UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 001-37400

Shopify Inc.

(Exact name of Registrant as specified in its charter)

N/A
(Translation of the Registrant's name into English)

Canada
(Jurisdiction of incorporation or organization)

150 Elgin Street, 8 th Floor
Ottawa, Ontario, Canada K2P 1L4
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:
Class A Subordinate Voting Shares

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
Class B Multiple Voting Shares

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report: As at February 9, 2016 , 57,338,837 Class A Subordinate Voting Shares and 23,002,175 Class B Multiple Voting Shares of the Registrant were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing. U.S. GAAP ☑ International Financial Reporting Standards as issued by the Other ☐ International Accounting Standards Board ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS) Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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Information Contained in this Annual Report

All information in this Annual Report on Form 20-F, or our Annual Report, is presented as of February 9, 2016 unless otherwise indicated.

In this Annual Report, references to our "solutions" means the combination of products and services that we offer to merchants, and references to "our merchants" as of a particular date means the total number of unique shops that are paying for a subscription to our platform. Unless the context requires otherwise, references in this Annual Report to "Shopify", "we", "us", "our", or "the Company" include Shopify and all of its subsidiaries.

Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

Presentation of Financial Information

We prepare and report our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our reporting currency is U.S. dollars.

Exchange Rate

We express all amounts in this Annual Report in U.S. dollars, except where otherwise indicated. References to "$" and "US$" are to U.S. dollars and references to "C$" are to Canadian dollars. On February 9, 2016, the Bank of Canada noon rates of exchange for the conversion of U.S. dollars into Canadian dollars was $1.00 = C$1.382.

Forward Looking Information

This Annual Report on Form 20-F contains forward-looking statements under the provisions of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and forward-looking information within the meaning of applicable Canadian securities legislation. These forward-looking statements are based on our management's perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Although we believe that the plans, intentions, expectations, assumptions and strategies reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue" or the negative of these terms or other comparable terminology. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, forward-looking statements in this Annual Report include, but are not limited to, statements about:

- the size of our addressable markets and our ability to serve those markets;
- the achievement of advances in and expansion of our platform and our solutions;
- our ability to predict future commerce trends and technology;
- the intended growth of our business and making investments to drive future growth;
- our ability to reach economies of scale;
- the growth of our merchants' revenues;
- the growth of our third-party ecosystem, including formation of strategic partnerships;
- potential selective acquisitions and investments;

- the expansion of our platform into new markets;
- fluctuations in our future gross margin percentages; and
- our expectations on future incurred costs.

Although the forward-looking statements contained in this Annual Report are based upon what we believe are reasonable assumptions, investors are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Certain assumptions made in preparing the forward-looking statements include:

- our ability to generate revenue while controlling our costs and expenses;
- our ability to manage our growth effectively;
- the absence of material adverse changes in our industry or the global economy;
- trends in our industry and markets;
- our ability to maintain good business relationships with our merchants, vendors and partners;
- our ability to develop solutions that keep pace with the changes in technology, evolving industry standards, changes to the regulatory environment, new product introductions by competitors and changing merchant preferences and requirements;
- our ability to protect our intellectual property rights;
- our continued compliance with third-party license terms and the non-infringement of third-party intellectual property rights;
- our ability to manage and integrate acquisitions;
- our ability to retain key personnel; and
- our ability to raise sufficient debt or equity financing to support our continued growth.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include:

- our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants;
- our business could be harmed if we fail to manage our growth effectively;
- we have a history of losses and we may be unable to achieve profitability;
- our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful;
- if we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business may be adversely affected;
- a denial of service attack or security breach could delay or interrupt service to our merchants and their customers, harm our reputation or subject us to significant liability;
- payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business;
- we rely on a single supplier to provide the technology we offer through Shopify Payments;
- if the security of personally identifiable information we store relating to merchants and their customers is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability;
- if our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our merchants;
- exchange rate fluctuations may negatively affect our results of operations;

- we may be unable to achieve or maintain data transmission capacity;
- our growth depends in part on the success of our strategic relationships with third parties;
- if we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed;
- we use a limited number of data centers and any disruption of service at our data facilities could harm our business;
- if our solutions do not operate as effectively when accessed through mobile devices, our merchants and their customers may not be satisfied with our solutions;
- changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers could adversely impact the process by which merchants and customers interface with our platform;
- the impact of worldwide economic conditions, including the resulting effect on spending by SMBs, may adversely affect our business, operating results and financial condition;
- we may be subject to claims by third-parties of intellectual property infringement;
- we may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology;
- our use of "open source" software could negatively affect our ability to sell our solutions and subject us to possible litigation;
- if we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new merchants may be impaired and if our merchants are not able to generate traffic to their shops through search engines and social networking sites, their ability to attract consumers may be impaired;
- if we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed;
- if we are unable to hire, retain and motivate qualified personnel, our business will suffer;
- we are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition;
- activities of merchants or the content of their shops could damage our brand, subject us to liability and harm our business and financial results;
- our operating results are subject to seasonal fluctuations;
- our business is susceptible to risks associated with international sales and the use of our platform in various countries;
- if third-party apps and themes change such that we do not or cannot maintain the compatibility of our platform with these apps and themes, or if we fail to provide third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline;
- we rely on computer hardware, purchased or leased, and software licensed from and services rendered by third-parties in order to provide our solutions and run our business, sometimes by a single-source supplier;
- we may not be able to compete successfully against current and future competitors;
- we do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new merchants and retain existing merchants;
- we have in the past made and in the future may make acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position;
- provisions of our debt instruments may restrict our ability to pursue our business strategies;

- we may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms;
- unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition;
- new tax laws could be enacted or existing laws could be applied to us or our merchants, which could increase the costs of our solutions and adversely impact our business;
- if we are required to collect state and local business taxes and sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales;
- we may not be able to use a significant portion of our tax carryforwards which could adversely affect our profitability;
- we are dependent upon consumers' and merchants' willingness to use the internet for commerce;
- we may face challenges in expanding into new geographic regions; and
- our reported financial results may be materially and adversely affected by changes in accounting principles generally accepted in the United States.

These risks are described in further detail in the section entitled "Risk Factors" and elsewhere in this Annual Report. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future results. You should read this Annual Report and the documents that we reference in this Annual Report completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements in this Annual Report represent our views as of the date of this Annual Report. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this Annual Report.

PART I

Item 1. ***Identity of Directors, Senior Management and Advisers***

Not applicable.

Item 2. ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3. ***Key Information***

A. Selected Financial Data

The selected financial data set forth in the table below for 2015, 2014 and 2013 has been derived from our audited consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013. The consolidated statements of operations data for the year ended December 31, 2012 and the consolidated balance sheet data as of December 31, 2013 have been derived from our audited consolidated financial statements not included in this Annual Report. This selected financial data should be read in conjunction with our consolidated financial statements and are qualified entirely by reference to such consolidated financial statements. The selected financial information may not be indicative of our future performance and should be read in conjunction with Part I - Item 5 “Operating and Financial Review and Prospects” and our audited financial statements which are found immediately following the text of this Annual Report. See also Item 8 “Financial Information”. All of our operations are continuing operations and we have not proposed or paid dividends in any of the periods presented.

SELECTED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	Years ended			
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands, except share and per share data)			
Consolidated Statement of Operations Information:				
Revenues:				
Subscription solutions	$ 111,979	$ 66,668	$ 38,339	$ 19,200
Merchant solutions	93,254	38,350	11,913	4,513
	205,233	105,018	50,252	23,713
Cost of revenues [(1)]:				
Subscription solutions	24,531	16,790	8,504	4,291
Merchant solutions	69,631	26,433	5,009	485
	94,162	43,223	13,513	4,776
Gross profit	111,071	61,795	36,739	18,937
Operating expenses:				
Sales and marketing [(1)]	70,374	45,929	23,351	12,262
Research and development [(1)(2)]	39,722	25,915	13,682	6,452
General and administrative [(1)(3)]	18,731	11,566	3,975	1,737
	128,827	83,410	41,008	20,451
Loss from operations	(17,756)	(21,615)	(4,269)	(1,514)
Other income (expense)	(1,034)	(696)	(568)	282
Net loss and comprehensive loss	$ (18,790)	$ (22,311)	$ (4,837)	$ (1,232)
Basic and diluted net loss per share attributable to shareholders [(3)]	$ (0.30)	$ (0.57)	$ (0.13)	$ (0.03)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders [(4)]	61,716,065	38,940,252	37,248,710	36,155,333

(1) Includes stock-based compensation expense and related payroll taxes as follows:

	Years ended			
	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands)			
Cost of revenues	$ 345	$ 259	$ 113	$ 11
Sales and marketing	1,351	696	354	66
Research and development	6,373	2,776	1,152	282
General and administrative	2,419	712	147	49
	$ 10,488	**$ 4,443**	**$ 1,766**	**$ 408**

(2) Net of refundable tax credits ($1,058, $1,295, $891 and $902 for the years ended December 31, 2015, 2014, 2013 and 2012, respectively).

(3) Includes sales and use taxes of $566 , $2,182 , nil and nil for the years ended December 31, 2015, 2014, 2013 and 2012, respectively.

(4) For the periods preceding our initial public offering, does not give effect to the conversion of Series A, Series B and Series C convertible preferred shares, which occurred upon the consummation of our initial public offering on May 27, 2015.

SELECTED CONSOLIDATED BALANCE SHEET DATA

	Years ended		
	December 31, 2015	December 31, 2014	December 31, 2013
		(in thousands)	
Balance Sheet Information:			
Cash, cash equivalents and marketable securities	$ 190,173	$ 59,662	$ 83,529
Working capital	165,228	48,610	77,960
Total assets	243,712	95,193	95,788
Total liabilities	48,395	27,461	10,407
Capital stock	243,171	96,796	92,134

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk Factors

Investing in our shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report, including our "Management's Discussion and Analysis of Financial Condition and Results of Operations", which is attached hereto as Exhibit 15.1 and our audited financial statements and related notes which are found immediately following the text of this Annual Report, before deciding to invest in our Class A subordinate voting shares. The risks and uncertainties described below may not be the only ones we face, and the occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and future prospects. In these circumstances, the market price of our Class A subordinate voting shares could decline, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Forward Looking Information."

Risks Related to Our Business and Industry

Our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants.

We principally generate revenues through the sale of subscriptions to our platform and the sale of additional solutions to our merchants. Our subscription plans typically have a one-month term, although a small percentage of our merchants have annual or multi-year subscription terms. Our merchants have no obligation to renew their subscriptions after their subscription term expires. As a result, even though the number of merchants using our platform has grown rapidly in recent years, there can be no assurance that we will be able to retain these merchants. We have historically experienced merchant turnover as a result of many of our merchants being small- and medium-sized businesses, or SMBs, that are more susceptible than larger businesses to general economic conditions and other risks affecting their businesses. Many of these SMBs are in the entrepreneurial stage of their development and there is no guarantee that their businesses will succeed. Our costs associated with subscription renewals are substantially lower than costs

associated with generating revenue from new merchants or costs associated with generating sales of additional solutions to existing merchants. Therefore, if we are unable to retain merchants or if we are unable to increase revenues from existing merchants, even if such losses are offset by an increase in new merchants or an increase in other revenues, our operating results could be adversely impacted.

We may also fail to attract new merchants, retain existing merchants or increase sales to both new and existing merchants as a result of a number of other factors, including: reductions in our current or potential merchants' spending levels; competitive factors affecting the software as a service, or SaaS, business software applications market, including the introduction of competing platforms, discount pricing and other strategies that may be implemented by our competitors; our ability to execute on our growth strategy and operating plans; a decline in our merchants' level of satisfaction with our platform and merchants' usage of our platform; the difficulty and cost to switch to a competitor may not be significant for many of our merchants; changes in our relationships with third parties, including our partners, app developers, theme designers, referral sources and payment processors; the timeliness and success of new products and services we may offer in the future; the frequency and severity of any system outages; technological change; and our focus on long-term value over short-term results, meaning that we may make strategic decisions that may not maximize our short-term revenue or profitability if we believe that the decisions are consistent with our mission and will improve our financial performance over the long-term.

Additionally, we anticipate that our growth rate will decline over time to the extent that the number of merchants using our platform increases and we achieve higher market penetration rates. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain existing merchants and increase sales to existing merchants.

Our business could be harmed if we fail to manage our growth effectively.

The rapid growth we have experienced in our business places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and its ability to handle increased traffic and demand for bandwidth. The growth in the number of merchants using our platform and the number of orders processed through our platform has increased the amount of data and requests that we process. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance its scalability in order to maintain the performance of our platform.

Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We have grown from 334 employees at December 31, 2013 to 1,048 employees and contractors at December 31, 2015 . We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our merchants and a focus on attractive design and technologically advanced and well-crafted software. Most of our employees have been with us for fewer than two years as a result of our rapid growth. As we continue to grow, we must effectively integrate, develop and motivate a growing number of new employees, and we must effectively preserve our ability to execute quickly on new features and initiatives. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, to continue to perform at current levels or to execute on our business strategy effectively and efficiently.

We have a history of losses and we may be unable to achieve profitability.

We incurred net losses of $18.8 million in 2015, $22.3 million in 2014, and $4.8 million in 2013. At December 31, 2015, we had an accumulated deficit of $47.9 million . These losses and accumulated deficit are a result of the substantial investments we made to grow our business and we expect to make significant expenditures to expand our business in the future. We expect to increase our investment in sales and marketing as we continue to spend on marketing activities and expand our partner referral programs. We plan to increase our investment in research and development as we continue to introduce new products and services to extend the functionality of our platform. We also intend to invest in maintaining our high level of merchant service and support, which we consider critical for our continued success. In order to support the continued growth of our business and to comply with continuously changing security and operational requirements, we plan to continue investing in our data center and network infrastructure. These increased expenditures will make it harder for us to achieve profitability and we cannot predict if we will achieve profitability in the near term or at all. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs to support our anticipated future growth. We also expect to incur additional general and administrative expenses as a result of both our growth and the increased costs associated with being a public company. If the costs associated with acquiring new merchants materially rise in the future, including the fees we pay to third parties to market our platform, our expenses may rise significantly. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses and may not achieve or maintain profitability.

We may make decisions that would reduce our short-term operating results if we believe those decisions will improve the experiences of our merchants and their customers and if we believe such decisions will improve our operating results over the long term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that we expect, in which case our business may be materially and adversely affected.

Our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful.

We launched the Shopify platform in 2006 and the majority of our revenue growth has occurred in 2013, 2014 and 2015. This short history makes it difficult to accurately assess our future prospects. We also operate in a new and developing market that may not develop as we expect. You should consider our future prospects in light of the challenges and uncertainties that we face, including the fact that our business has grown rapidly and it may not be possible to discern fully the trends that we are subject to, that we operate in a new and developing market and that elements of our business strategy are new and subject to ongoing development. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. If we do not manage these risks successfully, our business, results of operations and prospects will be harmed.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business may be adversely affected.

The markets in which we compete are characterized by constant change and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and anticipate the needs of our merchants and design a platform that provides them with the tools they need to operate their businesses. Our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to update, code and test new and upgraded solutions and integrate them into our platform. We must also continually update, test and enhance our software platform. For example, our design team spends a significant amount of time and resources incorporating various

design enhancements, such as customized colors, fonts, content and other features, into our platform. The continual improvement and enhancement of our platform requires significant investment and we may not have the resources to make such investment. Our improvements and enhancements may not result in our ability to recoup our investments in a timely manner, or at all. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business, operating results and financial condition will be adversely affected.

A denial of service attack or security breach could delay or interrupt service to our merchants and their customers, harm our reputation or subject us to significant liability.

In the past, we have been subject to distributed denial of service, or DDoS, attacks, a technique used by hackers to take an internet service offline by overloading its servers. Our platform and our third-party apps may be subject to DDoS attacks in the future and we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. Moreover, our platform and our third-party apps could be breached if vulnerabilities in our platform or our third-party apps are exploited by unauthorized third parties. Since techniques used to obtain unauthorized access change frequently and the size of DDoS attacks are increasing, we may be unable to implement adequate preventative measures or stop the attacks while they are occurring. A DDoS attack or security breach could delay or interrupt service to our merchants and their customers and may deter consumers from visiting our merchants' shops. In addition, any actual or perceived DDoS attack or security breach could damage our reputation and brand, expose us to a risk of litigation and possible liability and require us to expend significant capital and other resources to alleviate problems caused by the DDoS attack or security breach. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain merchants require us to notify them in the event of a security incident. Such mandatory disclosures could lead to negative publicity and may cause our merchants to lose confidence in the effectiveness of our data security measures. Moreover, if a high profile security breach occurs with respect to another SaaS provider, merchants may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing merchants or attract new ones.

Payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Many of our merchants use Shopify Payments, an integrated payment processing solution that allows them to accept payments on major payment cards. We are subject to a number of risks related to payments processed through Shopify Payments, including:

- we pay interchange and other fees, which may increase our operating expenses;
- if we are unable to maintain our chargeback rate at acceptable levels, our credit card fees may increase or credit card issuers may terminate their relationship with us;
- increased costs and diversion of management time and effort and other resources to deal with fraudulent transactions or chargeback disputes;
- potential fraudulent or otherwise illegal activity by merchants, their customers, developers, employees or third parties;
- restrictions on funds or required reserves related to payments; and
- additional disclosure and other requirements, including new reporting regulations and new credit card association rules.

We are required by our payment processors to comply with payment card network operating rules and we have agreed to reimburse our payment processors for any fines they are assessed by payment card networks as a result of any rule violations by us or our merchants. The payment card networks set and interpret the card rules. In addition, we face the risk that one or more payment card networks or other processors may, at any time, assess penalties against us or terminate our ability to accept credit card payments or other forms of online payments from customers, which would have an adverse effect on our business, financial condition and operating results.

If we fail to comply with the rules and regulations adopted by the payment card networks, including the Payment Card Industry Data Security Standard, or PCI DSS, we would be in breach of our contractual obligations to our payment processors, financial institutions, partners and merchants. Such failure to comply may subject us to fines, penalties, damages, higher transaction fees and civil liability, and could eventually prevent us from processing or accepting payment cards or could lead to a loss of payment processor partners, even if there is no compromise of customer information.

We are currently subject to a variety of laws and regulations in Canada, the United States, the United Kingdom and elsewhere related to payment processing, including those governing cross-border and domestic money transmission, gift cards and other prepaid access instruments, electronic funds transfers, foreign exchange, anti-money laundering, counter-terrorist financing, banking and import and export restrictions. Depending on how Shopify Payments and our other merchant solutions evolve, we may be subject to additional laws in Canada, the United States, the United Kingdom, Australia and elsewhere. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make changes to our platform, any of which could have an adverse effect on our business, financial condition and results of operations.

We rely on a single supplier to provide the technology we offer through Shopify Payments.

In order to provide Shopify Payments, we have entered into payment service provider agreements with Stripe Inc., or Stripe. These payment service provider agreements renew every 12 months, unless either party provides a notice of termination prior to the end of the then current term. These agreements are integral to Shopify Payments and any disruption or problems with Stripe or its services could have an adverse effect on our reputation, results of operations and financial results. If Stripe were to terminate its relationship with us, we could incur substantial delays and expense in finding and integrating an alternative payment service provider into Shopify Payments, and the quality and reliability of such alternative payment service provider may not be comparable. Any long term or permanent disruption in Shopify Payments would decrease our revenues from merchant solutions, since our merchants would be required to use one of the alternative payment gateways offered through our platform.

We store personally identifiable information of our merchants and their customers. If the security of this information is compromised or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

We store personally identifiable information, credit card information and other confidential information of our merchants and their customers. The third-party apps sold on our platform may also store personally identifiable information, credit card information and other confidential information of our merchants and their customers. We do not regularly monitor or review the content that our merchants upload and store and, therefore, do not control the substance of the content on our servers, which may include personal information. We may experience successful attempts by third parties to obtain unauthorized access to the personally identifiable information of our merchants and their customers. This information could also be otherwise exposed through human error, malfeasance or otherwise. The unauthorized access or compromise of this personally identifiable information could have a material adverse affect on our business, financial condition and results of operations. Even if such a data breach were to affect one or more of our competitors, the resulting consumer concern could negatively affect our merchants and our business.

We are also subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain merchants require us to notify them in the event of a security incident. We post on our website our privacy policy and terms of service, which describe our practices concerning the use, transmission and disclosure of merchant data and data relating to their customers. In addition, the interpretation of data protection laws in the United States, Canada, the European Union and elsewhere, and their application to the internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting

ways from jurisdiction to jurisdiction, and in a manner that is not consistent with our current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. Any such new laws or regulations, or changing interpretations of existing laws and regulations, may cause us to incur significant costs and expend significant effort to ensure compliance. Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure.

Our failure to comply with federal, state, provincial and foreign laws regarding privacy and protection of data could lead to significant fines and penalties imposed by regulators, as well as claims by our merchants or their customers. These proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability, diversion of management's time and attention, increase our costs of doing business, and materially adversely affect our reputation and the demand for our solutions. In addition, if our security measures fail to protect credit card information adequately, we could be liable to both our merchants and their customers for their losses, as well as our payments processing partners under our agreements with them. As a result, we could be subject to fines and higher transaction fees, we could face regulatory action, and our merchants could end their relationships with us. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that our insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our merchants.

