

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

On August 21, 2015, the Company amended its payment processing agreement with Starbucks such that, as of October 1, 2015, the Company is no longer Starbucks' exclusive payment processing provider, Starbucks can terminate the agreement upon 30 days' prior notice, and any payment processing volumes will be subject to increased rates beginning on October 1, 2015. As part of this amendment, the previously unvested warrants related to processing targets in the United Kingdom and Japan have been canceled. Additionally, the Company agreed to facilitate the sale of 2,269,830 shares of Series D preferred stock held by Starbucks to a third party. If the aggregate purchase price in a sale to a third party of the Series D preferred stock is less than \$37 million, then the Company will pay Starbucks the difference. This obligation terminates upon the expiration of any applicable lock-up period following an initial public offering. In the event that such obligation has not terminated, and the shares have not been sold, by October 30, 2016, the Company is obligated to repurchase the shares for an aggregate purchase price of \$37 million.

The Company has designated this obligation as a derivative instrument initially valued at \$1.5 million to be measured at fair value on a recurring basis, categorized as a Level 3 measurement. The Company used a Monte Carlo pricing model to determine the fair value of this derivative instrument as of September 30, 2015. The Monte Carlo pricing model considers various inputs such as the fair value of the preferred shares, the probability of completing an initial public offering, and the probability of identifying a third party investor. Adjusting significant inputs would not have a material impact to the fair value of this instrument. To the extent this obligation remains outstanding, the Company will measure the fair value of this derivative instrument on a quarterly basis with incremental increases or decreases in its value, if any, recorded as changes to Starbucks transaction revenue in the applicable quarter.

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Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

The Company's financial assets and liabilities that are measured at fair value on a recurring basis are classified as follows (in thousands):

	December 31, 2013			December 31, 2014			September 30, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and Cash Equivalents:									
Money market funds	\$94,810	\$ —	\$ —	\$132,217	\$ —	\$ —	\$67,221	\$ —	\$ —
Derivative instrument	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,485
Total	<u>\$94,810</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$132,217</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$67,221</u>	<u>\$ —</u>	<u>\$ 1,485</u>

The carrying amounts of certain financial instruments, including cash equivalents, settlements receivable, merchant cash advance receivable, accounts payable, customers payable, and debt, approximate their fair values (a Level 2 measurement) due to their short-term nature.

A summary of the changes in Level 3 assets and liabilities measured at fair value on a recurring basis is as follows:

	Balance at January 1, 2015	Additions	Total unrealized gains (losses)	Balance at September 30, 2015
Derivative instrument	\$ —	1,485	—	\$ 1,485
Total	<u>\$ —</u>	<u>1,485</u>	<u>—</u>	<u>\$ 1,485</u>