013 TriplePoint Series D warrants was measured during the period outstanding through the reclassification date using the Black-Scholes-Merton option pricing model with the following assumptions:

Expected volatility	55%-58%
Expected life in years	6.8-7.0
Risk free interest rate	1.91%-2.64%
Dividend yield	0.00%

Note 7. Share-Based Compensation

A summary of share-based compensation expense recognized in the Company's consolidated statements of operations follows (in thousands):

	Year Ended December, 31		
	2014	2013	2012
Cost of subscriptions revenues	$ 1,294	$ 539	$ 235
Research and development	3,343	1,495	837
Sales and marketing	5,260	1,313	651
General and administrative	5,619	4,193	1,379
Total share-based compensation expense	$ 15,516	$ 7,540	$ 3,102

A summary of share-based compensation expense by award type follows (in thousands):

	Year Ended December, 31		
	2014	2013	2012
Options	$ 10,323	$ 7,069	$ 3,102
Employee stock purchase plan rights	1,628	453	—
Restricted stock units	3,565	18	—
Total share-based compensation expense	$ 15,516	$ 7,540	$ 3,102

Equity Incentive Plans

In September 2013, the Board adopted and the Company's stockholders approved the 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan became effective on September 26, 2013. In connection with the adoption of the 2013 Plan, the Company terminated the 2010 Equity Incentive Plan (the "2010 Plan"), under which stock options had been granted prior to September 26, 2013. The 2010 Plan was established in September 2010, when the 2003 Equity Incentive Plan (the "2003 Plan") was terminated. After the termination of the 2003 and 2010 Plans, no additional options were granted under these plans; however options previously granted will continue to be governed by these plans, and will be exercisable into shares of Class B common stock. In addition, options authorized to be granted under the 2003 and 2010 Plans, including forfeitures of previously granted awards are authorized for grant under the 2013 Plan. A total of 6,200,000 shares of Class A common stock have been reserved for issuance under the 2013 Plan. The 2013 Plan includes an annual increase on the first day of each fiscal year beginning in 2014, equal to the least of: (i) 6,200,000 shares of Class A common stock; (ii) 5.0% of the outstanding shares of all classes of common stock as of the last day of the Company's immediately preceding fiscal year; or (iii) such other amount as the board of directors may determine. During the year ended December 31, 2014, a total of 3,112,203 shares of Class A common stock were added to the 2013 Plan in connection with the annual automatic increase provision.

The plans permit the grant of stock options and other share-based awards, such as restricted stock units to employees, officers, directors and consultants by the Company's board of directors. Option awards are generally granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant. Option awards generally vest according to a graded vesting schedule based on four years of continuous service and generally have a 10-year contractual term. On January 29, 2014, the Compensation Committee of the Board of Directors approved an amendment to decrease the contractual term of all equity awards issued from the 2013 Plan from 10 years to 7 years for all awards granted after January 29, 2014. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the option agreement) and early exercise of the option prior to vesting (subject to the Company's repurchase right). As of December 31, 2014 a total of 7,197,698 shares remain available for grant under the 2013 Plan.

A summary of option activity under all of the plans at December 31, 2014 and changes during the periods then ended is presented in the following table:

	Number of Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Term (in Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2011	5,621	$ 1.14	7.8	$ 8,917
Granted	4,369	4.91		
Exercised	(484)	1.15		
Canceled/Forfeited	(897)	2.18		
Outstanding at December 31, 2012	8,609	$ 2.89	7.2	$ 40,705
Granted	3,856	11.54		
Exercised	(607)	1.47		
Canceled/Forfeited	(702)	4.31		
Outstanding at December 31, 2013	11,156	$ 5.87	7.7	$ 139,484
Granted	1,302	15.12		
Exercised	(2,673)	1.97		
Canceled/Forfeited	(627)	7.19		
Outstanding at December 31, 2014	9,158	$ 8.23	7.2	$ 61,367
Vested and expected to vest as of December 31, 2014	8,844	$ 8.15	7.1	$ 60,052
Exercisable as of December 31, 2014	5,026	$ 5.78	6.6	$ 45,387

The total intrinsic value of options exercised were as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Total intrinsic value of options exercised	$ 41,454	$ 10,261	$ 3,134

Valuation Assumptions

The Company estimated the fair values of each option awarded on the date of grant using the Black-Scholes-Merton option pricing model, which requires inputs including the fair value of common stock, expected term, expected volatility, risk-free interest and dividend yield.