Software such as ours often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our platform is a multi-tenant cloud based system that allows us to deploy new versions and enhancements to all of our merchants simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our merchants simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our merchants.

Since our merchants use our services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our merchants. Our merchants may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, a merchant could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. There can be no assurance that provisions typically included in our agreements with our merchants that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our merchants would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

Exchange rate fluctuations may negatively affect our results of operations.

While most of our revenues are denominated in U.S. dollars, a significant portion of our operating expenses are incurred in Canadian dollars. As a result, our results of operations will be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar. Exchange rate fluctuations may also affect our merchant

solutions. For example, we generate revenue through Shopify Payments in the local currency of the country in which the applicable merchant is located. As a result, we will be further exposed to currency fluctuations to the extent non-U.S. dollar revenues from Shopify Payments increase. The value of the Canadian dollar relative to the U.S. dollar has varied significantly and investors are cautioned that past and current exchange rates are not indicative of future exchange rates.

We may be unable to achieve or maintain data transmission capacity.

Our merchants often draw significant numbers of consumers to their shops over short periods of time, including from events such as new product releases, holiday shopping seasons and flash sales, which significantly increases the traffic on our servers and the volume of transactions processed on our platform. Our servers may be unable to achieve or maintain data transmission capacity high enough to handle increased traffic or process orders in a timely manner. Our failure to achieve or maintain high data transmission capacity could significantly reduce demand for our solutions. In the future, we may be required to allocate resources, including spending substantial amounts of money, to build, purchase or lease additional data centers and equipment and upgrade our technology and network infrastructure in order to handle the increased load. Our ability to deliver our solutions also depends on the development and maintenance of internet infrastructure by third-parties, including the maintenance of reliable networks with the necessary speed, data capacity and bandwidth. If one of these third-parties suffers from capacity constraints, our business may be adversely affected. In addition, because we and our merchants generate a disproportionate amount of revenue in the fourth quarter, any disruption in our merchants' ability to process and fulfill customer orders in the fourth quarter could have a disproportionately negative effect on our operating results.

Our growth depends in part on the success of our strategic relationships with third parties.

We anticipate that the growth of our business will continue to depend on third-party relationships, including relationships with our app developers, theme designers, referral sources, resellers, payment processors and other partners. In addition to growing our third-party partner ecosystem, we intend to pursue additional relationships with other third-parties, such as technology and content providers and implementation consultants. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third-party content and technology. Some of the third parties that sell our services have the direct contractual relationships with the merchants, and therefore we risk the loss of such merchants if the third parties fail to perform their obligations. Our agreements with providers of cloud hosting, technology, content and consulting services are typically non-exclusive and do not prohibit such service providers from working with our competitors or from offering competing services. These third-party providers may choose to terminate their relationship with us or to make material changes to their businesses, products or services. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our platform. In addition, these providers may not perform as expected under our agreements or under their agreements with our merchants, and we or our merchants may in the future have disagreements or disputes with such providers. If we lose access to products or services from a particular supplier, or experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on our business and operating results.

If we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed.

We believe our focus on customer service and support is critical to onboarding new merchants and retaining our existing merchants and growing our business. As a result, we have invested heavily in the quality and training of our support team along with the tools they use to provide this service. If we are unable to maintain a consistently high level of customer service, we may lose existing merchants. In addition, our ability to attract new merchants is highly dependent on our reputation and on positive recommendations from our existing merchants. Any failure to maintain a consistently high level of customer service, or a market perception that we do not maintain high-quality customer service, could adversely affect our reputation and the number of positive merchant referrals that we receive.

We use a limited number of data centers to deliver our services. Any disruption of service at these facilities could harm our business.

We currently manage our services and serve all of our merchants from two third-party data center facilities. While we own the hardware on which our platform runs and deploy this hardware to the data center facilities, we do not control the operation of these facilities. We have experienced, and may in the future experience, failures at the third-party data centers where our hardware is deployed from time to time. Data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Any of these events could result in lengthy interruptions in our services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Interruptions in our services would reduce our revenue, subject us to potential liability and adversely affect our ability to retain our merchants or attract new merchants. The performance, reliability and availability of our platform is critical to our reputation and our ability to attract and retain merchants. Merchants could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. The property and business interruption insurance coverage we carry may not be adequate to compensate us fully for losses that may occur.

Our agreements with our third-party data facility providers terminate on May 31, 2018 and September 15, 2018, respectively. The agreements do not provide for early termination without cause, as defined therein. Upon expiration of the initial term, both agreements will automatically renew for successive 12-month periods unless appropriate notice is provided. However, when our agreements with the third-party data facilities terminate, the owners of the data facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if the owners of the data facilities decide to close such facilities, we may be required to transfer to new data center facilities and we may incur costs and possible service interruption in connection with doing so.

Mobile devices are increasingly being used to conduct commerce, and if our solutions do not operate as effectively when accessed through these devices, our merchants and their customers may not be satisfied with our services, which could harm our business.

We are dependent on the interoperability of our platform with third-party mobile devices and mobile operating systems as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that degrade the functionality of our platform or give preferential treatment to competitive services could adversely affect usage of our platform. Effective mobile functionality is integral to our long-term development and growth strategy. In the event that our merchants and their customers have difficulty accessing and using our platform on mobile devices, our business and operating results could be adversely affected.

Our business and prospects would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which merchants and consumers interface with our platform.

We believe the simple and straightforward interface for our platform has helped us to expand and offer our solutions to merchants with limited technical expertise. In the future, providers of internet browsers could introduce new features that would make it difficult for merchants to use our platform. In addition, internet browsers for desktop or mobile devices could introduce new features, change existing browser specifications such that they would be incompatible with our platform, or prevent consumers from accessing our merchants' shops. Any changes to technologies used in our platform, to existing features that we rely on, or to operating systems or internet browsers that make it difficult for merchants to access our platform or consumers to access our merchants' shops, may make it more difficult for us to maintain or increase our revenues and could adversely impact our business and prospects.

The impact of worldwide economic conditions, including the resulting effect on spending by SMBs, may adversely affect our business, operating results and financial condition.

A majority of the merchants that use our platform are SMBs and many of our merchants are in the entrepreneurial stage of their development. Our performance is subject to worldwide economic conditions and their impact on levels of spending by SMBs and their customers. SMBs and entrepreneurs may be disproportionately affected by economic downturns. SMBs and entrepreneurs frequently have limited budgets and may choose to allocate their spending to items other than our platform, especially in times of economic uncertainty or recessions.

Economic downturns may also adversely impact retail sales, which could result in merchants who use our platform going out of business or deciding to stop using our services in order to conserve cash. Weakening economic conditions may also adversely affect third-parties with whom we have entered into relationships and upon which we depend in order to grow our business. Uncertain and adverse economic conditions may also lead to increased refunds and chargebacks, any of which could adversely affect our business.

We may be subject to claims by third-parties of intellectual property infringement.

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third parties have in the past asserted, and may in the future assert, that our platform, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by our competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, non-practicing entities have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. The risk of claims may increase as the number of solutions that we offer and competitors in our market increases and overlaps occur. In addition, to the extent that we gain greater visibility and market exposure, we face a higher risk of being the subject of intellectual property infringement claims.

Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or enhanced services or technology, materially disrupt the conduct of our business and have a material and adverse effect on our brand, business, financial condition and results of operations. Although we do not believe that our proprietary technology, processes and methods have been patented by any third party, it is possible that patents have been issued to third parties that cover all or a portion of our business. As a consequence of any patent or other intellectual property claims, we could be required to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions or re-brand our solutions. We may also be obligated to indemnify our merchants or partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications or refund fees, which could be costly. If it appears necessary, we may seek to secure license rights to intellectual property that we are alleged to infringe at a significant cost, potentially even if we believe such claims to be without merit. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could result. Litigation is inherently uncertain and can cause us to expend significant money, time and attention to it, even if we are ultimately successful. Any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses for alternative technologies from third-parties, prevent us from offering all or a portion of our solutions and otherwise negatively affect our business and operating results.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

Our trade secrets, trademarks, trade dress, domain names, copyrights, trade secrets and other intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, assignment agreements and license agreements with employees and third parties, trade secrets, copyrights and trademarks to protect our intellectual property and competitive advantage, all of which offer only limited protection. The steps we take to protect our intellectual property require significant resources and may be inadequate. We will not be able to protect our intellectual

property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. We may be required to use significant resources to monitor and protect these rights. Despite our precautions, it may be possible for unauthorized third parties to copy our platform and use information that we regard as proprietary to create services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, we hold no issued patents and thus would not be entitled to exclude or prevent our competitors from using our proprietary technology, methods and processes to the extent independently developed by our competitors.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to our proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing software that is substantially equivalent or superior to our software. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we likely would not be able to assert any trade secret rights against such parties. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including our trademarks. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify our platform and to differentiate our platform and services from those of our competitors, and if we are unable to adequately protect our trademarks third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive advantages.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third-parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop services with the same or similar functionality as our platform. If our competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by our competitors but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management’s attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of our platform, prevent or delay introductions of new or enhanced solutions, result in our substituting inferior or more costly technologies into our platform or injure our reputation. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

Our use of "open source" software could negatively affect our ability to sell our solutions and subject us to possible litigation.

Our solutions incorporate and are dependent to a significant extent on the use and development of "open source" software and we intend to continue our use and development of open source software in the future. Such open source software is generally licensed by its authors or other third-parties under open source licenses and is typically freely accessible, usable and modifiable. Pursuant to such open source licenses, we may be subject to certain conditions, including requirements that we offer our proprietary software that incorporates the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third party that uses or distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained or are dependent upon the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our platform. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. As there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses, the potential impact of these terms on our business is uncertain and may result in unanticipated obligations regarding our solutions and technologies. It is our view that we do not distribute our software, since no installation of our software is necessary and our platform is accessible solely through the "cloud." Nevertheless, this position could be challenged. Any requirement to disclose our proprietary source code, termination of open source license rights or payments of damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties, controls on the origin or development of the software, or remedies against the licensors. Many of the risks associated with usage of open source software cannot be eliminated and could adversely affect our business.

Although we believe that we have complied with our obligations under the various applicable licenses for open source software, it is possible that we may not be aware of all instances where open source software has been incorporated into our proprietary software or used in connection with our solutions or our corresponding obligations under open source licenses. We do not have robust open source software usage policies or monitoring procedures in place. We rely on multiple software programmers to design our proprietary software and we cannot be certain that our programmers have not incorporated open source software into our proprietary software that we intend to maintain as confidential or that they will not do so in the future. To the extent that we are required to disclose the source code of certain of our proprietary software developments to third-parties, including our competitors, in order to comply with applicable open source license terms, such disclosure could harm our intellectual property position, competitive advantage, results of operations and financial condition. In addition, to the extent that we have failed to comply with our obligations under particular licenses for open source software, we may lose the right to continue to use and exploit such open source software in connection with our operations and solutions, which could disrupt and adversely affect our business.

We rely on search engines and social networking sites to attract a meaningful portion of our merchants. If we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new merchants may be impaired. In addition, if our merchants are not able to generate traffic to their shops through search engines and social networking sites, their ability to attract consumers may be impaired.

Many of our merchants locate our website through internet search engines, such as Google, and advertisements on social networking sites, such as Facebook. The prominence of our website in response to internet searches is a critical

factor in attracting potential merchants to our platform. If we are listed less prominently or fail to appear in search results for any reason, visits to our website could decline significantly, and we may not be able to replace this traffic.

Similarly, many consumers locate our merchants' shops through internet search engines and advertisements on social networking sites. If our merchants' shops are listed less prominently or fail to appear in search results for any reason, visits to our merchants' shops could decline significantly. As a result, our merchants' businesses may suffer, which would affect the GMV that they process through our platform and could affect the ability of such merchants to pay for our solutions.

Search engines revise their algorithms from time to time in an attempt to optimize their search results. If search engines modify their algorithms, our website and our merchants' shops may appear less prominently or not at all in search results, which could result in reduced traffic to our website and to our merchants' shops.

Additionally, if the price of marketing our solutions over search engines or social networking sites increases, we may incur additional marketing expenses or may be required to allocate a larger portion of our marketing spend to search engine marketing and our business and operating results could be adversely affected. Furthermore, competitors may in the future bid on the search terms that we use to drive traffic to our website. Such actions could increase our marketing costs and result in decreased traffic to our website. In addition, search engines or social networking sites may change their advertising policies from time to time. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our solutions. As well, new search engines or social networking sites may develop, particularly in specific jurisdictions, that reduce traffic on existing search engines and social networking sites. and if we are not able to achieve awareness through advertising or otherwise, we may not achieve significant traffic to our website through these new platforms. If we are unable to continue to successfully promote and maintain our websites, or if we incur excessive expenses to do so, our business and operating results could be adversely affected.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing the Shopify brand is critical to expanding our business. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative solutions, which we may not do successfully.

Errors, defects, disruptions or other performance problems with our platform, including with third-party apps, may harm our reputation and brand. We may introduce new solutions or terms of service that our merchants and their customers do not like, which may negatively affect our brand. Additionally, if our merchants or their customers have a negative experience using our solutions or third-party solutions integrated with Shopify, such an experience may affect our brand. Our Shopify Experts directory enables independent designers, developers and marketers to offer their services to merchants who engage them directly. Our reputation may be harmed if any of the services provided by these third parties does not meet our merchants' expectations. Any negative publicity about our industry or our company, the quality and reliability of our platform, or our privacy and security practices, could adversely affect our reputation.

We believe that the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful solutions at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. While we market our platform primarily through advertisements on search engines and social networking and media sites, and paid banner advertisements on other websites, our platform is also marketed through our partner and reseller channels and through a number of free traffic sources, including customer referrals, word-of-mouth and search engines. We also hire sales personnel to market Shopify Plus, a subscription plan for merchants with higher volume sales and additional functionality requirements, introducing additional costs with no assurance of success. Our efforts to market our brand have involved significant expenses, which we intend to increase. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Our ability to identify, hire, develop, motivate and retain qualified personnel will directly affect our ability to maintain and grow our business, and such efforts will require significant time, expense and attention. The inability to attract or retain qualified personnel or delays in hiring required personnel may seriously harm our business, financial condition and operating results. Our ability to continue to attract and retain highly skilled personnel, specifically employees with technical and engineering skills and employees with high levels of experience in designing and developing software and internet-related services, will be critical to our future success. Competition for highly skilled personnel in the Ottawa area, Greater Toronto area, Montreal area, Kitchener-Waterloo area and elsewhere can be intense due in part to the more limited pool of qualified personnel as compared to other places in the world, and we have experienced difficulties hiring employees from foreign jurisdictions to work in our offices. Further, decreases in the Canadian dollar relative to the U.S. dollar and other currencies could make it more difficult for us to offer compensation packages to new employees that are competitive with packages in the United States or elsewhere and could increase our costs of acquiring qualified personnel. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. While we intend to issue stock options or other equity awards as key components of our overall compensation and employee attraction and retention efforts, we are required under U.S. GAAP to recognize compensation expense in our operating results for employee stock-based compensation under our equity grant programs which may increase the pressure to limit stock-based compensation.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management, including our Chief Executive Officer, Tobias Lütke, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. In addition, some of the members of our current senior management team have only been working together for a short period of time, which could adversely impact our ability to achieve our goals. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on any of our employees other than a policy providing limited coverage on the life of our Chief Executive Officer. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

Activities of merchants or the content of their shops could damage our brand, subject us to liability and harm our business and financial results.

Our terms of service prohibit our merchants from using our platform to engage in illegal activities and our terms of service permit us to take down a merchant's shop if we become aware of such illegal use. Merchants may nonetheless engage in prohibited or illegal activities or upload store content in violation of applicable laws, which could subject us to liability. Furthermore, our brand may be negatively impacted by the actions of merchants that are deemed to be hostile, offensive, inappropriate or illegal. We do not proactively monitor or review the appropriateness of the content of our merchants' shops and we do not have control over merchant activities. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such hostile, offensive, inappropriate or illegal use is high profile, which could adversely affect our business and financial results.

Our operating results are subject to seasonal fluctuations.

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants historically have processed additional GMV during the holiday season. As a

result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. As a result of the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future and that historical patterns in our business may not be a reliable indicator of our future sales activity or performance. Fluctuations in quarterly results may materially and adversely affect the predictability of our business and the price of our Class A subordinate voting shares.

Our business is susceptible to risks associated with international sales and the use of our platform in various countries.

We currently have merchants in approximately 150 countries. Our international sales and the use of our platform in various countries subject us to risks that we do not generally face with respect to domestic sales within North America. These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including our universal terms of service and other agreements;
- lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers;
- difficulties in ensuring compliance with countries' multiple, conflicting and changing international trade, customs and sanctions laws;
- data privacy laws which may require that merchant and customer data be stored and processed in a designated territory;
- difficulties in managing systems integrators and technology partners;
- differing technology standards;
- potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates;
- currency exchange rates;
- reduced or uncertain protection for intellectual property rights in some countries; and
- new and different sources of competition.

These factors may cause our international costs of doing business to exceed our comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from our international business efforts could adversely affect our business, results of operations and financial condition.

If third-party apps and themes change such that we do not or cannot maintain the compatibility of our platform with these apps and themes, or if we fail to provide third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline.

The success of our platform depends, in part, on our ability to integrate third-party apps, themes and other offerings into our third-party ecosystem. Third-party developers may change the features of their offerings or alter the terms governing the use of their offerings in a manner that is adverse to us. If we are unable to maintain technical interoperation, our merchants may not be able to effectively integrate our platform with other systems and services they use. We may also be unable to maintain our relationships with certain third-party vendors if we are unable to integrate our platform with their offerings. Further, third-party developers may refuse to partner with us or limit or restrict our access to their offerings. Such changes could functionally limit or terminate our ability to use these third-party offerings with our platform, which could negatively impact our solution offerings and harm our business. If we fail to integrate our platform with new third-party offerings that our merchants need for their shops, or to adapt to the data transfer requirements of such third-party offerings, we may not be able to offer the functionality that our merchants and their customers expect, which would negatively impact our offerings and, as a result, harm our business.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third parties in order to provide our solutions and run our business, sometimes by a single-source supplier.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third-parties in order to provide our solutions and run our business, sometimes by a single-source supplier. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in our ability to provide our solutions or run our business until equivalent hardware, software or services are developed by us or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent solution, any of which could cause an adverse effect on our business and operating results. Further, merchants could assert claims against us in connection with such service disruption or cease conducting business with us altogether. Even if not successful, a claim brought against us by any of our merchants would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

We may not be able to compete successfully against current and future competitors.

We face competition in various aspects of our business and we expect such competition to intensify in the future, as existing and new competitors introduce new services or enhance existing services. We have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than we do. As a result, our potential competitors may be able to develop products and services better received by merchants or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or merchant requirements. In addition, some of our larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell our solutions at lower prices.

Competition may intensify as our competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into our market segments or geographic markets. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us in areas where we operate including: by integrating competing platforms or features into products they control such as search engines, web browsers, mobile device operating systems or social networks; by making acquisitions; or by making access to our platform more difficult. Further, current and future competitors could choose to offer a different pricing model or to undercut prices in an effort to increase their market share. We also expect new entrants to offer competitive services. If we cannot compete successfully against current and future competitors, our business, results of operations and financial condition could be negatively impacted.

We do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new merchants and retain existing merchants.

We have limited experience determining the optimal prices for our solutions. We have changed our pricing model from time to time and expect to do so in the future. For example, in February 2014, we launched Shopify Plus. Given our limited experience with selling new solutions, we may not offer new solutions at the optimal price, which may result in our solutions not being profitable or not gaining market share. As competitors introduce new solutions that compete with ours, especially in the payments space where we face significant competition, we may be unable to attract new merchants at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our plans and negatively impact our overall revenue. Moreover, SMBs, which comprise the majority of merchants using our platform, may be quite sensitive to price increases or prices offered by competitors. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenue, gross profit, profitability, financial position and cash flows.

We have in the past made and in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position.

From time to time, we evaluate potential strategic acquisition or investment opportunities. Any transactions that we enter into could be material to our financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company, including potential risks to our corporate culture;
- in the case of an acquisition, coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto our platform and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- in the case of an acquisition, retention and integration of employees from the acquired company;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with partners and merchants as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the Class A subordinate voting shares or the incurrence of debt with restrictive covenants that limit our future uses of capital in pursuit of business opportunities.

We may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. At this time we have made no commitments or agreements with respect to any such transaction.

Provisions of our debt instruments may restrict our ability to pursue our business strategies.

We currently have two credit facilities, one of which is collateralized by substantially all of our assets. Our credit facilities require us, and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur indebtedness;
- encumber assets;
- pay dividends or make other distributions to holders of our shares;
- make specified investments;
- change certain key management personnel;
- engage in any business other than the businesses we currently engage in; and
- engage in transactions with our affiliates.

These restrictions could inhibit our ability to pursue our business strategies. If we default under a credit facility, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon a default.
We may also incur additional indebtedness in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness, as applicable, or force us into bankruptcy or liquidation.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

With sales in various countries, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations.

