

### Capitalized Software Development Costs

During the years ended December 31, 2019, 2018, and 2017, the Company capitalized \$29.8 million, \$31.6 million, and \$24.3 million, respectively, of software development costs to the consolidated balance sheets. During the years ended December 31, 2019, 2018, and 2017, the Company amortized \$25.2 million, \$23.5 million, and \$17.6 million to cost of revenue, respectively.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis included the following (in thousands):

	December 31, 2019				December 31, 2018			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 148,089	\$ 148,089	\$ —	\$ —	\$ 129,321	\$ 129,321	\$ —	\$ —
Certificate of deposit	3,937	3,937	—	—	—	—	—	—
Corporate bonds	122,648	—	122,648	—	58,033	—	58,033	—
Agency bonds	3,968	—	3,968	—	—	—	—	—
US treasury securities	70,089	—	70,089	—	138,726	—	138,726	—
Commercial paper	23,828	—	23,828	—	7,973	—	7,973	—
Asset-backed securities	27,551	—	27,551	—	—	—	—	—
	<u>\$ 400,110</u>	<u>\$ 152,026</u>	<u>\$ 248,084</u>	<u>\$ —</u>	<u>\$ 334,053</u>	<u>\$ 129,321</u>	<u>\$ 204,732</u>	<u>\$ —</u>

At December 31, 2019 and 2018, cash equivalents of \$148.1 million and \$129.3 million, respectively, consisted of money market funds with original maturity dates of three months or less backed by US Treasury bills, as well as corporate bonds, agency bonds, commercial paper, certificates of deposit, and US treasury securities.

As of December 31, 2019, agency bonds, asset-backed securities, corporate bonds, US treasury securities, and commercial paper were classified within Level 2 of the fair value hierarchy. The bonds were valued using information obtained from pricing services, which obtained quoted market prices from a variety of industry data providers, security master files from large financial institutions, and other third-party sources. The Company performed supplemental analysis to validate information obtained from its pricing services. As of December 31, 2019, no adjustments were made to such pricing information.

### Convertible Notes

The Company's 2021 Notes, described below, are presented in the accompanying consolidated balance sheets at their original issuance value, net of unamortized discount and debt issuance costs, and are not remeasured to fair value each period. The approximate fair value of the Company's 2021 Notes as of December 31, 2019 was \$452 million. The fair value of the 2021 Notes, which are classified as Level 2 financial instruments, was estimated on the basis of the current equity value implicit in the instrument.

## 9. DEBT AND OTHER FINANCING ARRANGEMENTS

### 2021 Senior Convertible Notes

In 2017, the Company issued \$300.0 million principal amount of 5.75% senior convertible notes (the "2021 Notes") for a purchase price equal to 98% of the principal amount. The Company received net proceeds of \$284.9 million, net of a discount of \$6.0 million and issuance costs of \$9.1 million. The debt discount is being accreted to interest expense over the term of the 2021 Notes using the interest method. The issuance costs were deferred and are being amortized to interest expense over the same term.

The 2021 Notes are governed by an Indenture, dated December 8, 2017 between the Company and US Bank National Association, as trustee (the "2017 Indenture"). The 2021 Notes mature on July 1, 2021, unless earlier repurchased or converted. Interest is payable semi-annually in arrears on January 1 and July 1, commencing January 1, 2018.

The 2021 Notes are convertible at an initial conversion rate of 23.8095 shares of the Company's common stock per \$1,000 principal amount of the 2021 Notes, which represents an initial conversion price of \$42.00 per share, subject to adjustment for anti-dilutive issuances, voluntary increases in the conversion rate, and make-whole adjustments upon a fundamental change. A fundamental change includes a change in control, delisting of the Company's common stock, and a liquidation of the Company. Upon conversion, the Company will deliver the applicable number of the Company's common stock and cash in lieu of any fractional shares. Holders of the 2021 Notes may convert their 2021 Notes at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date.

The holders of the 2021 Notes may require the Company to repurchase all or a portion of their 2021 Notes at a cash repurchase price equal to 100% of the principal amount of the 2021 Notes being repurchased, plus the remaining scheduled interest through and including the maturity date, upon a fundamental change and events of default, including non-payment of interest or principal and other obligations under the 2017 Indenture.

The net carrying amounts of the liability components of the 2021 Notes consist of the following (in thousands):

	December 31, 2019	December 31, 2018
Principal amount	\$ 300,000	\$ 300,000
Unamortized debt discount	(2,691)	(4,348)
Net carrying amount before unamortized debt issuance costs	297,309	295,652
Unamortized debt issuance costs	(4,135)	(6,685)
Net carrying value	\$ 293,174	\$ 288,967

The effective interest rate of the liability component is 6.4% for the 2021 Notes.

The following table presents the interest expense recognized related to the 2018 Notes and the 2021 Notes (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Contractual interest expense	\$ 17,250	\$ 19,147	\$ 4,897
Amortization of debt issuance costs	2,550	3,086	1,472
Accretion of debt discount	1,657	5,843	8,360
Total	\$ 21,457	\$ 28,076	\$ 14,729

## 10. STOCKHOLDERS' EQUITY

### Capitalization

As of December 31, 2019, the Company's authorized stock consists of 1,000,000,000 shares of common stock, par value of \$0.0001 per share, and 50,000,000 shares of preferred stock, par value of \$0.0001 per share. No shares of preferred stock were issued or outstanding at December 31, 2019 and 2018.

### Share Repurchase Programs

In August 2019, the Company's board of directors authorized a \$150.0 million share repurchase program of its common stock. The 2019 Share Repurchase Program is set to terminate when the aggregate cost of shares repurchased under the 2019 Share Repurchase Program reaches \$150.0 million. Share repurchases may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions or otherwise. The timing and amount of any share repurchase will depend on share price, corporate and regulatory requirements, economic and market conditions, and other factors. At January 1, 2020, shares representing \$127.6 million remained available for repurchase under the 2019 Share Repurchase Program.

The following is a summary of activity under all of the Company's repurchase programs (in thousands):

Period	2019	2018	2017
Total shares repurchased	417	1,651	635
Total cost of repurchased shares <sup>1</sup>	\$ 22,356	\$ 77,401	\$ 22,599

<sup>1</sup> 52,551 shares were repurchased and settled in the fourth quarter of 2017. Cash of \$1.9 million owed for these shares was not paid until the first quarter of 2018.

## 11. STOCK-BASED AWARDS

### 1999 and 2009 Plans

In November 1999, the Company adopted the 1999 Stock Plan ("1999 Plan") as amended. In January 2009, the Company adopted the 2009 Plan ("2009 Plan") as amended. Stock options granted under the 1999 and 2009 Plans may be incentive stock options or non-statutory stock options. At December 31, 2019, no new shares are issuable under the 1999 and 2009 Plans.