Fair Value of Common Stock

Given the absence of a public trading market prior to the IPO, the Company's board of directors considered numerous objective and subjective factors to determine the fair value of common stock at each meeting at which awards were approved. These factors included, but were not limited to: (i) contemporaneous valuations of common stock performed by an unrelated valuation specialist; (ii) developments in the Company's business and stage of development; (iii) the Company's operational and financial performance and condition; (iv) issuances of preferred stock and the rights and preferences of preferred stock relative to common stock; (v) current condition of capital markets and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company; and (vi) the lack of marketability of common stock. For financial reporting purposes, the Company also considered contemporaneous valuations of common stock prepared for dates subsequent to the grant date. For certain option grants in 2012 and 2013 that occurred on an interim date between valuation dates, the fair value of common stock used in the option pricing model to measure share-based compensation for the period exceeded the exercise price. Since the IPO, the Company has used the daily closing stock price on the New York Stock Exchange on the date of grant as the fair value of the common stock.

Expected Term

The expected term represents the period that share-based awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the expected term for options issued to employees was calculated as the mean of the option vesting period and the contractual term (i.e., the "Simplified Method"). During the fourth quarter of 2014, the Company also began to incorporate its own expectations about future exercise behavior assigning a 25% weighting to the Company specific estimate and a 75% weighting to the Simplified Method estimate. The expected term for options issued to non-employees was the contractual term.

Expected Volatility

The expected stock price volatility of common stock was derived from the historical volatilities of a peer group of similar publicly traded companies over a period that approximates the expected term of the option. During the fourth quarter of 2014, the Company also began to incorporate its own historical volatility assigning a 25% weighting to the Company specific estimate and a 75% weighting to the historical peer group of similarly traded companies.

Risk-Free Interest Rate

The risk-free interest rate was based on the yield available on U.S. Treasury zero-coupon issues with a term that approximates the expected term of the option.

Expected Dividends

The expected dividend yield was 0% as the Company has not paid, and does not expect to pay, cash dividends.

The weighted-average assumptions used in the option pricing models and the resulting grant date fair value of stock options granted in the periods presented were as follows:

	Year ended December 31,		
	2014	**2013**	**2012**
Expected term for employees (in years)	4.6	6.1	6.1
Expected term for non-employees (in years)	7.0	10.0	10.0
Expected volatility	48%	54%	61%
Risk-free interest rate	1.41%	1.68%	0.97%
Expected dividend rate	0%	0%	0%
Weighted average grant date fair value of employee options	$ 6.16	$ 6.19	$ 3.07

As of December 31, 2014 and 2013, there was approximately $20,069,000 and $22,439,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to stock option grants, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 2.4 years and 3.0 years, respectively.

Employee Stock Purchase Plan

In September 2013, the Board adopted, and the Company's stockholder approved a 2013 Employee Stock Purchase Plan (ESPP). The ESPP became effective on September 26, 2013. A total of 1,250,000 shares of Class A common stock have been reserved for issuance under the ESPP. The ESPP provides for annual increases in the number of shares available for issuance under the ESPP on the first day of each fiscal year beginning in fiscal 2014, equal to the least of: (i) 1% of the outstanding shares of all classes of common stock on the last day of the immediately preceding year; (ii) 1,250,000 shares; or (iii) such other amount as may be determined by the board of directors. During the year ended December 31, 2014, a total of 622,441 shares of Class A common stock were added to the 2013 ESPP Plan in connection with the annual increase provision.

The ESPP allows eligible employees to purchase shares of the Class A common stock at a discount through payroll deductions of up to the lesser of 15% of their eligible compensation or $25,000 per calendar year, at not less than 90% of the fair market value, as defined in the ESPP, subject to any plan limitations. A participant may purchase a maximum of 3,000 shares during an offering period. The offering period generally starts on the first trading day on or after May 11th and November 11th of each year, except that the first offering period in 2013 commenced on the first trading day following the effective date of the Company's registration statement. At the end of the offering period, the purchase price is set at the lower of: (i) the fair value of the Company's common stock at the beginning of the six month offering period, and (ii) the fair value of the Company's common stock at the end of the six month offering period. At December 31, 2014, a total of 1,505,340 shares were available for issuance under the ESPP.

The weighted-average assumptions used to value employee stock purchase plan rights under the Black-Scholes-Merton model and the resulting grant date fair value of employee stock purchase plan rights granted in the periods presented were as follows:

	Year ended December 31,	
	2014	2013
Expected term (in years)	0.5	0.6
Expected volatility	50%	40%
Risk-free interest rate	0.07%	0.07%
Expected dividend rate	0%	0%
Weighted average grant date fair value of employee options	$ 3.93	$ 5.76

As of December 31, 2014 and 2013, there was approximately $418,000 and $728,000 of unrecognized share-based compensation expense related to outstanding employee stock purchase plan rights under the 2013 ESPP, which will be recognized on a straight-line basis over the remaining weighted average vesting period of approximately 0.4 and 0.4 years, respectively.