In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and on our results of operations. We previously have participated in government programs with both the Canadian federal government and the Government of Ontario that provide investment tax credits based upon qualifying research and development expenditures. If Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, our historical operating results could be adversely affected. As a public company, we are no longer eligible for refundable tax credits under the Canadian federal Scientific Research and Experimental Development Program, or SR&ED credits. However, we are still eligible for non-refundable SR&ED credits under this program, which are eligible to reduce future income taxes payable.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

We currently conduct activities in the United States and other jurisdictions through our subsidiaries pursuant to transfer pricing arrangements and may in the future conduct operations in other jurisdictions pursuant to similar arrangements. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us.

New tax laws could be enacted or existing laws could be applied to us or our merchants, which could increase the costs of our solutions and adversely impact our business.

The application of federal, state, provincial, local and foreign tax laws to solutions provided over the internet is evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to solutions provided over the internet. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent, and could ultimately result in a negative impact on our results of operations and cash flows.

State tax authorities may seek to assess state and local business taxes and sales and use taxes. If we are required to collect sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales.

There is a risk that U.S. states could assert that we are liable for U.S. state and local business activity taxes, which are levied upon income or gross receipts, or for the collection of U.S. local sales and use taxes. This risk exists regardless of whether we are subject to U.S. federal income tax. States are becoming increasingly active in asserting nexus for business activity tax purposes and imposing sales and use taxes on products and services provided over the internet. We may be subject to U.S. state and local business activity taxes if a state tax authority asserts that our activities or the activities of our non-U.S. subsidiaries are sufficient to establish nexus. We could also be liable for the collection of U.S. state and local sales and use taxes if a state tax authority asserts that distribution of our solutions over the internet is subject to sales and use taxes. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, voluntarily engage state tax authorities in order to determine how to comply with their rules and regulations. If a state tax authority asserts that distribution of our solutions is subject to such sales and use taxes, the additional cost may decrease the likelihood that such merchants would purchase our solutions or continue to renew their subscriptions.

A successful assertion by one or more states requiring us to collect sales or other taxes on subscription service revenue could result in substantial tax liabilities for past transactions and otherwise harm our business. We cannot assure you that we will not be subject to sales and use taxes or related penalties for past sales in states where we currently believe no such taxes are required. New obligations to collect or pay taxes of any kind could increase our cost of doing business.

We may not be able to utilize a significant portion of our non-capital loss carryforwards, net operating loss carryforwards and other tax credits, which could adversely affect our profitability.

As of December 31, 2015, we had Canadian non-capital loss carryforwards of $14.3 million due to prior period losses, as well as non-refundable SR&ED credits due to current and prior year SR&ED claims, which, if not utilized will begin to expire in 2031. These non-capital loss carryforwards and non-refundable tax credits could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

Additionally, as of December 31, 2015, we had U.S. state net operating loss carryforwards, due to prior period losses, which, if not utilized, will begin to expire in 2029. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability

We are dependent upon consumers' and merchants' willingness to use the internet for commerce.

Our success depends upon the general public's continued willingness to use the internet as a means to pay for purchases, communicate, access social media, research and conduct commercial transactions, including through mobile devices. If consumers or merchants become unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, congestion of traffic on the internet, internet outages or delays, disruptions or other damage to merchants' and consumers' computers, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business could be adversely affected.

We may face challenges in expanding into new geographic regions.

Our future success will depend in part upon our ability to expand into new geographic regions, and we will face risks entering markets in which we have limited or no experience and in which we do not have any brand recognition. Expanding into new geographic regions where the main language is not English will require substantial expenditures and take considerable time and attention, and we may not be successful enough in these new markets to recoup our investments in a timely manner, or at all. Our efforts to expand into new geographic regions may not be successful, which could limit our ability to grow our business.

Risks Related to Ownership of our Shares

Our dual class structure has the effect of concentrating voting control and the ability to influence corporate matters with those shareholders who held our shares prior to our initial public offering, including our executive officers, employees and directors and their affiliates.

Our Class B multiple voting shares have 10 votes per share and our Class A subordinate voting shares have one vote per share. As of February 9, 2016 , shareholders who hold Class B multiple voting shares, including our executive officers, employees and directors and their affiliates, together hold approximately 80.0% of the voting power of our outstanding voting shares and therefore have significant influence over our management and affairs and over all matters requiring shareholder approval, including election of directors and significant corporate transactions.

In addition, because of the 10-to-1 voting ratio between our Class B multiple voting shares and Class A subordinate voting shares, the holders of our Class B multiple voting shares collectively continue to control a majority of the combined voting power of our voting shares even where the Class B multiple voting shares represent a substantially reduced percentage of our total outstanding shares. The concentrated voting control of holders of our Class B multiple voting shares limits the ability of our Class A subordinate voting shareholders to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amendment of our share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions. As a result, holders of Class B multiple voting shares have the ability to influence many matters affecting us and actions may be taken that our Class A subordinate voting shareholders may not view as beneficial. The market price of our

Class A subordinate voting shares could be adversely affected due to the significant influence and voting power of the holders of Class B multiple voting shares. Additionally, the significant voting interest of holders of Class B multiple voting shares may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Class A subordinate voting shares, might otherwise receive a premium for the Class A subordinate voting shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Class B multiple voting shares.

Future transfers by holders of Class B multiple voting shares will generally result in those shares converting to Class A subordinate voting shares, which will have the effect, over time, of increasing the relative voting power of those holders of Class B multiple voting shares who retain their shares. If, for example, our Chief Executive Officer, Tobias Lütke, who as of February 9, 2016 holds approximately 36.9% of our outstanding Class B multiple voting shares, retains a significant portion of his holdings of Class B multiple voting shares for an extended period of time, he could, in the future, control a significant percentage of the combined voting power of our Class A subordinate voting shares and Class B multiple voting shares. Each of our directors and officers owes a fiduciary duty to Shopify and must act honestly and in good faith with a view to the best interests of Shopify. However, any director and/or officer that is a shareholder, even a controlling shareholder, is entitled to vote his or her shares in his or her own interests, which may not always be in the interests of our shareholders generally.

Our articles of incorporation amend certain default rights provided for under the CBCA for holders of Class B multiple voting shares and Class A subordinate voting shares to vote separately as a class for certain types of amendments to our articles. Specifically, neither the holders of the Class B multiple voting shares nor Class A subordinate voting shares shall be entitled to vote separately as a class upon a proposal to amend our articles of incorporation to (1) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class; or (2) create a new class of shares equal or superior to the shares of such class, which rights are otherwise provided for in paragraphs (a) and (e) of subsection 176(1) of the CBCA. Pursuant to our amended articles of incorporation, neither holders of our Class A subordinate voting shares nor holders of our Class B multiple voting shares are entitled to vote separately as a class on a proposal to amend our articles to effect an exchange, reclassification or cancellation of all or part of the shares of such class pursuant to Section 176(1)(b) of the CBCA unless such exchange, reclassification or cancellation: (a) affects only the holders of that class; or (b) affects the holders of Class A subordinate voting shares and Class B multiple voting shares differently, on a per share basis, and such holders are not already otherwise entitled to vote separately as a class under applicable law or our restated articles of incorporation in respect of such exchange, reclassification or cancellation.

Pursuant to our restated articles of incorporation, holders of Class A subordinate voting shares and Class B multiple voting shares are treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the CBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Class A subordinate voting shares and Class B multiple voting shares, each voting separately as a class.

The market price of our Class A subordinate voting shares may be volatile.

The market price of our Class A subordinate voting shares has fluctuated in the past and we expect it to fluctuate in the future, and it may decline. Since our Class A subordinate voting shares were sold in our initial public offering in May 2015 at a price of $17.00 per share our share price has ranged from $18.48 through $42.13 through February 9, 2016. We cannot assure you that an active trading market for our Class A subordinate voting shares will be sustained, and we therefore cannot assure you that you will be able to sell your shares of our Class A subordinate voting shares when you would like to do so, or that you will obtain your desired price for your shares, and you could lose all or part of your investment. Some of the factors that may cause the market price of our Class A subordinate voting shares to fluctuate include:

- significant volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;

- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our shares;
- announcements of technological innovations, new products, strategic alliances or significant agreements by us or by our competitors;
- changes in the prices of our solutions or the prices of our competitors' solutions;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with the U.S. Securities and Exchange Commission, or the SEC, and Canadian securities regulators;
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Class A subordinate voting shares and Class B multiple voting shares by our directors, executive officers and existing shareholders;
- recruitment or departure of key personnel; and
- the other risk factors described in this section of the Annual Report.

In addition, the stock markets have historically experienced substantial price and volume fluctuations, particularly in the case of shares of technology companies, and such fluctuations and other broad market and industry factors may harm the market price of our Class A subordinate voting shares. Hence, the price of our Class A subordinate voting shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the share price of our Class A subordinate voting shares regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

Sales of substantial amounts of our common shares in the public market, or the perception that these sales may occur, could cause the market price of our shares to decline.

Certain of our shareholders have certain rights to require us to file registration statements in the United States or prospectuses in Canada covering their shares or to include their shares in registration statements or prospectuses that we may file for ourselves or on behalf of other shareholders.

Further, we cannot predict the size of future issuances of our Class A subordinate voting shares or the effect, if any, that future issuances and sales of our Class A subordinate voting shares will have on the market price of our Class A subordinate voting shares. Sales of substantial amounts of our shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Class A subordinate voting shares.

Risks associated with our internal controls over financial reporting

We are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. Pursuant to Section 404 of the Sarbanes-Oxley Act and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, our management will be required to report on the effectiveness of our internal control over financial reporting starting with our Annual Report for the year ended December 31, 2016. We have elected to take advantage of certain exceptions from reporting requirements that are available to emerging growth companies under the JOBS Act and therefore we are not required to deliver an auditor's attestation report on the

effectiveness of our internal control over financial reporting pursuant to Section 404 until after the date we are no longer an emerging growth company. We could be an emerging growth company for up to five years from our initial public offering, although circumstances could cause us to lose that status earlier, including if the market value of our shares held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31.

Irrespective of compliance with Section 404 or National Instrument 52-109—Certification of Disclosure in Issuers' Annual and Interim Filings, or NI 52-109, of the Canadian Securities Administrators, any failure of our internal controls could have an adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and results of operations. If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely impacted.

We incur increased costs and regulatory burden and devote substantial management time as a result of being a public company.

As a public company, we incur increased legal, accounting and other costs not incurred as a private company. We are subject to, among other things, the Exchange Act, the rules and regulations of the Canadian Securities Administrators, the corporate governance requirements found in the Sarbanes-Oxley Act and related rules and regulations of the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as the rules and regulations implemented by the New York Stock Exchange, or NYSE, and the Toronto Stock Exchange, or TSX. Compliance with these requirements has increased our legal and financial compliance costs and makes some activities more time consuming and costly. In addition, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We have made, and will continue to make, changes to our financial management control systems and other areas to manage our obligations as a public company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. However, we cannot assure you that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under U.S. and Canadian securities laws. In particular, these new obligations require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business.

Because we do not expect to pay any dividends on our Class A subordinate voting shares for the foreseeable future, investors may never receive a return on their investment.

We have never declared or paid any dividends on our securities. We do not have any present intention to pay cash dividends on our Class A subordinate voting shares and we do not anticipate paying any cash dividends on our Class A subordinate voting shares in the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We are also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we have four months after the end of each fiscal year to file our Annual Report with the SEC and are not be required under the Exchange Act to file quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We currently rely on this exemption with respect to requirements regarding the quorum for any meeting of our shareholders. We may in the future elect to follow home country practices in Canada with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

We may lose foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

We may in the future lose our foreign private issuer status if a majority of our shares are held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (1) a majority of our directors or executive officers are U.S. citizens or residents; (2) a majority of our assets are located in the United States; or (3) our business is administered principally in the United States. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. If we are not a foreign private issuer, we would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A subordinate voting shares less attractive to investors.

We are an emerging growth company. For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations and exemptions from the requirements of auditor

attestation reports on the effectiveness of our internal control over financial reporting. We cannot predict if investors will find our Class A subordinate shares less attractive because we will rely on these exemptions. If some investors find our Class A subordinate shares less attractive as a result, there may be a less active trading market for our Class A subordinate voting shares and our share price may be more volatile. We could be an emerging growth company for up to five years from our initial public offering, although circumstances could cause us to lose that status earlier, including if the market value of our shares held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31.

Provisions of Canadian law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

The *Investment Canada Act* (Canada) subjects an acquisition of control of us by a non-Canadian to government review if the value of our assets as calculated pursuant to the legislation exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant Minister is satisfied that the investment is likely to be of net benefit to Canada. This could prevent or delay a change of control and may eliminate or limit strategic opportunities for shareholders to sell their Class A subordinate voting shares.

It may be difficult to enforce civil liabilities in Canada under U.S. securities laws.

We were incorporated in Canada, and our corporate headquarters are located in Canada. A majority of our directors and executive officers and certain of the experts named in this Annual Report reside or are based principally in Canada and the majority of our assets and all or a substantial portion of the assets of these persons is located outside the United States. It may be difficult for investors who reside in the United States to effect service of process upon these persons in the United States, or to enforce a U.S. court judgment predicated upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons. There is substantial doubt whether an action could be brought in Canada in the first instance predicated solely upon U.S. federal securities laws. Canadian courts may refuse to hear a claim based on an alleged violation of U.S. securities laws against us or these persons on the grounds that Canada is not the most appropriate forum in which to bring such a claim. Even if a Canadian court agrees to hear a claim, it may determine that Canadian law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Canadian law.

Our by-laws provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to our internal affairs will be required to be litigated in Canada, which could limit investors' ability to obtain a favorable judicial forum for disputes with us.

We have adopted a forum selection by-law that provides that, unless we consent in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts therefrom (or, failing such Court, any other "court" as defined in the CBCA having jurisdiction, and the appellate Courts therefrom), will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action or proceeding asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us; (3) any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our restated articles or by-laws; or (4) any action or proceeding asserting a claim otherwise related to our "affairs" (as defined in the CBCA). Our forum selection by-law also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of our by-law. Therefore, it may not be possible for securityholders to litigate any action relating to the foregoing matters outside of the Province of Ontario.

Our forum selection by-law seeks to reduce litigation costs and increase outcome predictability by requiring derivative actions and other matters relating to our affairs to be litigated in a single forum. While forum selection clauses in corporate charters and by-laws are becoming more commonplace for public companies in the United States and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of our forum selection by-law could be challenged and that a court could rule that such by-law is inapplicable or unenforceable.

If a court were to find our forum selection by-law inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

Provisions of our charter documents and certain Canadian legislation could delay or deter a change of control, limit attempts by our shareholders to replace or remove our current senior management and affect the market price of our Class A subordinate voting shares.

Our restated articles of incorporation authorize our board of directors to issue an unlimited number of preferred shares without shareholder approval and to determine the rights, privileges, restrictions and conditions granted to or imposed on any unissued series of preferred shares. Those rights may be superior to those of our Class A subordinate voting shares and Class B multiple voting shares. For example, preferred shares may rank prior to Class A subordinate voting shares and Class B multiple voting shares as to dividend rights, liquidation preferences or both, may have full or limited voting rights and may be convertible into Class A subordinate voting shares or Class B multiple voting shares. If we were to issue a significant number of preferred shares, these issuances could deter or delay an attempted acquisition of us or make the removal of management more difficult, particularly in the event that we issue preferred shares with special voting rights. Issuances of preferred shares, or the perception that such issuances may occur, could cause the trading price of our Class A subordinate voting shares to drop.

In addition, provisions in the CBCA and in our restated articles of incorporation and by-laws may have the effect of delaying or preventing changes in our senior management, including provisions that:

- require that any action to be taken by our shareholders be effected at a duly called annual or special meeting and not by written consent;
- establish an advance notice procedure for shareholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors; and
- require the approval of a two-thirds majority of the votes cast by shareholders present in person or by proxy in order to amend certain provisions of our restated articles of incorporation, including, in some circumstances, by separate class votes of holders of our Class A subordinate voting shares and Class B multiple voting shares.

These provisions may frustrate or prevent any attempts by our shareholders to launch a proxy contest or replace or remove our current senior management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing the members of our senior management. Any of these provisions could have the effect of delaying, preventing or deferring a change in control which could limit the opportunity for our Class A subordinate voting shareholders to receive a premium for their Class A subordinate voting shares, and could also affect the price that investors are willing to pay for Class A subordinate voting shares.

Our constating documents permit us to issue an unlimited number of Class A subordinate voting shares and Class B multiple voting shares.

Our restated articles of incorporation permit us to issue an unlimited number of Class A subordinate voting shares and Class B multiple voting shares. We anticipate that we will, from time to time, issue additional Class A subordinate voting shares in the future. Subject to the requirements of the NYSE and the TSX, we will not be required to obtain the approval of shareholders for the issuance of additional Class A subordinate voting shares. Although the rules of the TSX generally prohibit us from issuing additional Class B multiple voting shares, there may be certain circumstances where additional Class B multiple voting shares may be issued, including upon receiving shareholder approval and pursuant to the exercise of stock options under the Legacy Option Plan that were granted prior to our initial public offering. Any further issuances of Class A subordinate voting shares or Class B multiple voting shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings. Additionally, any further issuances of Class B multiple voting shares may significantly lessen the combined voting power of our Class A subordinate voting shares due to the 10-to-1 voting ratio between our Class B multiple voting shares and Class A subordinate voting shares.

Item 4. ***Information on Shopify***

A. History and Development of Shopify

Shopify Inc. was incorporated under the *Canada Business Corporations Act* on September 28, 2004 under the name 4261607 Canada Ltd. We filed articles of amendment on January 19, 2006 to change our name to Jaded Pixel Technologies Inc., and again on November 30, 2011 to change our name to Shopify Inc. On April 12, 2013, we filed articles of amendment to split all of our issued and outstanding common shares and all of our issued and outstanding Series A and Series B preferred shares on a 5-for-1 basis. On May 22, 2015, we filed articles of amendment to amend and redesignate our authorized and issued share capital. See Item 10 - "Additional Information - B. Memorandum and articles of association - Description of Share Capital".

Our principal and registered office is located at 150 Elgin Street, 8th floor, Ottawa, Ontario, Canada K2P 1L4, and our telephone number is (613) 241-2828. We also have offices in Montreal, Quebec, Toronto, Ontario and Waterloo, Ontario. Our website address is www.shopify.com. Information contained on, or accessible through, our website is not a part of this Annual Report, and the inclusion of our website address in this Annual Report is an inactive textual reference. Our Agent for Service in the United States is CT Corporation System, 1209 Orange Street, Wilmington, DW 19801, (302) 658-7581.

Our capital expenditures consist primarily of investments in leasehold improvements for our office spaces and the purchase of computers equipment and software. For further information regarding capital expenditures, see Notes 8 and 9 to our audited consolidated financial statements which are found immediately following the text of this Annual Report.

B. Business Overview

Overview

Shopify provides the leading cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. Merchants use our software to run their business across all of their sales channels, including web and mobile storefronts, social media storefronts, and physical retail locations. As the number of channels over which merchants transact continues to expand, the importance of a multi-channel platform that is both fully integrated and easy to use increases. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, ship orders, build customer relationships and leverage analytics and reporting all from one integrated back office.

Social media, cloud computing, mobile devices and data analytics are transforming commerce. Consumers now expect to be able to transact anywhere, anytime on any device and the experience needs to be simple, seamless and secure. The Shopify platform enables merchants to access the technology and functionality that are necessary to create a best-of-breed multi-channel business. In addition, mobile traffic now represents the majority of the traffic across online stores powered by Shopify and the mobile experience is becoming merchants' primary and most important interaction with online consumers. The Shopify platform includes a mobile-optimized checkout system, designed to enable merchants' consumers to more simply and easily buy products over mobile websites. Core to a merchant's daily workflow and enabling transactions over multiple channels, our platform generates rich data to inform both our own decisions as well as those of our merchants.

We built our platform to address the growing challenges facing merchants with the aim of making previously complex tasks simple. The Shopify platform has been engineered to enterprise-level standards and functionality while being designed for simplicity and ease-of-use. Our platform provides merchants with an intuitive user experience that requires no up-front training to implement and use. We help our merchants own their brand and make their consumer experience memorable.

