

In accordance with ASC 740-10, *Income Taxes*, 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, 2019 (in thousands):

	2019	2018	2017
Unrecognized tax benefits, beginning of the year	\$ 6,029	\$ 3,004	\$ 2,460
Increases related to prior year tax positions	—	1,050	—
Decreases related to prior year tax positions	(48)	—	(3)
Increases related to current year tax positions	2,984	1,975	547
Unrecognized tax benefits, end of year	<u>\$ 8,965</u>	<u>\$ 6,029</u>	<u>\$ 3,004</u>

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 and tax credits, all years from 2003 forward remain subject to future examination by tax authorities.

#### Note 13. 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, less the weighted-average unvested common stock subject to repurchase or forfeiture as they are not deemed to be issued for accounting purposes. Diluted net loss per share is computed by giving effect to all potential shares of common stock, stock options, restricted stock units, ESPP, and convertible senior notes, to the extent dilutive. For the periods presented, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be 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, 2019, 2018 and 2017 (in thousands, except per share data):

	Year Ended December 31,		
	2019	2018	2017
<b>Numerator</b>			
Net loss	\$ (53,607)	\$ (26,203)	\$ (4,204)
<b>Denominator</b>			
Weighted-average common shares for basic and diluted net loss per share	83,130	79,500	76,281
Basic and diluted net loss per share	<u>\$ (0.64)</u>	<u>\$ (0.33)</u>	<u>\$ (0.06)</u>

The following table summarizes the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding because including them would have had an anti-dilutive effect (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Shares of common stock issuable under equity incentive plans outstanding	6,832	8,943	10,806
Convertible senior notes	1,905	79	—
Potential common shares excluded from diluted net loss per share	<u>8,737</u>	<u>9,022</u>	<u>10,806</u>

Since the Company expects to settle the principal amount of its outstanding convertible senior notes in cash and any excess in cash or shares of the Company's Class A Common Stock, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The conversion spread will have a dilutive impact on diluted net income per share of common stock when the average market price of the Company's Class A Common Stock for a given period exceeds the conversion price of \$81.45 per share for the Notes.