Restricted Stock Units

The 2013 Plan provides for the issuance of restricted stock units to employees and consultants. Restricted stock units issued under the 2013 Plan generally vest over four years. A summary of activity of restricted stock units under the 2013 Plan at December 31, 2014 and changes during the periods then ended is presented in the following table:

	Number of RSUs Outstanding (in thousands)	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2012	—	$ —	$ —
Granted	68	17.22	
Released	—	—	
Canceled/Forfeited	—	—	
Outstanding at December 31, 2013	68	$ 17.22	$ 1,251
Granted	1,915	15.08	
Released	(110)	16.82	
Canceled/Forfeited	(134)	17.43	
Outstanding at December 31, 2014	1,739	$ 14.87	$ 25,617

As of December 31, 2014 and 2013, there was a total of $24,158,000 and $890,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to restricted stock units, which will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 3.6 and 3.8 years, respectively.

Note 8. Income Taxes

The provision (benefit) for income taxes consisted of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
Current:			
Federal	$ —	$ —	$ 28
State	18	3	9
Foreign	114	(32)	111
Total current	132	(29)	148
Deferred:			
Foreign	(35)	(16)	(56)
Total income tax expense	$ 97	$ (45)	$ 92

Net loss before provision (benefit) for income taxes consisted of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
United states	$ (50,065)	$ (41,778)	$ (33,883)
International	1,822	(4,365)	(1,415)
Total net loss before provision (benefit) for income taxes	$ (48,243)	$ (46,143)	$ (35,298)

The provision (benefit) for income tax differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax loss as a result of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
Federal tax benefit at statutory rate	$ (16,403)	$ (15,687)	$ (12,002)
State tax, net of federal benefit	12	2	6
Research and development credits	(654)	(774)	(620)
Share-based compensation	1,836	641	534
Other permanent differences	211	294	171
Foreign tax rate differential	(33)	(20)	(253)
Net operating losses not recognized	15,128	15,499	12,256
Total income tax provision (benefit)	$ 97	$ (45)	$ 92

Undistributed earnings of foreign subsidiaries are immaterial for all periods presented.

The types of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Deferred tax assets			
Net operating loss and credit carry-forwards	$ 45,552	$ 35,904	$ 24,554
Research and development credits	3,497	2,353	895
Sales tax liability	1,442	1,418	1,385
Share-based compensation	5,560	2,247	—
Accrued liabilities	4,676	2,528	2,704
Gross deferred tax assets	60,727	44,450	29,538
Valuation allowance	(60,405)	(44,032)	(28,847)
Total deferred tax assets	322	418	691
Deferred tax liabilities - Property and equipment	(197)	(327)	(616)
Net deferred tax assets	$ 125	$ 91	$ 75

At December 31, 2014, the Company had net operating loss carry-forwards for federal and state income tax purposes of approximately $140,107,000 and $102,415,000, respectively, available to reduce future income subject to income taxes. The federal and state net operating loss carry-forwards will begin to expire in 2023 and 2014, respectively. The Company also has research credit carry-forwards for federal and California tax purposes of approximately $2,752,000 and $2,840,000, respectively, available to reduce future income subject to income taxes. The federal research credit carry-forwards will begin to expire in 2027 and the California research credits carry forward indefinitely. As of December 31, 2013, we had federal and state net operating loss carry-forwards of $94,749,000 and $77,941,000, respectively, and federal and state research and development tax credit carry-forwards in the amount of $1,879,000 and $1,851,000, respectively. The Internal Revenue Code of 1986, as amended, imposes restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. In the event the Company had subsequent changes in ownership, net operating losses and research and development credit carry-overs, which are reserved by the full deferred tax asset valuation allowance, could be limited and may expire unutilized.

The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the year ended December 31, 2014, the Company has provided a valuation allowance against the Company's U.S. and U.K. net deferred tax assets. The net change in the valuation allowance for the years ended December 31, 2014, 2013 and 2012 was an increase of $16,373,000, $15,185,000 and $12,336,000, respectively.