We recognize that in a world where consumers have more choices than ever before, a merchant's brand is increasingly important. A merchant needs to stand out from the crowd. If a consumer searches a third-party marketplace or ecommerce

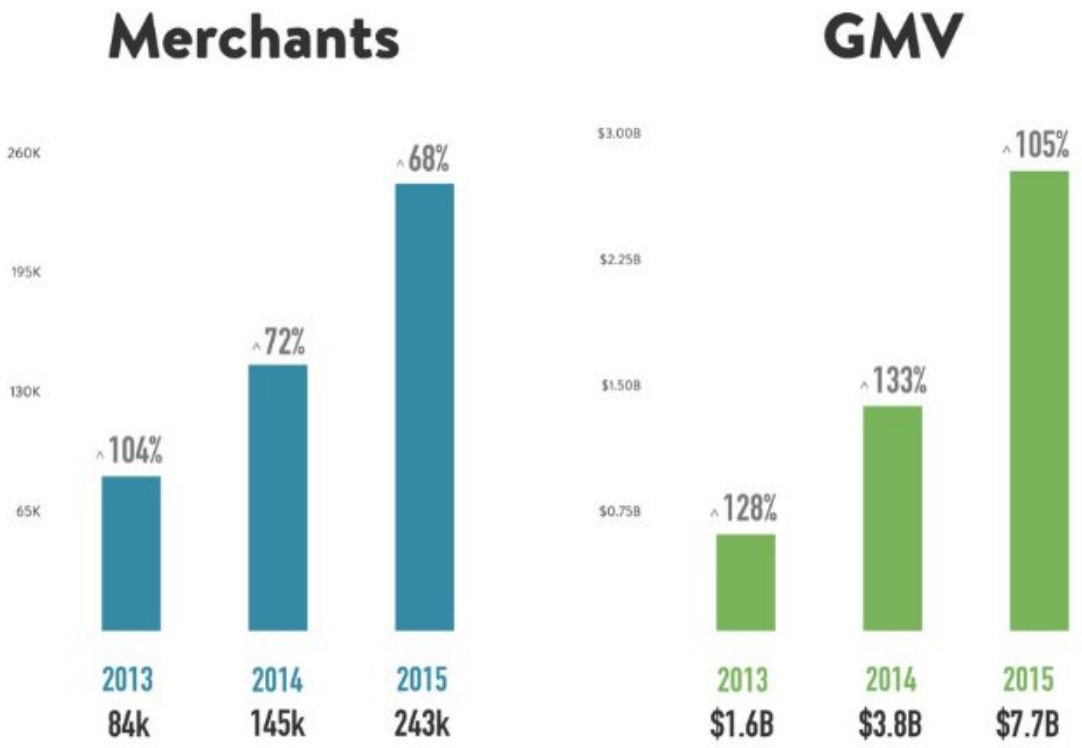
site and selects a merchant's product from among thousands of search results, the consumer is more likely to remember the brand of the third-party site than the brand of the merchant. The Shopify platform is designed to allow a merchant's brand and personality to shine through in every interaction to help build customer loyalty.

We believe the Shopify platform is mission-critical for our merchants and they depend on us for the latest technology. Our cloud-based platform is able to manage large spikes in traffic that accompany events such as new product releases, holiday shopping seasons and flash sales, and has been benchmarked to process over 25,000 requests per second based on results from platform load testing. We are constantly innovating and enhancing our platform. Our continuously deployed, multi-tenant architecture ensures that all of our merchants are always using the latest technology.

This combination of ease-of-use with enterprise-level functionality allows merchants to start with a Shopify store and grow with our platform to almost any size. Using Shopify, merchants may never need to re-platform. Our Shopify Plus subscription plan was created to accommodate merchants that have grown large using Shopify, with additional functionality, scalability and support requirements. Additionally, Shopify Plus was designed to address the needs of larger merchants who have been left with expensive and complex solutions. Since it was introduced in February 2014, Shopify Plus has attracted hundreds of marquee brands that have signed onto the Shopify platform directly.

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. Agencies that build merchants' web and mobile shops on our platform refer merchants to us and we refer work to them using our Shopify Experts directory. With over 8,500 active partners referring merchants to Shopify in 2015 , we have built a strong, symbiotic relationship with our partners as our ecosystem continues to grow. We believe this ecosystem has grown in part due to the platform's functionality, which is highly extensible and can be expanded through our application program interface, or API, and the more than 1,200 apps available in the Shopify App Store. This ecosystem helps drive the growth of our merchant base, which in turn further accelerates growth of the ecosystem.

Our mission is to make commerce better for everyone, and we believe we can help merchants of nearly all sizes and retail verticals realize their potential. While our platform can scale to meet the needs of large merchants, we focus on selling to SMBs. As of December 31, 2015 , we had 243,468 merchants from approximately 150 countries, representing growth of 68.3% in the number of merchants using our platform relative to December 31, 2014 . In 2015 , our platform processed Gross Merchandise Volume, or GMV, of $ 7.7 billion , representing an increase of 104.8% from the year ended December 31, 2014 .



Our business has experienced rapid growth. In 2015 , our total revenue increased to $205.2 million from $105.0 million in 2014 , and from $50.3 million in 2013 , representing year-over-year increases of 95.4% and 109.0% , respectively. We had net losses of $18.8 million in 2015 , $22.3 million in 2014 , and $4.8 million in 2013 . Our business model has two revenue streams: a recurring subscription component coupled with a merchant success-based component. For more information on the total revenues by geographic market see the audited consolidated financial statements which are found immediately following the text of this Annual Report .

Our Solution

Whether a merchant is starting their business online or offline, we provide a platform for merchants to create an omni-channel experience that helps showcase the merchant's brand and grow their business. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage and ship products and inventory, process orders and payments, build customer relationships and leverage analytics and reporting. Merchants can also use Shopify Mobile, our iPhone and Android application, to track and manage their business on the go.

We strive to make commerce better for everyone by offering:

- A Multi-Channel Commerce Platform. The Shopify platform enables merchants to sell their products across different sales channels, including web, mobile storefronts, social media storefronts and physical retail locations. Currently, more than half of our merchants' storefront traffic comes from mobile devices and approximately one quarter of our merchants have activated social media channels for selling. Merchants can easily add a new sales channel without the need to install new hardware or software infrastructure. Our platform provides merchants with a single view of their business, combining and synchronizing their entire customer, inventory, order, product, payment and other data that originate in these different sales channels.

- A Simplified Merchant Experience. The Shopify platform simplifies commerce technology and makes it accessible for merchants of all sizes. Our platform provides merchants with an intuitive user experience that requires no up-front training to implement and use. By integrating multiple channels into a single platform, Shopify is designed to remove the complexities inherent in separate systems and democratize commerce.

- The Latest Technologies, Seamlessly Integrated. The Shopify platform is designed to integrate the latest technologies that a merchant needs to sell products and operate a multi-channel retail business from any device. For example, our platform enables merchants to offer both mobile web and custom mobile applications that seamlessly integrate with other channels. Merchants can also use Shopify Mobile, our iPhone and Android application, to track and manage their business on the go. Our high-availability, continuously deployed, multi-tenant architecture ensures that all of our merchants are able to operate with the latest features and the newest innovations without any need to patch or upgrade their software. In 2015, we released thousands of updates to our platform that were immediately available to all of our merchants. We continue to add functionality and innovative features to our platform to address new technologies and the rapidly changing needs of merchants.

- A Platform Designed to Launch and Grow Brands. Merchants can launch and build their brand on the Shopify platform and sell direct to consumers without any intermediaries or middlemen. Merchants can quickly begin selling and accepting payments in-person using their mobile phone, and they can set up a website and begin taking orders globally. Merchants can select a professional-looking storefront design from a curated selection of approximately 150 templates available in the Shopify Theme Store and tailor it to match their brand's look and feel with just a few clicks. Merchants can also use our internally developed design language to fully customize their storefront, or hire a third-party designer who is a trusted Shopify Expert to build their storefront for them. Using the Shopify platform, a merchant's brand is always at the forefront of the experience, and we help merchants make that experience memorable to consumers.

- A Platform for Merchant Success. The Shopify platform includes advanced features and resources to help merchants sell more products. Our platform has strong search engine optimization, social media marketing features and advanced analytics built in. Our Shopify Guru team is also available on chat, email and phone 24/7 to help educate merchants on how to drive traffic to their shops and manage their businesses more effectively. Because our goals are aligned with those of our merchants, we do not restrict merchants with sales limits or bandwidth caps. As merchants begin to sell more, we offer more advanced plans with additional features such as lower payment processing and shipping rates as well as dedicated account management.

- Enterprise-level Security, Scalability and Reliability. The Shopify platform offers security, scalability and reliability that is normally only available to businesses with enterprise-level budgets, while at the same time being easy to use and affordable for smaller businesses. This is important because we believe the Shopify platform is mission-critical for all of our merchants. Our merchants' data is stored in two co-located facilities in geographically dispersed, fault-tolerant data centers with distributed denial of service prevention appliances, intrusion-detection systems and 24/7 operational monitoring. We have been certified as a PCI DSS Level 1 compliant service provider, which is the highest level of compliance available, and a third-party qualified security assessor audits our platform annually. Our platform has been built to handle large spikes in traffic that accompany events such as new product releases, holiday shopping seasons and flash sales, and has been benchmarked to process at least 25,000 requests per second based on platform load testing. Our Shopify Plus plan offering, launched in February 2014, addresses the needs of our larger merchants and allows entrepreneurs to scale without leaving the Shopify platform. Shopify Plus offers merchants enterprise-grade selling capabilities at a lower cost and faster time to market than traditional enterprise software. Shopify Plus serves high-volume businesses as well as global brands looking for a reliable and scalable ecommerce solution that has a faster time to market and is mobile-optimized.

- An Open Platform with a Thriving Ecosystem. A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. Agencies that build merchants' web and mobile shops on our platform refer merchants to us and we refer work to them using our Shopify Experts directory. The Shopify platform's functionality is highly extensible and can be expanded using our application program interface, or

API, and apps from the Shopify App Store to offer additional sales channels (e.g. Facebook), bolster features in an existing sales channel (e.g. Product Reviews) and integrate with third-party systems (e.g. QuickBooks). There are over 1,200 apps that were created either by us or by third parties and that are available in our Shopify App Store; the majority of our merchants have apps installed. Our thriving ecosystem helps drive the growth of our merchant base, which in turn accelerates growth of the ecosystem by attracting partners looking to design and develop for this large and growing merchant base.

Growth Strategy

Our growth strategy is driven by our mission: make commerce better for everyone. Key elements of our strategy include:

- *Grow our Base of Merchants.* We believe that we have a significant opportunity to increase the size of our current merchant base. We intend to continue to strategically invest in marketing programs that enhance the awareness of our brand and solutions among businesses at different stages of their lifecycle, from entrepreneurs just starting a business to larger, well-established businesses. While we believe it is important to establish relationships early in the business lifecycle and grow along with our merchants, we also see the opportunity from larger businesses looking for faster time-to-market and better value as they innovate to meet rapidly evolving consumer demands. We intend to grow our base of merchants primarily by inspiring entrepreneurship through marketing programs including our Build A Business competition and Shopify Blog. Tens of thousands of newly launched businesses entered our last Build A Business competition and sold greater than $250 million worth of products on our platform during the eight-month competition. Additionally, with the introduction of Shopify Plus, we are investing in additional sales capacity focused on larger merchants, and began to hire and train outbound sales representatives for Shopify Plus in early 2015.

- *Grow our Merchants' Revenue.* Our goals are closely aligned with the goals of our merchants. The more a merchant sells on our platform, the more revenue we generate as they process more transactions, upgrade plans, add additional sales channels, ship more products and use additional solutions. We intend to continue to improve our platform to help our merchants sell more and expect to continue to use initiatives such as our Retail Tour roadshows, Shopify Blog and Shopify Guru programs to educate our merchant base on how they can be even more successful using our platform. Last year, the Shopify Blog had over twenty million page views, making it one of the internet's top ecommerce and entrepreneurial blogs.

- *Continuous Innovation and Expansion of our Platform* . Our platform is built to support innovation and the rapid technology changes in commerce. Six years ago, we foresaw the rise of mobile and launched our iPhone-based Shopify Mobile application to allow merchants to manage their business on the go. We intend to continue to build more sales channels and additional functionality to make our merchants more effective and further differentiate our platform. We have done this with Shopify Payments, which eliminates the need for merchants to set up and maintain a direct relationship with a third-party payment gateway, gives merchants access to low credit card processing rates and allows us to cross-sell additional solutions to our merchant base. We added functionality more recently with Shopify Shipping, which allows merchants to print postage labels and ship products at discounted rates directly through Shopify. We intend to follow this same approach with other merchant solutions in the future.

- *Continue to Grow and Develop our Ecosystem* . We have a thriving third-party ecosystem that includes app developers, theme designers and other partners that bolster the functionality of our platform. This ecosystem has grown in part due to the platform's functionality, which is highly extensible and can be expanded through our API. There are currently more than 1,200 apps available in the Shopify App Store. We believe that growing our ecosystem makes the Shopify platform more attractive and stickier, which further expands our merchant base, and in turn drives additional growth of our ecosystem.

- *Continue to Expand our Partner Programs* . We have strong relationships with thousands of design and marketing agencies throughout the world. These agencies build merchant web and mobile shops on our platform. They refer merchants to us and we refer work to them using our Shopify Experts directory. We

intend to strengthen our existing relationships with referral partners and resellers and create new ones with the goal of expanding our overall merchant base.

- *Continue to Build for the Long-term* . We have a culture of iteration and testing new ideas with a focus on maximizing long-term value. As we continue to build for the future, we may consider focused international expansion, strategic partnerships, new solutions and selective acquisitions.

The Shopify Platform

The cloud-based Shopify platform integrates the features and functionalities that our merchants need to seamlessly sell across multiple channels, including web and mobile storefronts, social media storefronts, such as Facebook, Twitter and Pinterest, and physical retail locations. We offer a front-end consumer solution, which is designed to allow merchants to control their brands, along with a unified commerce back-end solution that eliminates the need for merchants to piece together the disparate functions and features necessary to operate an online storefront.

Merchants can use their mobile device or computer to log into Shopify's intuitive interface. There, they gain access to our platform’s robust functionality, including:

- Real-Time Dashboard: Provides merchants with a real-time overview of how their business is performing, where orders are coming from (including by channel and by customer), how different products are performing, what actions need the merchant’s attention, and advice on how to increase their business and make more money.

- Products and Inventory Management: Allows merchants to keep track of all of their products, including adding and removing products, managing and organizing product details, updating prices, changing product descriptions and photos, and tracking inventory.

- Order Processing, Management and Fulfillment: Provides a sales inbox where merchants can process and manage their orders, capture payments, track incoming inventory and ship orders or update fulfillment services.

- Shopify Payments (Currently available in the United States, Canada, the United Kingdom and Australia): An integrated payment processing solution that allows merchants to accept credit cards at attractive rates. In addition, directly from the Shopify platform, merchants can dispute any chargebacks and have full visibility of cash transfers to their bank account. It also provides flexibility to allow merchants to accept PayPal, Bitcoins and other alternative payment methods. We provide Shopify Payments under payment services provider agreements with Stripe. These agreements renew every 12 months, unless either party provides a notice of termination prior to the end of the then-current term. Under these agreements, we pay Stripe monthly fees based on the value of orders processed through Shopify Payments.

- Payment Gateways: For merchants in locations where Shopify Payments is not yet available, or in situations where the merchant already has a preferred payment-processing partner, the Shopify platform connects to over 100 payment gateways, allowing merchants to continue with those relationships.

- Discounts and Gift Cards: Allows merchants to offer discounts and coupons, as well as to sell and manage gift cards.

- Customer Management: Gives merchants a single view of their customers across channels, allowing them to manage those relationships and search and analyze customer information for insights that help merchants provide their customers with more personalized shopping experiences.

- Reporting and Analytics: Gives merchants real-time reports on their products, orders, payments, customers, customer preferences and other matters to gain advanced insights and further their business objectives.

The most frequently used features of the Shopify platform are available on Shopify Mobile, a mobile application for iPhone and Android that enables merchants to view and process orders on their mobile devices.

Our Channel Offerings

1) Web and Mobile Stores. Our platform provides merchants with an online store that is optimized for web and mobile using responsive web design practices. Our offering includes integrated web space with unlimited bandwidth and a robust shopping cart with a secure checkout area. We offer a curated selection of approximately 150 customizable storefront templates in our Shopify Theme Store. In addition to offering what we believe is a beautifully designed homepage and product catalog, online stores include an advanced content management system that merchants can use to create and manage a blog or create any number of additional web pages. Our platform has strong search engine optimization and social media marketing features that help drive traffic to our merchants' shops. Merchants also have the ability to embed Shopify into their existing websites using a buy button on platforms such as Wordpress, Tumblr, and more.

2) Physical Retail Locations. Shopify POS is a mobile point-of-sale product designed for merchants that sell their products in-person at brick-and-mortar stores, pop-up shops, retail stores, events and craft shows. Shopify POS allows for seamless synchronization with a merchant's product catalog, inventory, customer database and payment settings. For example, merchants using Shopify Payments can simply plug our credit card reader into an iPhone, Android device or iPad running Shopify POS and start accepting credit card transactions within minutes. These transactions are then recorded on our platform, giving a merchant a single view of their customers and all of their orders, regardless of the channel in which the transaction took place. We also offer Shopify credit card readers, which use the latest Europay, Mastercard and Visa, or EMV, technology, and allow merchants in the United States to securely accept chip and pin, tap, and swipe credit and debit cards as well as contactless payment technologies like Apple Pay.

3) Social Media. Merchants can use buy buttons and the native commerce capabilities of major social media networks such as Facebook, Pinterest, and Twitter. This allows consumers to find, view, and purchase products sold by Shopify merchants without ever leaving the mobile or desktop applications of our partners, including the use of saved credit cards from prior purchases. We offer Facebook Shop, Pinterest Buyable Pins, and Twitter Buy Now, which are automatically synchronized with merchant data from all other channels in our platform.

4) Mobile Apps. Merchants can use our mobile buy button software development kit, or SDK, to build native mobile applications that offer in-application purchase of products using Apple Pay or a credit card. The Mobile Buy SDK is connected directly with Shopify, so there is no need to spend time integrating payment gateways or building out an order management backend. All orders, customers, and payments from a merchant's mobile app appear in Shopify, just like other sales channels.

5) Other Channels. We are continuing to innovate and explore new channels and tools to help merchants grow their sales, including marketplaces, messaging and social media, as well as third-party apps in the Shopify App Store. Merchants also now have access to a new mobile-only tool for social selling called Sello.

Shopify Apps and API

The Shopify platform's functionality can be extended and highly customized using any of the more than 1,200 apps from the Shopify App Store. Merchants can use apps to, for example, access additional sales channels, market products to their customers, bolster content management features, manage logistics or integrate with a wide variety of third-party software. All apps in the Shopify App Store are built on the powerful Shopify API that enables app developers to seamlessly integrate nearly any functionality that a merchant may need into the Shopify platform.

Technology

The Shopify platform is a multi-tenant cloud-based system that is engineered for high scalability, reliability and performance. Open source has played a major role at Shopify from the beginning when our founder was active on the core team that built Ruby on Rails, the technology that powers much of the Shopify platform. We host the Shopify

platform using a mix of co-located and cloud-based servers. Maintaining the integrity and security of our technology infrastructure is critical to our business, and we plan to invest further in our data center and network infrastructure to meet our merchants' needs and maintain their trust. The key attributes of the Shopify platform are:

- Security. Credit card processing on the Shopify platform is performed by a dedicated, highly scalable, geographically redundant, high-security environment with specialized policies and procedures in place. The environment is designed to be highly isolated and secure and exceeds the requirements of PCI DSS. We have been certified as a PCI DSS Level 1 compliant service provider, which is the highest level of compliance available. We use firewalls, denial of service mitigation appliances, advanced encryption, intrusion detection systems, two-factor authentication and other technology to keep our merchants' data secure.

- Scalability. The cloud-based architecture of our platform has been designed to support sudden traffic and order spikes from our merchants. We use a technology called "containerization" to efficiently scale our computing resources across our platform. We have benchmarked the Shopify platform to handle at least 25,000 requests per second and 12,000 orders per minute based on platform load testing.

- Reliability. Our platform includes servers in geographically dispersed, co-located data centers that are fault-tolerant and ensure that our platform is highly reliable. Because Shopify is at the heart of our merchants' businesses, we employ a highly redundant, horizontally scalable, shared architecture to ensure resiliency and high availability.

- Performance. We believe that the faster our merchants' shops appear to their customers, the more our merchants will sell. We have a dedicated team that is constantly profiling and optimizing the performance of the Shopify platform. We leverage content delivery networks with global points of presence to ensure that content and data is delivered quickly to users across the globe. In 2015, online shops hosted on our platform had sub 100 millisecond median response times, which we believe is much lower than the industry average based on the results of a third-party analytics reporting tool. In 2015, our merchants' shops averaged 140 million unique monthly visitors, 59% of which were from mobile devices, and we processed an average of 8.7 million orders per month.

- Deployment. The Shopify platform is "single branch" software, which means that all of our merchants use the latest version of Shopify at all times. The result is that we have no overhead in maintaining older versions of our platform. Our software deployment process enables us to quickly distribute new software as soon as it is ready. This is made possible by our ongoing investment in end-to-end automation and comprehensive test suites.

Our Merchants

As of December 31, 2015, we had 243,468 merchants subscribed to our platform from approximately 150 countries. This represents growth of approximately 69% from the 144,670 merchants that were subscribed to the platform as of December 31, 2014. Our merchants represent a wide array of retail verticals and business sizes. We offer pricing plans designed to meet the needs of our current and prospective merchants. Offering different service and pricing levels allows entrepreneurs to scale without leaving the Shopify platform. We believe this ability to retain merchants as they grow is an important factor for success in serving the SMB market. Shopify offers a number of pricing plans that have varying features, and as a merchant upgrades to the higher-priced options, they receive more powerful tools. While our Basic and Professional plans are our most popular plans, the majority of our GMV comes from merchants subscribing to our Unlimited and Plus plans. Also, merchant retention rates are higher among merchants on higher-priced plans. Shopify Plus was launched in February 2014 to accommodate Shopify merchants that were growing into more sophisticated requirements and needing additional layers of support. Red Bull, P&G, Tesla, RadioShack and New York Stock Exchange are among the more than 1,000 Shopify Plus merchants seeking a reliable, cost-effective and scalable commerce solution.

Our Ecosystem

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. We have partners located in more than 100 countries that design and customize storefronts, develop apps and enable third-party integration for merchants on the Shopify platform. We also offer "Shopify Experts", which is essentially a curated directory of designers, developers, marketers and photographers to assist merchants in the launch of their online store or seamlessly migrate a merchant's shop from another platform. There are currently more than 1,200 apps available in the Shopify App Store, and in 2015, more than 8,500 of our partners referred us at least one new merchant, a 48% increase from the year before.

Merchant Acquisition

Our merchant acquisition strategy is primarily focused on marketing that builds awareness of our offerings. Our approach includes a strong emphasis on data and analytics while continuously innovating and testing new ideas to drive growth.

We actively grow our audience through online channels, including paid search, organic search and social media. Our offline channel strategy includes participating in trade shows and local events to generate awareness of our platform. We also invest in content marketing, such as the Shopify Blog, podcasts, video content, eBooks and other free tools, and provide thought leadership to help our merchants succeed and to build our own brand. Our Build A Business competition similarly helps increase our brand awareness and merchant acquisition. We also began to hire outbound sales representatives in early 2015 for our Shopify Plus offering, and with the early success we have achieved, we intend to continue funding what we believe is a key growth opportunity.

In addition to direct channels, we leverage relationships with third-party design agencies, developers and freelancers around the world who actively refer merchants to us. We also partner with adjacent companies and resellers to sell and offer our solutions to their customers.

Competition

Our market is transforming, competitive and highly fragmented, and we expect competition to increase in the future. We believe the principal competitive factors in our market are:

- vision for commerce and product strategy;
- simplicity and ease of use;
- integration of multiple channels;
- cost-effective solution;
- breadth and depth of functionality;
- pace of innovation;
- ability to scale;
- security and reliability;
- support for a merchant's brand development; and
- brand recognition and reputation.

With respect to each of these factors, we believe that we compare favorably to our competitors.

We believe no competitor offers an integrated, multi-channel, cloud-based commerce platform with comparable functionality to ours. However, some merchants may elect to piece together technology from other companies that overlaps with certain functions and features that we provide, including:

- ecommerce software vendors;
- content management systems;
- payment processors;
- POS software providers;

- domain registrars; and
- marketplaces.

Intellectual Property

Our intellectual property and proprietary rights are important to our business. In our efforts to safeguard them, we rely on a combination of copyright, trade secret, trade dress, domain names, trademarks and other rights in Canada, the United States and other jurisdictions in which we conduct our business. We also have confidentiality agreements, assignment agreements and license agreements with employees, contractors, merchants, distributors and other third parties, which limit access to and use of our proprietary intellectual property. Though we rely, in part, upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees, as well as the functionality and frequent enhancements to our platform, make our intellectual property difficult to replicate.

We have been issued trademark registrations in the United States and Canada covering the trademarks “A shop in minutes, a business for life,” “S & Design,” “S Shopify & Design,” and “Shopify.” We have also been issued trademark registrations in the European Union covering the trademark “S & Design” and in Switzerland and Australia covering the trademark “Shopify."

We are subject to certain risks related to our intellectual property. For more information, see “Risk Factors - Risks Related to our Business and Industry.”

Culture and Employees

If you have ambitious goals, you need an equally ambitious team. Shopify is composed of over a thousand highly talented, deeply caring individuals all working on making commerce better for everyone. Our culture is continuously being redefined with every person that joins our company, but, at our core, we value people who:

- Get shit done
- Build for the long-term
- Focus on simple solutions
- Act like owners
- Thrive on change

In those values, there is a focus on continuous learning and personal development. We are a fast-growing company that is constantly trying to get better. We expect to see similar growth from everyone in our team.

We deeply value innovation and experimentation. Every few months we take a break from our regular work and for two full days every employee has free reign to work on whatever project they want as long as it adds value to Shopify. We call these two days “Hack Days”. There is no limit to the creativity or scope of the projects. The only rule is that employees must complete their projects no later than 4:00 p.m. at the end of the second day, at which point teams pitch their finished projects.

We believe that being headquartered in Ottawa, Canada gives us access to a large talent pool. Ottawa is currently home to over 1,900 technology companies and has the highest concentration per capita of scientists and engineers in Canada. We recruit our employees through multiple avenues including internships, campus recruiting and global outreach.

As of December 31, 2015, we had 1,048 employees and contractors worldwide. None of our employees is represented by a labor organization or is a party to a collective bargaining arrangement. We consider our relationship with our employees to be excellent.

Government Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, many of which are still evolving and could be interpreted in ways that could harm our business. Concern

about the use of SaaS platforms for illegal conduct, such as money laundering or to support terrorist activities, may in the future result in legislation or other governmental action that could require changes to our platform.

We are subject to U.S. and Canadian laws and regulations that govern or restrict our business and activities in certain countries and with certain persons, including the economic sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control, sanctions regulations administered or enforced by the Office of the Superintendent of Financial Institutions in Canada, and the export control laws administered by the U.S. Commerce Department's Bureau of Industry and Security, the U.S. State Department's Directorate of Defense Trade Controls and the Canadian Export and Import Controls Bureau. We are currently subject to a variety of laws and regulations in Canada, the United States, the United Kingdom and elsewhere related to payment processing, including those governing cross-border and domestic money transmission, gift cards and other prepaid access instruments, electronic funds transfers, foreign exchange, anti-money laundering, counter-terrorist financing, banking and import and export restrictions. Depending on how Shopify Payments and our other merchant solutions evolve, we may be subject to additional laws in Canada, the United States, the United Kingdom, Australia and elsewhere.

We are also subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain merchants require us to notify them in the event of a security incident. We post on our website our privacy policy and terms of service, which describe our practices concerning the use, transmission and disclosure of merchant data and data relating to their customers. Any failure by us to comply with our posted privacy policy or privacy-related laws and regulations could result in proceedings against us by governmental authorities or others, which could harm our business. In addition, the interpretation of data protection laws, and their application to the internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from province to province, state to state, country to country or region to region, and in a manner that is not consistent with our current data protection practices. Because our services are accessible worldwide, certain foreign jurisdictions have claimed and others may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. Further, any failure by us to adequately protect our merchants' or their customers' data could result in a loss of confidence in our platform and ultimately in a loss of merchants that have subscriptions to our platform which could adversely affect our business.

Further, our reputation and brand may be negatively affected by the actions of merchants or their users that are deemed to be hostile, offensive, inappropriate or unlawful. We do not monitor or review the appropriateness of the content accessible through merchants' shops in connection with our services, and we do not have control over the activities in which merchants' customers engage. While we have adopted policies regarding illegal or offensive use of our platform, merchants or their customers could nonetheless engage in these activities. The safeguards we have in place may not be sufficient to avoid harm to our reputation and brand, especially if such hostile, offensive or inappropriate use was high profile, which could adversely affect our ability to expand our merchant subscription base and could harm our business and financial results. It is possible that we could also be subject to liability. In many jurisdictions, laws relating to the liability of providers of online services for activities of their customers and other third parties are currently being tested by a number of claims, including actions based on defamation, invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature of the relevant content. Any court ruling or other governmental regulation or action that imposes liability on providers of online services in connection with the activities of their customers or their customers' users could harm our business. In such circumstances we may also be subject to liability under applicable law, which may not be fully mitigated by our terms of service. Any liability attributed to us could adversely affect our brand, reputation, ability to expand our subscriber base and financial results.

For a discussion of seasonality please see "—Factors Affecting the Comparability of our Results—Seasonality" in our MD&A attached hereto as Exhibit 15.1.

C. Organizational Structure

The following reflects our current significant subsidiaries. All of our subsidiaries are wholly-owned.

D. Property, Plants and Equipment

Leased Facilities:

We are headquartered in Ottawa, Canada. We do not own any real property. The following table outlines significant properties that we currently lease:

Location	Square Feet	Date Lease Ends	Purpose
Ottawa, Canada [(1)]	154,302	December 31, 2026	Office Space
Kitchener-Waterloo, Canada [(1)]	39,173	September 30, 2022	Office Space
Toronto, Canada [(1)]	36,771	August 31, 2021	Office Space
Montreal, Canada [(1)]	30,663	June 30, 2026	Office Space

(1) We received leasehold incentives on all of our current leases in the form of rent-free periods and fit-up allowances. These incentives are subject to certain conditions, including that we are not in material default under the applicable lease.

We also lease space in two data centers in the United States.

We believe that our current facilities are adequate to meet our ongoing needs and that, if we require additional space, we will be able to obtain additional facilities on commercially reasonable terms.

Item 4A. ***Unresolved Staff Comments***

None.

Item 5. ***Operating and Financial Review and Prospects***

See the management's discussion and analysis of the Company for the year ended December 31, 2015 (" **MD&A** ") attached hereto as Exhibit 15.1.

A. Results of Operations

See the "Factors Affecting the Comparability of our Results", "Key Components of Results of Operations" and "Results of Operations" in the MD&A attached hereto as Exhibit 15.1.

B. Liquidity and Capital Resources

See "Liquidity and Capital Resources" in the MD&A attached hereto as Exhibit 15.1.

C. Research and Development, Patents and Licenses, etc.

Our research and development activities are primarily located in Canada. Our research and development department is currently comprised of 347 employees and contractors. In 2015 , research and development costs accounted for approximately 19.4% of our total revenues, compared to 24.7% and 27.2% in 2014 and 2013 , respectively.

Research and development costs are generally expensed as incurred. We capitalize certain development costs incurred in connection with our internal use software. These capitalized costs are related to the development of our software platform that we host and which is accessed by our merchants on a subscription basis as well as material internal infrastructure software. Costs incurred in the preliminary stages of development are expensed as incurred. We capitalize all direct and incremental costs incurred during the application phase, until such time as the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Maintenance costs are expensed as incurred.

Se e "Item 3- D. Risk Factors" - *We may be subject to claims by third-parties of intellectual property infringement.* " and " *We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.* "

D. Trend Information

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events for the current fiscal year that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

For fiscal year 2015, 2014 and 2013, we ha d no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial position, results of operations, liquidity, capital expenditures or capital resources.

F. Tabular Disclosure of Contractual Obligations

See "Contractual Obligations and Contingencies" within the MD&A attached hereto as Exhibit 15.1.

G. Safe Harbor

Please see “Forward Looking Information” on page 6 of this Annual Report.

Item 6. ***Directors, Senior Management and Employees***

A. Directors and Senior Management

The following table sets forth certain information relating to our directors and executive officers as of February 9, 2016. The address for our directors and executive officers is c/o Shopify Inc., 150 Elgin Street, 8th Floor, Ottawa, Ontario, Canada K2P 1L4.

Name and Place of Residence	Age	Position	Principal Occupation
Tobias Lütke Ontario, Canada	35	Chief Executive Officer Chairman of the Board	Chief Executive Officer, Shopify
Russell Jones Ontario, Canada	56	Chief Financial Officer	Chief Financial Officer, Shopify
Harley Finkelstein Ontario, Canada	32	Chief Operating Officer	Chief Operating Officer, Shopify
Daniel Weinand Ontario, Canada	36	Chief Design Officer	Chief Design Officer, Shopify
Craig Miller Ontario, Canada	33	Chief Marketing Officer	Chief Marketing Officer, Shopify
Brittany Forsyth Ontario, Canada	28	Senior Vice President of Human Relations	Senior Vice President of Human Relations, Shopify
Joseph Frasca Ontario, Canada	42	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary, Shopify
Jean-Michel Lemieux Ontario, Canada	43	Senior Vice President, Engineering	Senior Vice President, Engineering, Shopify
Robert Ashe Ontario, Canada	56	Director	Corporate director
Steven Collins Florida, United States	51	Director	Corporate director
Jeremy Levine New York, United States	42	Director	Partner, Bessemer Venture Partners
Trevor Oelschig California, United States	41	Director	Partner, Bessemer Venture Partners
John Phillips Ontario, Canada	65	Director	Corporate director

Tobias Lütke

Tobias Lütke co-founded Shopify in September 2004. Mr. Lütke has served as our Chief Executive Officer since April 2008. Prior to that, Mr. Lütke acted as our Chief Technology Officer between September 2004 and April 2008. Mr. Lütke worked on the core team of the Ruby on Rails framework and has created many popular open source libraries such as Active Merchant.

Russell Jones

Russell Jones has been our Chief Financial Officer since March 2011. Prior to his appointment at Shopify, Mr. Jones served as Chief Financial Officer to both BDNA Corporation from September 2009 to August 2010 and to Xambala Incorporated from September 2007 to February 2011. Between March 2002 and August 2007, Mr. Jones co-founded CFO4Results, which provided interim Chief Financial Officer, business and operational support services to a number

of early to mid-stage technology companies. Mr. Jones holds a Bachelor of Commerce (Honors) degree from Carleton University and is a CPA, CA.

Harley Finkelstein
Harley Finkelstein has acted as our Chief Operating Officer since 2016. Prior to that Harley Finkelstein acted as our Chief Platform Officer since 2010. Prior to that, Mr. Finkelstein founded numerous other startups and e-commerce companies. Mr. Finkelstein currently serves on the board of The C100, a non-profit organization that supports Canadian technology entrepreneurship through mentorship, partnership and investment, and is an advisor to Felicis Ventures and OMERS. Mr. Finkelstein holds a B.A. degree in Economics from Concordia University and a J.D./M.B.A. joint degree in Law and Business from the University of Ottawa.

Daniel Weinand
Daniel Weinand joined Shopify in August 2005 and co-founded the Shopify platform that launched in 2006. He has been our Chief Design Officer since 2008. Mr. Weinand also acts as our Chief Culture Officer, taking on that role in 2012. Prior to joining Shopify, Mr. Weinand was a freelance web designer for private and corporate clients. Mr. Weinand studied Computer Science and Music at the University of Dortmund in Germany.

Craig Miller
Craig Miller joined Shopify in September 2011 and acts as our Chief Marketing Officer. Mr. Miller previously held several product and marketing roles at Kijiji, an eBay Company, between 2009 and 2011. Mr. Miller holds a Bachelor degree in Electrical Engineering from McGill University.

Brittany Forsyth
Brittany Forsyth has been with Shopify since May 2010 and served as our Senior Vice President of Human Relations since January 2016, and our Vice President of Human Relations since September 2014. Prior to joining Shopify, Ms. Forsyth obtained a Bachelor of Commerce degree at Carleton University. Ms. Forsyth is involved with a number of human resources organizations across North America.

Joseph Frasca
Joseph Frasca joined Shopify in May 2014 as General Counsel, and has served as Senior Vice President, General Counsel and Secretary since January 2016. Prior to his appointment at Shopify, Mr. Frasca was Senior Corporate Counsel at EMC Corporation between May 2011 and May 2014 and Corporate Counsel at EMC Corporation between January 2008 and May 2011. Mr. Frasca also worked in private practice as an Associate at Skadden, Arps, Slate, Meagher & Flom LLP prior to EMC. Mr. Frasca holds a J.D. from Boston University School of Law, a Master of Arts in Law and Diplomacy from The Fletcher School at Tufts University and a B.S. in Russian Language and Linguistics from Georgetown University. Mr. Frasca is a member of the Society of Corporate Secretaries & Governance Professionals sitting on the Securities Law Committee.

Jean-Michel Lemieux
Jean-Michel Lemieux joined Shopify in March 2015 as Vice President, Engineering, and has served as Senior Vice President of Engineering since January 2016. Prior to joining Shopify, he served as the Vice President of Engineering at Atlassian and as the Chief Architect for Rational Team Concert, a division of IBM. Jean-Michel co-authored the book, Eclipse Rich Client Platform and has filed two U.S. patents on software configuration management. Jean-Michel holds a Bachelor's degree in Computer Science from the University of Ottawa.

Robert Ashe
Robert Ashe has served as a member of our board of directors since December 2014. Over 24 years, Mr. Ashe held a variety of positions with increasing responsibility at Cognos Incorporated, a business intelligence and performance management software company. Mr. Ashe ultimately served as Chief Executive Officer of Cognos Incorporated from 2005 to 2008 before the company was acquired by IBM. Mr. Ashe remained with IBM as a general manager of business analytics from 2008 to 2012. Mr. Ashe currently serves on the board of directors of Halogen Software (TSX), ServiceSource International (NASDAQ) and MSCI Inc. (NYSE). Mr. Ashe holds a Bachelor of Commerce from the University of Ottawa. Mr. Ashe was selected to serve on our board of directors because of his strong business and leadership experience.

Steven Collins
Steven Collins has served as a member of our board of directors since June 2014. Mr. Collins served as the Executive Vice President and Chief Financial Officer of ExactTarget Inc., a cross-channel digital marketing company, from 2011 to 2014. Prior to that, Mr. Collins held the position of Senior Vice President and Chief Financial Officer of NAVTEQ Corporation, a digital mapping company; Mr. Collins was with NAVTEQ Corporation from 2003 through 2011 and served as the Vice President of Finance and the Senior Vice President of Finance & Accounting prior to being named Chief Financial Officer. Mr. Collins currently serves on the board of directors of Instructure (NYSE: INST) and three privately held companies. Mr. Collins holds a B.S. degree in Industrial Engineering from Iowa State University and an M.B.A. from the Wharton School of the University of Pennsylvania. Mr. Collins was selected to serve on our board of directors because of his strong business acumen and leadership skills.

Jeremy Levine
Jeremy Levine has served as a member of our board of directors since February 2011. Since January 2007, Mr. Levine has been a Partner at Bessemer Venture Partners, a venture capital firm he joined in May 2001. Mr. Levine currently serves on the board of directors of Yelp Inc. (NYSE), a local directory and user review service, and a number of privately held companies. Mr. Levine holds a B.S. degree in Computer Science from Duke University. Mr. Levine was selected to serve on our board of directors because of his experience in the venture capital industry and as a director of both publicly and privately held technology companies.

Trevor Oelschig
Trevor Oelschig has served as a member of our board of directors since October 2010. Since January 2012, Mr. Oelschig has been a Partner at Bessemer Venture Partners, a venture capital firm he joined in June 2007. Mr. Oelschig currently serves on the board of directors of a number of privately held companies. Mr. Oelschig holds a B.S. degree in Industrial Engineering & Operations Research from the University of California at Berkeley, an M.S. degree in Management Science & Engineering from Stanford University, and an M.B.A. from the Wharton School of the University of Pennsylvania. Mr. Oelschig was selected to serve on our board of directors because of his investment experience in the software industry, his breadth of knowledge and understanding of our industry, and his service on the board of directors of other technology companies.

John Phillips
John Phillips has served as a member of our board of directors since April 30, 2010. Mr. Phillips has worked with Klister Credit Corp., his family investment and consulting company, and is currently its Chief Executive Officer, a position he has held since 1993. Mr. Phillips had a career in the legal profession working in private practice at Blake, Cassels & Graydon LLP for 20 years and as general counsel at Clearnet Communications Inc. for nearly six years. Mr. Phillips currently serves on the board of directors of a number of privately held companies and gained experience serving on the board of directors of Clearnet Communications Inc. and Redknee Solutions Inc., both then public companies. Mr. Phillips received a B.A. from Trinity College, University of Toronto and an L.L.B./J.D. from the Faculty of Law, University of Toronto. Mr. Phillips was selected to serve on our board of directors because of his business, legal and investment experience.

Please see also Item 6.C. “Directors, Senior Management and Employees — Board Practices”, and Item 10.B. “Additional Information — Memorandum and Articles of Incorporation” for additional information concerning board practices and election of directors.

B. Compensation

Compensation of Executives

Introduction

The following section describes the significant elements of our executive compensation program, with particular emphasis on the compensation paid to our Chief Executive Officer, our Chief Financial Officer and our other executive officers in 2015.

Overview

We operate in a new and rapidly evolving market. To succeed in this environment and to achieve our business and financial objectives, we need to attract, retain and motivate a highly talented team of executives. We expect our team to possess and demonstrate strong leadership and management capabilities, as well as foster our company culture, which is at the foundation of our success and remains a pivotal part of our everyday operations.

Our executive compensation program is designed to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to our success;
- motivate these executive officers to achieve our business objectives;
- align the interests of our executive officers with those of our shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of our business; and
- provide incentives that encourage appropriate levels of risk-taking by the executive team.

We offer our executives cash compensation in the form of base salary and equity-based compensation, which is awarded in the form of stock options and/or restricted share units (RSUs). We believe that equity-based compensation awards motivate our executives to achieve our strategic and financial objectives, and also align their interests with the long-term interests of our shareholders. We provide base salary to compensate employees for their day-to-day responsibilities, at levels that we feel are necessary to attract and retain executive talent. We do not provide performance bonuses or incentives to our executive officers. We expect all employees to perform at a level deserving of a bonus and we have taken this into consideration in setting total compensation for our executive officers. While we have determined that our current executive compensation program is effective at attracting and maintaining executive talent, we evaluate our compensation practices on an ongoing basis to ensure that we are providing market-competitive compensation opportunities for our executive team.