The Company has adopted the accounting policy that interest and penalties recognized are classified as part of its income taxes. The following shows the changes in the gross amount of unrecognized tax benefits as of December 31, 2014 (in thousands):

Balance as of December 31, 2012	$ 375
Gross amount of increases in unrecognized tax benefits for tax positions taken in current year	168
Gross amount of increases in unrecognized tax benefits for tax positions taken in prior year	390
Balance as of December 31, 2013	933
Gross amount of increases in unrecognized tax benefits for tax positions taken in current year (reduction of deferred tax assets of R&D credit)	465
Gross amount of increases in unrecognized tax benefits for tax positions taken in prior year (reduction of deferred tax assets of NOL carryforward)	1,217
Balance as of December 31, 2014	$ 2,615

The Company does not anticipate that its total unrecognized tax benefits will significantly change due to settlement of examination or the expiration of statute of limitations during the next 12 months.

The Company files U.S. and foreign income tax returns with varying statutes of limitations. Due to the Company's net carry-over of unused operating losses, all years from 2003 forward remain subject to future examination by tax authorities.

Note 9. Basic and Diluted Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including the Company's convertible preferred stock, outstanding stock options, outstanding warrants, stock related to the nonvested early exercised stock options and stock related to nonvested restricted stock awards to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential common shares outstanding would have been anti-dilutive. The following table sets forth the computation of the Company's basic and diluted net loss per share during the years ended December 31, 2014, 2013 and 2012 (in thousands, except per share data):

	Year Ended December 31,		
	2014	2013	2012
Numerator			
Net loss	$ (48,340)	$ (46,098)	$ (35,390)
Denominator			
Weighted-average common shares for basic and diluted net loss per share	66,818	33,155	22,353
Basic and diluted net loss per share	$ (0.72)	$ (1.39)	$ (1.58)

Following is a table summarizing the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Shares of common stock issuable upon conversion of preferred stock	—	—	30,369
Shares of common stock issuable upon conversion of warrants	—	502	337
Shares of common stock subject to repurchase	15	37	100
Shares of common stock issuable under equity incentive plans outstanding	10,897	11,224	8,609
Potential common shares excluded from diluted net loss per share	10,912	11,763	39,415

Note 10. Geographic Concentrations

Revenues by geographic location are based on the billing address of the customer. More than 90% of the Company's revenues are from the United States for fiscal years ended December 31, 2014, 2013 and 2012. No other individual country exceeded 10% of total revenues for fiscal years ended December 31, 2014, 2013 and 2012. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. At December 31, 2014 and 2013, more than 87% and 84% of the Company's property and equipment is located in the United States, respectively. No other individual country exceeded 10% of total property and equipment at December 31, 2014 and 2013.

Note 11. 401(k) Plan

The Company has a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. The Company did not make any matching contributions to this plan in the periods presented.

Note 12. Selected Quarterly Financial Data (unaudited)

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the years ended December 31, 2014 and 2013 (in thousands except per share data):

	Quarter ended							
	Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	June 30, 2013	Mar 31, 2013
Consolidated Statement of Operations Data:								
Revenues	$ 61,893	$ 56,944	$ 52,787	$ 48,262	$ 45,342	$ 41,934	$ 37,704	$ 35,525
Gross profit	41,972	37,539	33,244	30,359	28,190	25,966	23,042	21,788
Operating loss	(9,343)	(10,814)	(12,810)	(12,238)	(10,355)	(8,151)	(13,119)	(9,408)
Net Loss (1)	(10,120)	(11,986)	(13,330)	(12,904)	(13,365)	(8,852)	(13,619)	(10,262)
Net loss per share, basic and diluted	$ (0.15)	$ (0.18)	$ (0.20)	$ (0.20)	$ (0.22)	$ (0.36)	$ (0.60)	$ (0.45)

(1) In the fourth quarter of 2013, in connection with a debt refinancing transaction, the Company recorded a $1.8 million loss on early extinguishment of debt, which was classified in interest expense. Refer to Note 4 for additional details.

Note 13. Subsequent Events

On February 25, 2015, the Company signed an agreement that accelerates the termination date of the lease for its headquarters office located in San Mateo, California from May 31, 2017 to April 30, 2015. The effectiveness of the early termination of the lease is contingent upon a third party entering into a lease agreement with the landlord for the San Mateo office space by February 28, 2015, and obtaining by March 30, 2015 the consent of the landlord's lender to the early termination. No additional lease payments are imposed by the early termination agreement and, if and when the agreement becomes effective, the Company's future lease obligation will be reduced. The table of future lease commitments appearing in Note 5 has not been adjusted for any potential reductions in the Company's future lease obligation under the early termination agreement.

The Company has evaluated subsequent events through February 27, 2015, the date the annual consolidated financial statements were issued.