As we only recently transitioned from being a privately-held company to a publicly-traded company, we will continue to evaluate our philosophy and compensation programs as circumstances require and plan to review compensation on an annual basis. As part of this review process, we expect to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to us if we were required to find a replacement for a key employee.

Compensation-Setting Process

Our board of directors has adopted a written charter for the compensation committee that establishes, among other things, the compensation committee's purpose and its responsibilities with respect to executive compensation. The charter of the compensation committee provides that the compensation committee shall, among other things, assist the board of directors in its oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure.

Prior to 2014, neither we nor our board or compensation committee had retained a compensation consultant to provide services in respect of executive compensation. In 2015, our compensation committee retained Towers Watson Canada Inc., or Towers Watson, a consulting firm which provides independent advice in executive compensation and related governance issues, to provide services exclusively to the compensation committee in connection with executive compensation matters for 2016, including the following:

- assist in reviewing the competitiveness of our cash compensation arrangements for our executives;
- assist in determining new option awards for our executives;
- suggest a peer company group composed of industry-related, public companies with revenues, market capitalization and employee populations comparable to us; and
- conduct an executive compensation assessment analyzing the current cash and equity compensation of our senior management team against compensation for similarly situated executives at our peer group companies.

For the foregoing services, Towers Watson billed us an aggregate of approximately C$124,000 in 2015. Towers Watson does not provide any services to us other than its provision of services to the compensation committee.

The compensation paid in 2015 to our Chief Executive Officer, our Chief Financial Officer and our other three most highly compensated executive officers, which we refer to as our named executive officers or NEOs, for the year ending December 31, 2015, is summarized below under the heading "Summary Compensation Table".

Executive Compensation Program Components

In 2015, our compensation program consisted primarily of the following elements: base salary, long-term equity incentive compensation and customary benefit programs.

Base Salary . We provide base salary as a fixed source of compensation for our executive officers. Base salaries for NEOs are established based on the scope of their responsibilities and competencies, and taking into consideration the NEO's total compensation package and our overall approach to compensation. Base salaries are reviewed annually and increased for merit reasons, based on the executive's success in meeting or exceeding individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope of breadth of an executive's role or responsibilities, as well as to maintain market competitiveness. The board does not apply specific formulas or undertake benchmarking in determining base salary levels.

Bonuses. We do not provide performance bonuses or incentives, including for our named executive officers. We expect all employees to perform at a level deserving of a bonus, and have taken this into consideration in setting total compensation for all employees, including the named executive officers. We believe that this promotes a focus on long-term value creation.

Equity Compensation. As a privately held company for most of our history, we had historically used stock options as the principal component of our executive compensation program. Consistent with our compensation objectives, we believe this approach has allowed us to attract and retain key talent in our industry and aligned our executive team's focus and contributions with the long-term interests of the company and our shareholders. Typically, stock options granted to our executive officers are subject to time-based vesting at a rate of 25% on the first anniversary of the vesting start date with the remainder vesting in equal installments over the next three years, allowing them to serve as an effective retention tool and to focus the executives on achieving long-term value. We anticipate that future equity grants to executive officers may include restricted stock units (RSUs) in addition to stock options.

In determining the size and frequency of executive option awards, our board has customarily considered, among other things, individual negotiations with the executive officers at their time of hire, the executive officer's total compensation opportunity, the need to create a meaningful opportunity for reward predicated on the creation of long-term shareholder value, the need to attract and retain employees in the absence of a cash bonus program, the Chief Executive Officer's recommendations, individual accomplishments, adjustments to duties, the executive officer's existing equity award holdings (including the unvested portion of such awards), and the retention implications of existing grants and our incentive goals.

Given the existing equity holdings of our executive team, and taking into consideration the unvested portion and value of outstanding equity awards, no equity award grants were made to our named executive officers in 2015.

Employee Benefits. We provide standard health, dental, life and disability insurance benefits to our executive officers, on the same terms and conditions as provided to all other eligible employees. We do not offer a deferred compensation plan or pension plan.

We currently do not provide executive perquisites that are not generally available on a non-discriminatory basis to all of our employees. However, from time to time, we may consider providing such perquisites to our executives to the extent our board believes that they are important for attracting and retaining key executive talent.

Compensation Risk Assessment

In connection with our initial public offering in May 2015, our board of directors reviewed the potential risks associated with the structure and design of our various compensation plans, including a comprehensive review of the material compensation plans and programs for all employees. Our board of directors concluded that our compensation plans and programs operate within our larger corporate governance and review structure that serves and support risk mitigation and discourages excessive or unnecessary risk-taking behavior.

Summary Compensation Table

The following table summarizes the compensation we paid to our named executive officers for the year ending December 31, 2015, our first fiscal year as a public company.

Name and Principal Position	Salary [1] ($)	Share-based Awards [2] ($)	Option-based Awards [3] ($)	Non-Equity Incentive Plan Compensation [4] ($)		Pension Value [5] ($)	All Other Compensation [6] ($)	Total Compensation ($)
				Annual incentive plans	Long-term incentive plans			
Tobias Lütke Chief Executive Officer	$310,675	-	-	-	-	-	$11,556	$322,231
Russell Jones Chief Financial Officer	$234,813	-	-	-	-	-	$4,753	$239,566
Harley Finkelstein Chief Operating Officer	$234,813	-	-	-	-	-	$4,658	$239,471
Craig Miller Chief Marketing Officer	$234,813	-	-	-	-	-	$5,019	$239,832
Daniel Weinand Chief Design Officer	$234,813	-	-	-	-	-	$4,670	$239,483

(1) Base salaries are paid to our named executive officers in Canadian dollars. For the year ending December 31, 2015, we paid a base salary of C$430,000 to Mr Lütke, C$325,000 to Mr. Jones, and C$325,001 to each of Messrs. Finkelstein, Miller and Weinand. The base salary amounts reported in the above table have been converted to U.S. dollars using an exchange rate of C$1.00 = US$0.7225, which was the Bank of Canada noon rate on December 31st, 2015.

(2) We did not grant any share-based awards to our named executive officers in 2015.

(3) We did not grant any option-based awards to our named executive officers in 2015.

(4) We do not currently offer non-equity incentive plan compensation.

(5) We do not currently offer a deferred compensation plan or pension plan.

(6) None of the named executive officers are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their base salary.

Outstanding Option-Based and Share-based Awards

The following table indicates, for each of the named executive officers, all option-based and share-based awards outstanding as of December 31, 2015 .

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options exercisable [1] (#)	Option Exercise Price [2] ($)	Option expiration date	Value of Unexercised In-The-Money Options [3] ($)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Tobias Lütke	425,899	0.09	July 1, 2018	10,951,269	—	—
	332,730	0.12	September 30, 2020	8,545,970	—	—
	403,348	6.22	December 17, 2024	7,897,554	—	—
Russell Jones	302,015	0.15	April 26, 2021	7,746,081	—	—
	181,255	0.36	March 28, 2022	4,610,765	—	—
	121,004	6.22	December 17, 2024	2,369,258	—	—
Harley Finkelstein	172,509	0.12	June 7, 2020	4,430,790	—	—
	166,365	0.12	September 30, 2020	4,272,985	—	—
	174,870	0.15	August 10, 2021	4,485,066	—	—
	80,670	6.22	December 17, 2024	1,579,519	—	—
Craig Miller	522,568	0.15	August 10, 2021	13,402,824	—	—
	100,000	0.74	July 12, 2023	2,506,000	—	—
	322,678	6.22	December 17, 2024	6,318,035	—	—
Daniel Weinand	80,670	6.22	December 17, 2024	1,579,519	—	—

(1) The stock options reflected in this column were granted under our Legacy Option Plan, each such option is exercisable for one Class B multiple voting share. For a description of the terms of stock options granted under our Legacy Option Plan, see "-Incentive Plans-Legacy Option Plan."

(2) Some of these options have an exercise price in Canadian dollars. Such exercise prices have been converted to U.S. dollars using an exchange rate of C$1.00 = US$0.7225, which was the Bank of Canada noon rate on December 31, 2015.

(3) The value of unexercised in-the-money options is calculated based on the closing price on the NYSE of $25.80 on December 31, 2015 of our Class A subordinate voting shares. Each Class B multiple voting share is convertible, at the option of the holder, into one Class A subordinate voting share.

Incentive Plan Awards-Value Vested or Earned During the Year

The following table indicates, for each of the named executive officers, a summary of the value of the option-based and share-based awards that vested in accordance with their terms during the year ending December 31, 2015.

Name	Option-Based Awards-Value Vested During the Year [1] ($)	Share-Based Awards-Value Vested During the Year ($)
Tobias Lütke	2,467,981	—
Russell Jones	2,120,961	—
Harley Finkelstein	1,660,990	—
Craig Miller	2,885,371	—
Daniel Weinand	493,592	—

(1) The value of options vested during the year is calculated based on the closing price on the NYSE of $25.80 on December 31, 2015 of our Class A subordinate voting share. Each Class B multiple voting share is convertible, at the option of the holder, into one Class A subordinate voting share.

Executive Employment Arrangements and Termination and Change in Control Benefits

On October 15, 2010, we entered into an employment agreement with Mr. Lütke setting forth the terms and conditions of his employment as our Chief Executive Officer, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, non-competition and non-solicitation,

as well as eligibility for our benefit plans. Mr. Lütke's agreement also provides that the vesting of any unvested equity awarded to Mr. Lütke will be accelerated in the event of a change in control transaction. In addition, in the case of termination of employment other than for cause, Mr. Lütke's employment agreement provides that he is entitled to a termination payment equal to a period of 12 months plus one additional month of base salary for each complete calendar year of service performed by Mr. Lütke, up to a maximum termination payment equal to a period of 18 months, as well as continued benefits for such period of time, and all eligible bonuses. Mr. Lütke's agreement provides that, for purposes of calculating the applicable termination payment period, the first complete calendar year of service ended on September 30, 2011, with each subsequent complete calendar year of service ending on each anniversary of such date.

On March 7, 2011, we entered into an employment agreement with Mr. Jones setting forth the terms and conditions of his employment as our Chief Financial Officer, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, non-competition and non-solicitation, as well as eligibility for our benefit plans. Mr. Jones' agreement also provides that the vesting of any unvested equity awarded to Mr. Jones will be accelerated in the event of his involuntary termination of employment on or immediately prior to the time of completion of a change in control transaction. In addition, in the case of termination of employment other than for cause, Mr. Jones' employment agreement provides that he is entitled to a termination payment equal to a period of three months plus one additional month of base salary for each complete calendar year of service performed by Mr. Jones, up to a maximum termination payment equal to a period of six months, as well as continued benefits for such period of time and all eligible bonuses.

On July 5, 2011, we entered into an employment agreement with Mr. Miller setting forth the terms and conditions of his employment, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, non-competition and non-solicitation, as well as eligibility for our benefit plans. In addition, Mr. Miller's agreement also provides that the vesting of the unvested equity of his initial equity award will be accelerated by 12 months in the event of certain change in control transactions. In the case of termination of employment other than for cause, Mr. Miller's employment agreement provides that he is entitled to a termination payment equal to a period of three months plus one additional month of base salary for each complete calendar year of service performed by Mr. Miller, up to a maximum termination payment equal to a period of six months, as well as continued benefits for such period of time, and all eligible bonuses.

The terms and conditions of employment for each of Messrs. Finkelstein and Weinand are set forth in written letter agreements, each dated December 9, 2010, which include, among other things, provisions regarding initial base salary, initial equity award, eligibility for our benefit plans generally, and confidentiality, non-competition and non-solicitation. These agreements do not provide for any contractual severance entitlements or equity acceleration.

The table below shows the incremental payments that would be made to our named executive officers under the terms of their employment agreements upon the occurrence of certain events.

Name and Principal Position	Event	Severance [1] ($)	Options [2][3] ($)	Other Payments ($)	Total ($)
Tobias Lütke Chief Executive Officer	Termination other than for cause; Change in control	429,641	7,154,392	—	7,584,033
Russell Jones Chief Financial Officer	Termination other than for cause; Involuntary termination on or immediately prior to a change in control	119,783	3,414,165	—	3,533,948
Harley Finkelstein Chief Operating Officer	-	—	—	—	—
Craig Miller Chief Marketing Officer	Termination other than for cause; Change in control	119,916	—	—	119,916
Daniel Weinand Chief Design Officer	-	—	—	—	—

(1) Severance payments are calculated based on the base salary we pay to the executive officer, which is paid in Canadian dollars. The severance amounts reported in the table have been converted to U.S. dollars using an exchange rate of C$1.00 = US$0.7225, which was the Bank of Canada noon rate on December 31, 2015.

(2) The value of unvested options is calculated based on the closing price on the NYSE of 25.80 on December 31, 2015 of our Class A subordinate voting shares. Each Class B multiple voting share is convertible, at the option of the holder, into one Class A subordinate voting share.

(3) Mr. Lütke's employment agreement provides that the vesting of any unvested equity awarded to Mr. Lütke will be accelerated in the event of a change in control transaction. Mr. Jones' agreement provides that the vesting of any unvested equity awarded to Mr. Jones will be accelerated in the event of his involuntary termination of employment on or immediately prior to the time of completion of a change in control transaction.

Compensation of Directors

Mr. Lütke, the Chairman of our board of directors, is also our Chief Executive Officer. Mr. Lütke does not receive any additional compensation for his service as a director. See "-Compensation of Executives" for disclosure relating to his compensation.

In 2015, our directors did not receive any compensation for serving on our board of directors, with the exception of Mr. Collins and Mr. Ashe. In 2015, Mr. Collins received compensation of $20,000 for his services as a member of our board of directors and $10,000 for his services as chair of our audit committee. Mr. Ashe received compensation of $20,000 for his services as a member of our board of directors, $10,000 for his services as Chair of our compensation committee and $5,000 for his services as a member of our audit committee.

The written charter of our compensation committee provides that the committee will review compensation for members of our board of directors on at least an annual basis, taking into account their responsibilities and time commitment and information regarding the compensation paid at peer companies. The compensation committee will make recommendations to our board of directors with respect to changes to our approach to director compensation as it considers appropriate.

Each member of our board of directors is entitled to reimbursement for reasonable travel and other expenses incurred in connection with attending board meetings and meetings for any committee on which he serves.

Incentive Plans

We have adopted a Fourth Amended and Restated Incentive Stock Option Plan referred to here as our Legacy Option Plan. As of December 31, 2015, a total of 10,519,901 options were outstanding under the Legacy Option Plan, and each such option is exercisable for one Class B multiple voting share. No further awards will be made under the Legacy Option Plan.

Our new stock option plan, or the Stock Option Plan, as well as our long term incentive plan, or the LTIP (and, together with the Stock Option Plan, the Incentive Plans) each became effective upon the completion of our initial public offering in May 2015. Options granted under the Stock Option Plan are exercisable for Class A subordinate voting shares. As of December 31, 2015, a total of 684,125 options were outstanding under the Stock Option Plan. The LTIP provides for the grant of share units, or LTIP Units, consisting of restricted share units, or RSUs, performance share units, or PSUs, and deferred share units, or DSUs. As of December 31, 2015, a total of 428,566 RSUs were outstanding under the LTIP.

Stock Option Plan

The Stock Option Plan allows for the grant of options to our directors, executive officers, employees and consultants. Our board of directors is responsible for administering the Stock Option Plan, and the compensation committee will make recommendations to our board of directors in respect of matters relating to the Stock Option Plan. The following discussion is qualified in its entirety by the text of the Stock Option Plan.

Our board of directors, in its sole discretion, shall from time to time designate the directors, executive officers, employees or consultants to whom options shall be granted, the number of Class A subordinate shares to be covered by each option granted and the terms and conditions of such option.

The maximum number of Class A subordinate voting shares reserved for issuance, in the aggregate, under our Stock Option Plan and the LTIP was initially equal to 3,743,692 Class A Shares, representing 2,500,000 Class A subordinate voting shares, plus the number of shares subject to the Legacy Option Plan's available reserve as of the date of the closing of our initial offering, which was 1,243,692.

We currently do not provide any financial assistance to participants under the Stock Option Plan.

As of December 31, 2015 , a total of 684,125 options were outstanding under the Stock Option Plan, and the Class A multiple voting shares issuable upon exercise of such options represent in the aggregate: (i) 1.2% of the Class A subordinate voting shares issued and outstanding as of December 31, 2015 , and (ii) 0.9% of the total Class A subordinate shares and Class B multiple voting shares collectively issued and outstanding as of December 31, 2015 .

The number of Class A subordinate voting shares available for issuance, in the aggregate, under the Stock Option Plan and the LTIP will be automatically increased on January 1 of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B multiple voting shares on December 31 of the preceding calendar year. Our board of directors, however, may act prior to January 1 of a given year to provide that there will be no January 1 increase in the maximum number of Class A subordinate voting shares reserved for issuance under the Stock Option Plan and the LTIP for the then-upcoming fiscal year or to provide that any increase in the Class A subordinate voting share reserve for that year will be a lesser number of Class A subordinate voting shares. For 2016, our board of directors has not limited the 5% increase to the number of Class A subordinate voting shares available for issuance, in the aggregate, under the Stock Option Plan and the LTIP, so that as of January 1, 2016 there were 6,786,124 Class A subordinate voting shares reserved for issuance, in the aggregate, under the Stock Option Plan and the LTIP.

All of the Class A subordinate voting shares covered by expired, cancelled or forfeited options granted under the Stock Option Plan, as well as a number of Class A subordinate voting shares equal to the number of Class B multiple voting shares covered by expired, cancelled or forfeited options granted under the Legacy Option Plan and a number of Class A subordinate voting shares that become re-available for grants pursuant to the terms of the LTIP will automatically become available Class A subordinate voting shares for the purposes of options that may be subsequently granted under the Stock Option Plan and for purposes of the LTIP.

All options granted under the Stock Option Plan will have an exercise price determined and approved by our board of directors at the time of grant, which shall not be less than the market price of the Class A subordinate voting shares at such time. For purposes of the Stock Option Plan, the market price of the Class A subordinate voting shares shall be the volume weighted average trading price of the Class A subordinate voting shares on the NYSE for the five trading days ending on the last trading day before the day on which the option is granted.

An option shall be exercisable during a period established by our board of directors which shall commence on the date of the grant and shall terminate not later than ten years after the date of the granting of the option. The Stock Option Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate ten business days after the last day of the blackout-period.

The Stock Option Plan also provides that appropriate adjustments, if any, will be made by our board of directors in connection with a reclassification, reorganization or other change of shares, consolidation, distribution, merger or amalgamation or similar corporate transaction, in order to maintain the optionees' economic rights in respect of their options in connection with such change in capitalization, including adjustments to the exercise price and/or the number of Class A subordinate voting shares to which an optionee is entitled upon exercise of options, or permitting the immediate exercise of any outstanding options that are not otherwise exercisable.

The following table describes the impact of certain events upon the rights of holders under the Stock Option Plan, including termination for cause, resignation, termination other than for cause, retirement, death or disability:

Event	Provisions
Termination for cause	Forfeiture of all unvested options Cancellation of all unexercised options as of date of termination
Resignation	Forfeiture of all unvested options 90 days after resignation to exercise vested options
Termination other than for cause	Forfeiture of all unvested options 90 days after termination to exercise vested options
Retirement	Forfeiture of all unvested options 90 days after retirement to exercise vested options
Death or disability	Forfeiture of all unvested options one year after event to exercise vested options

A participant's grant agreement or any other written agreement between a participant and Shopify may provide that unvested options be subject to acceleration of vesting and exercisability in certain circumstances, including in the event of certain change of control transactions. Our board of directors may at its discretion accelerate the vesting of any outstanding options notwithstanding the previously established vesting schedule, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration or, subject to applicable regulatory provisions and shareholder approval, extend the expiration date of any option, provided that the period during which an option is exercisable does not exceed ten years from the date such option is granted.

Our board of directors may amend the Stock Option Plan or any option at any time without the consent of the optionees provided that such amendment shall (i) not adversely alter or impair any option previously granted except as permitted by the terms of the Stock Option Plan, (ii) be subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be in compliance with applicable law and subject to shareholder approval, where required by law, the requirements of the TSX or the Stock Option Plan, provided however that shareholder approval shall not be required for the following amendments and our board of directors may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the Stock Option Plan;
- a change to the provisions of any option governing vesting, assignability and effect of termination of a participant's employment contract or office;
- the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;
- a change to advance the date on which any option may be exercised under the Stock Option Plan; and
- a change to the eligible participants of the Stock Option Plan.

For greater certainty, our board of directors shall be required to obtain shareholder approval to make the following amendments:

- any amendment which reduces the exercise price of any option after the options have been granted or any cancellation of an option and the substitution of that option by a new option with a reduced price, except in the case of an adjustment pursuant to a change in capitalization;
- any amendment which extends the expiry date of any option beyond the original expiry date, except in case of an extension due to a black-out period;
- any increase to the maximum number of Class A subordinate shares issuable from treasury under the Stock Option Plan and any other treasury-based share compensation plans, other than an adjustment pursuant to a change in capitalization; and
- any amendment to the amendment provisions of the Stock Option Plan.

Except as specifically provided in an option agreement approved by our board of directors, options granted under the Stock Option Plan are generally not transferable; however, an optionee may, with the prior approval of the company, transfer options to (i) such optionee's family or retirement savings trust, or (ii) registered retirement savings plans or registered retirement income funds of which the optionee is and remains the annuitant.

Legacy Option Plan

We have previously granted to certain directors, employees, officers and consultants options to purchase common shares of the company under the Legacy Option Plan. As part of the reorganization of our share capital in connection with our initial public offering, each option issued and outstanding under the Legacy Option Plan became exercisable for Class B multiple voting shares. The options issued under the Legacy Option Plan were granted at exercise prices equal to the fair market value of the underlying shares at the time of initial grant. The exercise price of certain options was subsequently adjusted in accordance with the terms of the Legacy Option Plan to reflect the split of all our issued and outstanding common shares on a 5-for-1 basis which occurred on April 12, 2013. For additional information relating to options outstanding under the Legacy Option Plan, see "Description of Share Capital-Options to Purchase Securities."

The Legacy Option Plan provides that appropriate adjustments, if any, will be made by our board of directors in connection with any subdivision, redivision, consolidation, merger, recapitalization or similar change affecting the Class B multiple voting shares, including adjustments to the exercise price and/or the number of Class B multiple voting shares to which an optionee is entitled upon exercise of options.

In connection with our initial public offering, our Legacy Option Plan was amended and restated to, among other things, introduce a cashless exercise feature and to include terms and conditions required by the TSX for a stock option plan such as provisions and restrictions relating to amendment of the Legacy Option Plan or options similar to those applicable to the Stock Option Plan summarized above under "-Stock Option Plan".

No additional options will be granted under the Legacy Option Plan. As of December 31, 2015 , a total of 10,519,901 options were outstanding under the Legacy Option Plan, and the Class B multiple voting shares issuable upon exercise of such options represent in the aggregate: (i) 45.2% of the Class B multiple voting shares issued and outstanding as of December 31, 2015 , and (ii) 13.1% of the total Class A subordinate shares and Class B multiple voting shares collectively issued and outstanding as of December 31, 2015 .

LTIP

In connection with our initial public offering, we adopted the LTIP to provide us with flexibility in the design of our long-term incentive compensation arrangements for our directors, officers, employees and consultants (in the case of RSU and PSU grants) and directors (in the case of DSU grants). Our board of directors is responsible for administering the LTIP, and the compensation committee will make recommendations to our board of directors in respect of matters relating to the LTIP. The following discussion is qualified in its entirety by the text of the LTIP.

Under the terms of the LTIP, our board of directors, or if authorized by our board of directors, our compensation committee, may grant LTIP Units as RSUs, PSUs or DSUs. Each LTIP Unit represents the right to receive one Class A subordinate voting share in accordance with the terms of the LTIP. Participation in the LTIP is voluntary and, if an eligible participant agrees to participate, the grant of LTIP Units will be evidenced by a grant agreement with each such participant. The interest of any participant in any LTIP Unit is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death of the participant.

In the event that a participant receives Class A subordinate voting shares in satisfaction of a grant of RSUs, PSUs or DSUs during a black-out period, such participant shall not be entitled to sell or otherwise dispose of such Class A subordinate voting share until such black-out period has expired.

The LTIP provides that appropriate adjustments, if any, will be made by our board of directors in connection with a reclassification, reorganization or other change of shares, consolidation, distribution, merger or amalgamation, in the

Class A subordinate voting shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the LTIP.

Unless otherwise approved by our board of directors and except as otherwise provided in a participant's grant agreement or any other provision of the LTIP, RSUs will vest as to 1/3 each on the first, second and third anniversary dates of the date of grant. Unless otherwise approved by our board of directors, unvested RSUs previously credited to the participant's account will expire in the event that the participant is terminated for cause or resigns without good reason, and will vest in the event that the participant retires, is terminated without cause, dies or is incapacitated.

A PSU participant's grant agreement will describe the performance criteria established by our board of directors that must be achieved for PSUs to vest to the PSU participant, provided the participant is continuously employed by or in our service or the service or employment of any of our affiliates from the date of grant until such PSU vesting date. Unless otherwise determined by our board of directors, unvested PSUs previously credited to the participant's account will expire in the event that the participant ceases to be an eligible participant.

Our board of directors may, in its sole discretion, suspend or terminate the LTIP at any time or from time to time amend, revise or discontinue the terms and conditions of the LTIP or of any LTIP Unit granted under the LTIP and any grant agreement relating thereto, subject to any required regulatory and stock exchange approval, provided that such suspension, termination, amendment, or revision will not adversely alter or impair any LTIP Unit previously granted except as permitted by the terms of the LTIP or as required by applicable laws.

Our board of directors may amend the LTIP or any LTIP Unit at any time without the consent of a participant provided that such amendment shall (i) not adversely alter or impair any LTIP Unit previously granted except as permitted by the terms of the LTIP, (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be subject to shareholder approval, where required by law, the requirements of the TSX or the LTIP, provided however that shareholder approval shall not be required for the following amendments and our board of directors may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the LTIP;
- changes that alter, extend or accelerate the terms of vesting or settlement applicable to any LTIP Units; and
- a change to the eligible participants under the LTIP.

provided that the alteration, amendment or variance does not:

- increase the maximum number of Class A subordinate voting shares issuable under the LTIP, other than an adjustment pursuant to a change in capitalization; or
- amend the amendment provisions of the LTIP.

No such amendment to the LTIP shall cause the LTIP in respect of RSUs or PSUs to cease to be a plan described in section 7 of the *Income Tax Act* (Canada) or any successor to such provision and no such amendment to the LTIP shall cause the LTIP in respect of DSUs to cease to be a plan described in regulation 6801(d) of the *Income Tax Act* (Canada) or any successor to such provision. If any provision of the LTIP contravenes Section 409A of the U.S. Internal Revenue Code of 1986, as amended, or the Code, our board of directors may, in its sole discretion and without the participant's consent, modify such provision to: (i) comply with, or avoid being subject to, Code Section 409A, or to avoid incurring taxes, interest or penalties under Code Section 409A, or otherwise; and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the participant of the applicable provision without materially increasing the cost to us and contravening Code Section 409A.

As of December 31, 2015 , a total of 428,566 RSUs were outstanding under the LTIP, and the Class A multiple voting shares issuable upon vesting of such RSUs represent in the aggregate: (i) 0.8% of the Class A subordinate voting shares issued and outstanding as of December 31, 2015 , and (ii) 0.5% of the total Class A subordinate shares and Class B multiple voting shares collectively issued and outstanding as of December 31, 2015 .

Indebtedness of Directors, Officers and Members of Senior Management

None of our directors or officers, and no associate or affiliate of any of them, is or has been indebted to us at any time.

C. Board Practices

Our directors are either elected annually by the shareholders at the annual meeting of shareholders or, subject to our articles of incorporation and applicable law, appointed by our board of directors between annual meetings. Each director holds office until the close of the next annual meeting of our shareholders or until he or she ceases to be a director by operation of law, or until his or her removal or resignation becomes effective. Executive officers are appointed by the board of directors to serve, subject to the discretion of the board of directors, until their successors are appointed.

Arrangements Concerning Election of Directors

Our current board of directors consists of six directors. Pursuant to the terms of a Second Amended and Restated Shareholder Voting Agreement, as amended, among our existing shareholders, certain of our shareholders had rights to designate or elect members to our board of directors. Tobias Lütke, John Phillips, Jeremy Levine, Trevor Oelschig, Steven Collins and Robert Ashe were elected to our board of directors pursuant to these arrangements. Our articles of incorporation were amended in connection with our initial public offering to remove this appointment right, and the Second Amended and Restated Shareholder Voting Agreement terminated upon the completion of the initial public offering. Currently-serving directors that were appointed prior to our initial public offering pursuant to the terms of these arrangements will continue to serve pursuant to their appointment until the next annual general meeting of shareholders, unless they resign or are removed earlier.

Composition of our Board of Directors

Under our restated articles of incorporation, our board of directors is to consist of a minimum of one and a maximum of 10 directors as determined from time to time by the directors. Our board of directors is currently comprised of six directors. Under the CBCA, a director may be removed with or without cause by a resolution passed by a majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. The directors are appointed at the annual general meeting of shareholders and the term of office for each of the directors will expire at the time of our next annual shareholders meeting. Under the CBCA, at least one quarter of our directors must be resident Canadians as defined in the CBCA. Our restated articles of incorporation provide that, between annual general meetings of our shareholders, the directors may appoint one or more additional directors, but the number of additional directors so appointed may not at any time exceed one-third of the number of directors who held office at the expiration of the last meeting of our shareholders.

There are no family relationships among any of our directors or executive officers.

For further information, please see Item 6.A. “Directors, Senior Management and Employees — Directors and Senior Management” and Item 6.B. “Compensation”.

Board Committees

The standing committees of our board of directors consist of an audit committee, a compensation committee, and a nominating and corporate governance committee.

Audit Committee

Our audit committee is comprised of Messrs. Ashe, Collins and Phillips, and is chaired by Mr. Collins. Our board of directors has determined that each of these directors meets the independence requirements, including the heightened independence standards for members of the audit committee, of the NYSE, the SEC and National Instrument 52-110 - Audit Committees ("NI 52-110"). Our board of directors has determined that each of the members of the audit

committee is "financially literate" within the meaning of the NYSE rules and NI 52-110. Mr. Collins has been identified as an audit committee financial expert as defined by the SEC rules. Mr. Collins currently serves as chair of the audit committee of Instructure, Inc. (NYSE). Mr. Ashe currently serves on the audit committees of three public companies: Halogen Software (TSX), ServiceSource International (NASDAQ) and MSCI Inc. (NYSE). Our board of directors has determined that Mr. Ashe's simultaneous service on those audit committees does not impair his ability to effectively serve on our audit committee. For a description of the education and experience of each member of the audit committee, see "— Directors and Senior Management".

Our board of directors has established a written charter setting forth the purpose, composition, authority and responsibility of the audit committee, consistent with the rules of the NYSE, the SEC and NI 52-110. The principal purpose of our audit committee is to assist our board of directors in discharging its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications, appointment and performance of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management's responsibility for assessing and reporting on the effectiveness of such controls;
- our compliance with applicable legal and regulatory requirements; and
- our enterprise risk management processes.

Our audit committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities.

Our audit committee also reviews our policies and procedures for reviewing and approving or ratifying related-party transactions, and it is responsible for reviewing and approving or ratifying all related-party transactions.

Pre-Approval Procedures for Non-Audit Services

In addition to recommending the auditors to be nominated and reviewing the compensation of the auditors, the audit committee is also responsible for the pre-approval of all non-audit services to be provided to us by our auditor. At least annually, the audit committee will review and confirm the independence of the auditor by obtaining statements from the independent auditor describing all relationships or services that may affect their independence and objectivity, and the committee will take appropriate actions to oversee our auditor.

Compensation Committee

Our compensation committee is comprised of Messrs. Ashe, Oelschig and Phillips, and is chaired by Mr. Ashe. Under SEC and the NYSE rules, there are heightened independence standards for members of the compensation committee. All of our compensation committee members meet this heightened standard and are also independent for purposes of National Instrument 58-101 - Disclosure of Corporate Governance Practices ("NI 58-101"). For a description of the background and experience of each member of our compensation committee, see "—Directors and Senior Management."

Our board of directors has established a written charter setting forth the purpose, composition, authority and responsibility of the compensation committee consistent with the rules of the NYSE, the SEC and the guidance of the Canadian Securities Administrators. The compensation committee's purpose is to assist the board in its oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure. The principal responsibilities and duties of the compensation committee include:

- reviewing at least annually our executive compensation plans;
- evaluating at least once a year our Chief Executive Officer's performance in light of the goals and objectives established by our board of directors and, based on such evaluation, with appropriate input from other independent members of our board of directors, determining the Chief Executive officer's annual compensation;

- reviewing on an annual basis the evaluation process and compensation structure for our executive officers and, in consultation with our Chief Executive Officer, reviewing the performance of the other executive officers in order to make recommendations to our board of directors with respect to the compensation for such officers;
- assessing the competitiveness and appropriateness of our policies relating to the compensation of executive officers on an annual basis; and
- reviewing and, if appropriate, recommending to our board of directors the approval of any adoption, amendment and termination of our incentive and equity-based incentive compensation plans (and the aggregate number of shares to be reserved for issuance thereunder), and overseeing their administration and discharging any duties imposed on the compensation committee by any of those plans.

Further particulars of the process by which compensation for our executive officers is determined is provided under the heading "—Executive Compensation."

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Messers. Levine, Oelschig and Phillips, each of whom is independent for purposes of NI 58-101. The nominating and corporate governance committee is chaired by Mr. Phillips.

Our board of directors has established a written charter setting forth the purpose, composition, authority and responsibility of our nominating and corporate governance committee. The nominating and corporate governance committee's purpose is to assist our board of directors in:

- identifying individuals qualified to become members of our board of directors;
- selecting or recommending that our board of directors select director nominees for the next annual meeting of shareholders and determining the composition of our board of directors and its committees;
- developing and overseeing a process to assess our board of directors, the Chairman of the board, the committees of the board, the chairs of the committees, individual directors and management; and
- developing and implementing our corporate governance guidelines.

In identifying new candidates for our board of directors, the nominating and corporate governance committee will consider what competencies and skills our board of directors, as a whole, should possess and assess what competencies and skills each existing director possesses, considering our board of directors as a group, and the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.

It is the responsibility of the nominating and corporate governance committee to regularly evaluate the overall efficiency of our board of directors and our Chairman and all board committees and their chairs. As part of its mandate, the nominating and corporate governance committee will conduct the process for the assessment of our board of directors, each committee and each director regarding his, her or its effectiveness and contribution, and report evaluation results to our board of directors on a regular basis.

Compensation Committee Interlocks and Insider Participation.

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

D. Employees

As of December 31, 2015, the Company and its subsidiaries employed 1,048 employees and contractors worldwide. The following table sets forth information concerning our employees and contractors by geographic location for the past three

fiscal years:

	Years ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
Canada	979	520	324
Ireland	43	—	—
Other Countries	26	15	10
	1,048	535	334

E. Share Ownership

See Item 7.A. "Major Shareholders and Related Party Transactions - Major Shareholders".

Please see Item 6.B. “Compensation” for information regarding option-based awards.

All employees are eligible to participate in our Stock Option Plan and Long Term Incentive Plan as outlined in Item 6.B. “Compensation”.

Item 7. ***Major Shareholders and Related Party Transactions***

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our shares as of December 31, 2015, by:

- each person known to our management to be the beneficial owner of 5% or more of our outstanding capital;
- each of our directors and executive officers; and
- all of our current directors and executive officers as a group.

As of December 31, 2015, 56,877,089 Class A subordinate voting shares and 23,261,007 Class B multiple voting shares were issued and outstanding.

	Class A subordinate voting shares		Class B multiple voting shares		% of Total Voting Power
	Number	%	Number	%	%
5% Shareholders					
Entities affiliated with Bessemer Venture Partners [1]	12,124,514	21.32%	-	-	4.19%
Klister Credit Corp. [2]	750,000	1.32%	4,246,060	18.25%	14.93%
OMERS Ventures II, L.P. [3]	-	-	3,229,485	13.88%	11.16%
Bruce McKean	3,713,865	6.53%	-	-	1.28%
Entities affiliated with Georgian Partners [4]	1,503,030	2.64%	2,151,775	9.25%	7.95%
Entities affiliated with Insight Venture Partners [5]	-	-	2,960,275	12.73%	10.23%
Entities affiliated with FirstMark Capital [6]	7,921,775	13.93%	-	-	2.74%
Executive Officers and Directors					
Tobias Lütke [7]	479,500	*	9,390,481	40.37%	32.6%
Russell Jones [8]	135,000	*	557,610	2.40%	1.97%
Harley Finkelstein [9]	137,603	*	447,356	1.92%	*
Daniel Weinand [10]	1,621,273	2.85%	28,571	*	1.59%
Cody Fauser [11]	1,286,591	2.26%	6,723	*	*
Craig Miller	-	-	523,146	2.25%	1.81%
Toby Shannan	-	-	296,975	1.28%	1.03%
Brittany Forsyth	24,267	*	58,417	*	*
Joseph Frasca	-	-	47,514	*	*
Jean-Michel Lemieux	3,800	*	-	-	*
Robert Ashe	58,825	*	21,875	*	*
Steve Collins	-	-	31,250	*	*
Jeremy Levine [12]	12,357,221	21.73%	-	-	4.27%
Trevor Oelschig [13]	12,127,157	21.32%	-	-	4.19%
John Phillips [2]	375,000	*	2,123,030	9.13%	7.46%
Executive Officers and Directors as a group(15 persons) [14]	**28,606,237**	**50.29%**	**13,532,948**	**58.18%**	**56.63%**

* Less than one percent.

(1) Reflects shares held, in the aggregate, by BVP VII Special Opportunity Fund L.P. ("BVP VII SOF"), Bessemer Venture Partners VII L.P. ("BVP VII") and Bessemer Venture Partners VII Institutional L.P. ("BVP VII Inst." and collectively with BVP VII SOF and BVP VII, the "BVP Funds"). BVP VII SOF holds 6,547,233 Class A subordinate voting shares. BVP VII holds 3,879,849 Class A subordinate voting shares. BVP VII Inst. holds 1,697,432 Class A subordinate voting shares. Deer VII & Co. L.P. ("Deer L.P.") is the general partner of the BVP Funds. Deer VII & Co. Ltd. ("Deer Ltd.") is the general partner of Deer L.P. J. Edmund Colloton, David J. Cowan, Byron B. Deeter, Robert P. Goodman, Jeremy S. Levine and Robert M. Stavis are the directors of, and have economic interests in, Deer Ltd. and as such the directors may be deemed to be beneficial owners (as such term is defined in General Instruction F of Form 20-F) of the shares held by the BVP Funds. Investment and voting decisions with respect to the shares held by the BVP Funds are made by the directors acting as a committee. The address for BVP Funds entities is 1865 Palmer Avenue, Suite 104, Larchmont, NY 10538. Bessemer Venture Partners' address is 1865 Palmer Avenue, Suite 104, Larchmont, New York 10538.

(2) One of our directors, John Phillips, is the Chief Executive Officer of Klister Credit Corp. (“Klister”), and directly or indirectly beneficially owns 50% of Klister and accordingly is considered to indirectly beneficially own 50% of our common shares owned by Klister. Mr. Phillips wife, Dr. Catherine Phillips, owns the remaining 50% of Klister.
(3) OMERS Ventures Management Inc. (“OVMI”) is the general partner of OMERS Ventures II, LP (“OV II LP”). OVMI is the ventures investment platform of OMERS Strategic Investments LP (“OSI”), the strategic investment arm of OMERS Administration Corporation (“OAC”). OAC is the administrator of the OMERS Primary Pension Plan and trustee of the pension funds. The OMERS Primary Pension Plan is a multi-employer pension plan providing defined pension benefits to local government employees in the Province of Ontario, Canada. OSI has been granted investment authority in respect of the OVMI investment portfolio pursuant to a delegation of investment authority from OAC. Investment and voting decisions with respect to the shares held by OV II LP are made by an investment committee comprised of the managing directors and directors of OVMI and approved by the Chief Executive Officer of OVMI and the Chief Executive Officer of OSI and as such these individuals may be deemed to have the power to vote and/or dispose of the shares held by OV II LP.
(4) Represents shares held, in the aggregate, by Georgian Partners I GP Inc. (“Georgian I”), Georgian Partners II GP Inc. ("Georgian II") and Georgian Growth Fund 1 L.P. (“Georgian Growth”) (collectively, “Georgian”). Georgian I holds 1,200,000 Class A subordinate voting shares and 1,736,580 Class B multiple voting shares, Georgian II holds 415,195 Class B multiple voting shares. Georgian Growth holds 303,030 Class A subordinate voting shares. Georgian I is the general partner of Georgian Partners I, GP LP, which is the general partner of Georgian Growth. Justin LaFayette, Simon Chong and John Berton are the directors (the “Georgian Directors”) of Georgian I and Georgian II. Investment and voting decisions with respect to the shares held by Georgian are made by the Georgian Directors acting as a committee.
(5) Represents shares held, in the aggregate, by Insight Venture Partners VIII LP ("Insight VP VIII"), Insight Venture Partners Delaware VIII LP ("Insight VP Delaware"), Insight Venture Partners Cayman VIII LP ("Insight Cayman"), and Insight Venture Partners (Co-Investors) VIII LP ("Insight Co-Investors"). Insight VP VIII holds 1,836,933 Class B multiple voting shares. Insight VP Delaware holds 582,620 Class B multiple voting shares. Insight Cayman holds 475,163 Class B multiple voting shares. Insight Co-Investors holds 65,559 Class B multiple voting shares.
(6) Based on Schedule 13G filed on February 12, 2016. Represents shares held by FirstMark Capital I, L.P. ("FMC I"). FMC I holds all 7,921,775 Class A subordinate voting shares, except FirstMark Capital I GP, the general partner of FMC I, may be deemed to have sole power to vote these shares and each of Richard Heitzmann and Amish Jani is a manager of FMC I GP and may be deemed to have shared power to vote these shares.
(7) Represents 8,489,000 Class B multiple voting shares held by 7910240 Canada Inc., which Tobias Lütke is deemed to beneficially own. Also consists of 216,000 Class A subordinate voting shares held by 7910240 Canada Inc., and 263,500 Class A subordinate voting shares held in trust by the Tobias Lütke Family Trust, for which Tobias Lütke serves as trustee. Also includes 901,481 stock options that are exercisable into Class B multiple voting shares within 60 days after December 31, 2015.
(8) Consists of 78,116 Class B multiple voting shares held directly by Russell Jones. Also consists of 135,000 Class A subordinate voting shares held in trust by R&J Jones Family Trust, for which Russell Jones serves as trustee, and 479,494 stock options that are exercisable into Class B multiple voting shares within 60 days after December 31, 2015.
(9) Consists of 73,473 Class A subordinate voting shares held directly by Harley Finkelstein, and 64,130 Class A subordinate voting shares held by 2480447 Ontario Inc., which Harley Finkelstein is deemed to beneficially own, and 447,356 stock options that are exercisable into Class B multiple voting shares within 60 days after December 31, 2015.
(10) Consists of 1,334,273 Class A subordinate voting shares held directly by Daniel Weinand. Also consists of 198,684 Class A subordinate voting shares held by 9179933 Canada Inc., which Daniel Weinand is deemed to beneficially own. Also consists of 88,316 Class A subordinate voting shares held in trust by the Daniel Weinand Family Trust, for which Daniel Weinand serves as trustee, and 28,571 stock options that are exercisable into Class B multiple voting shares within 60 days after December 31, 2015.
(11) Consists of 1,246,288 Class A subordinate voting shares held directly by Cody Fauser. Also consists of 40,303 Class A subordinate voting shares held in trust by the Fauser Family Trust, for which Cody Fauser serves as trustee, and 6,723 stock options that are exercisable into Class B multiple voting shares within 60 days after December 31, 2015.
(12) Jeremy Levine serves as an employee of Bessemer Venture Partners, the management company affiliate of the BVP Funds, and has an indirect economic interest in the BVP Funds by virtue of his investment in a limited partner of such BVP Funds. As such, Mr. Levine may be deemed to have beneficial ownership (within the meaning of General Instruction F of Form 20-F) of the shares held by the BVP Funds. Also consists of 232,707 Class A subordinate voting shares held directly by Mr. Levine.
(13) Trevor Oelschig serves as an employee of Bessemer Venture Partners, the management company affiliate of the BVP Funds, and has an indirect economic interest in the BVP Funds by virtue of his investment in a limited partner of such BVP Funds. As such, Mr. Oelschig may be deemed to have beneficial ownership (within the meaning of General Instruction F of Form 20-F) of the shares held by the BVP Funds. Also consists of 2,643 Class A subordinate voting shares held directly by Mr. Oelschig.
(14) Consists of 28,606,237 Class A subordinate voting shares shares beneficially owned by our directors and executive officers, 10,690,146 Class B multiple voting shares beneficially owned by our directors and executive officers and 2,842,802 Class B multiple voting shares issuable pursuant to outstanding stock options which are exercisable within 60 days after December 31, 2015.

Significant Changes in Ownership

Since January 1, 2013, the only significant change of which we have been notified in the percentage ownership of our shares by our major shareholders described above were that after our initial public offering in May 2015, entities affiliated with Bessemer Venture Partners converted their holdings from Class B multiple voting shares into Class A subordinate holdings shares, and divested 8,083,008 shares.

U.S. Shareholders

On December 31, 2015, we had 6 registered shareholders with addresses in the United States holding approximately 21,982,489 Class A subordinate voting shares and 8 registered shareholders with addresses in the United States holding an aggregate of 3,029,858 Class B multiple voting shares (which may include addresses of investment managers holding

securities on behalf of non-U.S. beneficial owners). Residents of the United States may beneficially own Class A subordinate voting shares or Class B multiple voting shares registered in the names of non-residents of the United States, and non-U.S. residents may beneficially own Class A subordinate voting shares or Class B multiple voting shares registered in the names of U.S. residents.

B. Related Party Transactions

Other than as disclosed elsewhere in this Annual Report, we have no related party transactions.

C. Interests of Experts and Counsel

Not applicable.

Item 8. ***Financial Information***

A. Consolidated Statements and Other Financial Information

Our Audited Consolidated Financial Statements are filed as a part of this Annual Report pursuant to Item 18 "Financial Statements", and are found immediately following the text of this Annual Report.

Legal Proceedings

We are involved in legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business. In particular, as is common in our industry, we have received notices alleging that we infringe patents belonging to various third parties. These notices are dealt with in accordance with our internal procedures, which include assessing the merits of each notice and seeking, where appropriate, a business resolution. Where a business resolution cannot be reached, litigation may be necessary. The ultimate outcome of any litigation is uncertain, and regardless of outcome, litigation can have an adverse impact on our business because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain any necessary license or other rights on commercially reasonable terms, or otherwise, or litigation arising out of intellectual property claims could materially adversely affect our business. As of the date of this document, we are not party to any litigation that we believe is material to our business.

Dividend Policy

We currently intend to retain any future earnings to fund the development and growth of our business and we do not currently anticipate paying dividends. Any determination to pay dividends to holders of shares in the future will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, legal requirements and other factors as the board of directors deems relevant. In addition, our outstanding Credit Agreements limit our ability to pay dividends and we may in the future become subject to debt instruments or other agreements that further limit our ability to pay dividends.

B. Significant Changes

No significant changes have occurred since the date of the audited consolidated financial statements which are found immediately following the text of this Annual Report.

Item 9. ***The Offer and Listing***

Item 9. Offer and Listing Details

Our Class A subordinate voting shares are listed and trade on the NYSE under the symbol SHOP and on the TSX under the symbol SH.

Since Shopify's shares began trading on May 21, 2015, the high and low market prices were:

	High	Low
NYSE: SHOP	$42.13	$18.48
TSX: SH	C$53.50	C$26.84

Since Shopify's shares began trading on May 21, 2015, the high and low market prices for each quarter were :

	Q2 2015 (May 21, 2015 - June 30, 2015)	Q3 2015	Q4 2015
NYSE: SHOP High	$42.13	$41.11	$39.29
NYSE: SHOP Low	$24.11	$22.70	$24.06
TSX: SH High	C$51.92	C$53.50	C$51.29
TSX: SH Low	C$30.00	C$30.50	C$33.30

For the last six months, the high and low market prices for each month were:

	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016
NYSE: SHOP High	$41.11	$37.95	$39.29	$33.93	$27.40	$26.50
NYSE: SHOP Low	$22.70	$25.55	$29.72	$25.53	$24.06	$18.48
TSX: SH High	C$53.50	C$49.85	C$51.29	C$44.24	C$37.44	C$36.82
TSX: SH Low	C$30.50	C$34.00	C$39.49	C$34.00	C$33.30	C$26.84

B. Plan of distribution

Not applicable.

C. Markets

Our Class A subordinate voting shares are listed and trade on the NYSE under the symbol SHOP and on the TSX under the symbol SH.

D. Selling shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

Item 10. ***Additional Information***

A. Share Capital

Not applicable.

B. Memorandum and Articles of Incorporation

Description of Share Capital

Our authorized share capital consists of an unlimited number of Class A subordinate voting shares of which 57,338,837 were issued and outstanding as of February 9, 2016 , an unlimited number of Class B multiple voting shares of which 23,002,175 were issued and outstanding as of February 9, 2016 , and an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding.

Except as described herein, the Class A subordinate voting shares and the Class B multiple voting shares have the same rights, are equal in all respects and are treated by Shopify as if they were one class of shares.

Rank

The Class A subordinate voting shares and Class B multiple voting shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company. In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Class A subordinate voting shares and the holders of Class B multiple voting shares are entitled to participate equally in the remaining property and assets of the Company available for distribution to the holders of shares, without preference or distinction among or between the Class A subordinate voting shares and the Class B multiple voting shares, subject to the rights of the holders of any preferred shares.

Dividends

The holders of outstanding Class A subordinate voting shares and Class B multiple voting shares are entitled to receive dividends on a share for share basis at such times and in such amounts and form as our board of directors may from time to time determine, but subject to the rights of the holders of any preferred shares, without preference or distinction among or between the Class A subordinate voting shares and the Class B multiple voting shares. We are permitted to pay dividends unless there are reasonable grounds for believing that: (i) we are, or would after such payment be, unable to pay our liabilities as they become due; or (ii) the realizable value of our assets would, as a result of such payment, be less than the aggregate of our liabilities and stated capital of all classes of shares. In the event of a payment of a dividend in the form of shares, Class A subordinate voting shares shall be distributed with respect to outstanding Class A subordinate voting shares and Class B multiple voting shares shall be distributed with respect to outstanding Class B multiple voting shares, unless otherwise determined by our board.

Voting Rights

Under our amended articles of incorporation, each Class A subordinate voting share is entitled to one vote per share and each Class B multiple voting share is entitled to 10 votes per share. As of February 9, 2016 , the Class A subordinate voting shares collectively represent 71.4% of our total issued and outstanding shares and 20.0% of the voting power attached to all of our issued and outstanding shares and the Class B multiple voting shares collectively represent 28.6% of our total issued and outstanding shares and 80.0% of the voting power attached to all of our issued and outstanding shares.

Conversion

The Class A subordinate voting shares are not convertible into any other class of shares. Each outstanding Class B multiple voting share may at any time, at the option of the holder, be converted into one Class A subordinate voting share. Upon the first date that a Class B multiple voting share is Transferred (as defined below) by a holder of Class B multiple voting shares, other than to a Permitted Holder (as defined below) or from any such Permitted Holder back to such holder of Class B multiple voting shares and/or any other Permitted Holder of such holder of Class B multiple voting shares, the holder thereof, without any further action, shall automatically be deemed to have exercised his, her

or its rights to convert such Class B multiple voting share into a fully paid and non-assessable Class A subordinate voting share, on a share for share basis.

In addition, all Class B multiple voting shares will convert automatically into Class A subordinate voting shares on the date on which the outstanding Class B multiple voting shares represent less than 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B multiple voting shares as a group.

For the purposes of the foregoing:

"Affiliate" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person;
"Members of the Immediate Family" means with respect to any individual, each parent (whether by birth or adoption), spouse, or child or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the *Income Tax Act* (Canada) as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual;

"Permitted Holders" means, in respect of a holder of Class B multiple voting shares that is an individual, the Members of the Immediate Family of such individual and any Person controlled, directly or indirectly, by any such holder, and in respect of a holder of Class B multiple voting shares that is not an individual, an Affiliate of that holder;
"Person" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company;

"Transfer" of a Class B multiple voting share shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A "Transfer" shall also include, without limitation, (1) a transfer of a Class B multiple voting share to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) or (2) the transfer of, or entering into a binding agreement with respect to, Voting Control over a Class B multiple voting share by proxy or otherwise, provided, however, that the following shall not be considered a "Transfer": (a) the grant of a proxy to our officers or directors at the request of our board of directors in connection with actions to be taken at an annual or special meeting of shareholders; or (b) the pledge of a Class B multiple voting share that creates a mere security interest in such share pursuant to a bona fide loan or indebtedness transaction so long as the holder of the Class B multiple voting share continues to exercise Voting Control over such pledged shares; provided, however, that a foreclosure on such Class B multiple voting share or other similar action by the pledgee shall constitute a "Transfer";

"Voting Control" with respect to a Class B multiple voting share means the exclusive power (whether directly or indirectly) to vote or direct the voting of such Class B multiple voting share by proxy, voting agreement or otherwise.

A Person is "controlled" by another Person or other Persons if: (1) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (2) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly.

Subdivision or Consolidation

No subdivision or consolidation of the Class A subordinate voting shares or the Class B multiple voting shares may be carried out unless, at the same time, the Class B multiple voting shares or the Class A subordinate voting shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis.

Certain Class Votes

Except as required by the CBCA, applicable securities laws or our amended articles of incorporation, holders of Class A subordinate voting shares and Class B multiple voting shares will vote together on all matters subject to a vote of holders of both those classes of shares as if they were one class of shares. Under the CBCA, certain types of amendments to our articles are subject to approval by special resolution of the holders of our classes of shares voting separately as a class, including amendments to:

- change the rights, privileges, restrictions or conditions attached to the shares of that class;
- increase the rights or privileges of any class of shares having rights or privileges equal or superior to the shares of that class; and
- make any class of shares having rights or privileges inferior to the shares of such class equal or superior to the shares of that class.

Without limiting other rights at law of any holders of Class A subordinate voting shares or Class B multiple voting shares to vote separately as a class, neither the holders of the Class A subordinate voting shares nor the holders of the Class B multiple voting shares shall be entitled to vote separately as a class upon a proposal to amend our articles of incorporation in the case of an amendment to (1) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class; or (2) create a new class of shares equal or superior to the shares of such class, which rights are otherwise provided for in paragraphs (a), and (e) of subsection 176(1) of the CBCA. Pursuant to our amended articles of incorporation, neither holders of our Class A subordinate voting shares nor holders of our Class B multiple voting shares will be entitled to vote separately as a class on a proposal to amend our articles to effect an exchange, reclassification or cancellation of all or part of the shares of such class pursuant to Section 176(1)(b) of the CBCA unless such exchange, reclassification or cancellation: (a) affects only the holders of that class; or (b) affects the holders of Class A subordinate voting shares and Class B multiple voting shares differently, on a per share basis, and such holders are not already otherwise entitled to vote separately as a class under applicable law or our amended articles of incorporation in respect of such exchange, reclassification or cancellation.

Pursuant to our amended articles of incorporation, holders of Class A subordinate voting shares and Class B multiple voting shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the CBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Class A subordinate voting shares and Class B multiple voting shares, each voting separately as a class.

Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Class B multiple voting shares would not necessarily require that an offer be made to purchase Class A subordinate voting shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Class A subordinate voting shares will be entitled to participate on an equal footing with holders of Class B multiple voting shares, the holders of not less than 80% of the outstanding Class B multiple voting shares on completion of our initial public offering entered into a customary coattail agreement with Shopify and a trustee, which we refer to as the Coattail Agreement. The Coattail Agreement contains provisions customary for dual class, TSX listed corporations designed to prevent transactions that otherwise would deprive the holders of Class A subordinate voting shares of rights under the take-over bid provisions of applicable Canadian securities legislation to which they would have been entitled if the Class B multiple voting shares had been Class A subordinate voting shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale of Class B multiple voting shares by a holder of Class B multiple voting shares party to the Coattail Agreement if concurrently an offer is made to purchase Class A subordinate voting shares that:

(a) offers a price per Class A subordinate voting share at least as high as the highest price per share paid or required to be paid pursuant to the take-over bid for the Class B multiple voting shares;
(b) provides that the percentage of outstanding Class A subordinate voting shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of outstanding Class B multiple voting shares to be sold (exclusive of Class B multiple voting shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
(c) has no condition attached other than the right not to take up and pay for Class A subordinate voting shares tendered if no shares are purchased pursuant to the offer for Class B multiple voting shares; and
(d) is in all other material respects identical to the offer for Class B multiple voting shares.

In addition, the Coattail Agreement will not prevent the sale of Class B multiple voting shares by a holder thereof to a Permitted Holder, provided such sale does not or would not constitute a take-over bid or, if so, is exempt or would be exempt from the formal bid requirements (as defined in applicable securities legislation). The conversion of Class B multiple voting shares into Class A subordinate voting shares, shall not, in of itself constitute a sale of Class B multiple voting shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any sale of Class B multiple voting shares (including a transfer to a pledgee as security) by a holder of Class B multiple voting shares party to the Coattail Agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Class B multiple voting shares are not automatically converted into Class A subordinate voting shares in accordance with our amended articles of incorporation.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Class A subordinate voting shares. The obligation of the trustee to take such action will be conditional on Shopify or holders of the Class A subordinate voting shares providing such funds and indemnity as the trustee may require. No holder of Class A subordinate voting shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Class A subordinate voting shares and reasonable funds and indemnity have been provided to the trustee.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada and (b) the approval of at least 66 2/3% of the votes cast by holders of Class A subordinate voting shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Class A subordinate voting shares held directly or indirectly by holders of Class B multiple voting shares, their affiliates and related parties and any persons who have an agreement to purchase Class B multiple voting shares on terms which would constitute a sale for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Class A subordinate voting shares under applicable law.

Preferred Shares

We are authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by our board of directors prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at

meetings of holders of shares, and will not be entitled to vote separately as a class upon a proposal to amend our articles of incorporation in the case of an amendment of the kind referred to in paragraph (a), (b) or (e) of subsection 176(1) of the CBCA. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the company, whether voluntary or involuntary, the preferred shares are entitled to preference over the Class A subordinate voting shares, Class B multiple voting shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over Class A subordinate voting shares, Class B multiple voting shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

The issuance of preferred shares and the terms selected by our board of directors could decrease the amount of earnings and assets available for distribution to holders of our Class A subordinate voting shares and Class B multiple voting shares or adversely affect the rights and powers, including the voting rights, of the holders of our Class A subordinate voting shares and Class B multiple voting shares without any further vote or action by the holders of our Class A subordinate voting shares and Class B multiple voting shares. The issuance of preferred shares, or the issuance of rights to purchase preferred shares, could make it more difficult for a third-party to acquire a majority of our outstanding voting shares and thereby have the effect of delaying, deferring or preventing a change of control of us or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of preferred shares may have the effect of decreasing the market price of our Class A subordinate voting shares.

We have no current intention to issue any preferred shares.

Registration Rights

Our Third Amended and Restated Investors' Rights Agreement provides certain holders of our Class B multiple voting shares with registration rights in respect of (i) the Class A subordinate voting shares issuable or issued upon conversion of the Class B multiple voting shares held by such holders, (ii) any Class A subordinate voting shares held by such holders or any Class A subordinate voting shares issued or issuable upon conversion or exercise of any other securities issued by us and held by such holders and (iii) any Class A subordinate voting shares issued as, or issuable upon conversion or exercise of any other securities issued as, a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above. We refer to these Class A subordinate voting shares as "registrable securities".

We will pay the expenses, other than underwriting discounts, selling commissions and share transfer taxes incurred in connection with the registrations, filings or qualifications described below.
The registration rights described below will expire with respect to any particular holder at such time that such holder (i) can sell all of its registrable securities under Rule 144(b)(1)(i) under the Securities Act or (ii) holds less than 1% of the outstanding Class A subordinate voting shares and Class B multiple voting shares, in the aggregate, and can sell its registrable securities during any three month period under Rule 144 of the Securities Act.

Long-Form Demand Registration Rights

The holders of at least 50% of our registrable securities can request that we qualify by prospectus in Canada and register pursuant to a registration statement in the United States all or a portion of their registrable securities, provided that the aggregate offering price, net of underwriting discounts and selling commissions, is at least $5.0 million. We are required to effect no more than two such registrations. We may postpone the filing of a prospectus or registration statement for up to 90 days once in a 12-month period if in the good faith judgment of our board of directors such registration would be materially detrimental to us. The managing underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of registrable securities to be qualified by such underwritten offering.

Short-Form Demand Registration Rights

If at any time we are eligible to file a short form prospectus under Canadian securities laws or a registration statement on Form F-3 or F-10 under the U.S. Securities Act, the holders of at least 30% of our registrable securities then

outstanding can request that we register all or a portion of their registrable securities on those forms, provided that the aggregate offering price, net of underwriting discounts and selling commissions, is at least $2.0 million. We are required to effect no more than two such registrations in any calendar year. We may postpone the filing of a prospectus or registration statement for up to 90 days once in a 12-month period if in the good faith judgment of our board of directors such registration would be materially detrimental to us. The managing underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of registrable securities to be qualified by such underwritten offering.

Piggyback Registration Rights

If we propose to register or qualify any of our securities for sale to the public for cash consideration, we must give notice to each holder of registrable securities and cause to be qualified or registered all registrable securities that the holders of such securities request in writing be qualified or registered. These piggyback registration rights do not apply to certain registrations, including: a registration relating to any of our stock option, stock purchase or similar plans; a transaction under Rule 145 under the Securities Act; and a registration in which the only securities being registered are Class A subordinate voting shares issuable upon conversion of debt securities which are also being registered. The underwriters of any underwritten offering will have the right to limit the number of registrable securities included in the offering if the underwriters believe that their inclusion would jeopardize the success of our offering. However, in any registration for our account, after any such reduction, the Class A subordinate voting shares included for the account of participating holders of registrable securities shall be not less than 30% of the total number of securities included in such offering.

C. Material Contracts

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which we have entered into in the two years immediately preceding the date of this Annual Report.

Indemnity Agreements with Directors and Certain Officers

In connection with our initial public offering we entered into indemnity agreements with our directors and certain officers which provide, among other things, that we will indemnify them to the fullest extent permitted by law from and against all liabilities, costs, charges and expenses incurred as a result of their actions in the exercise of their duties as a director or officer.

Lease of Office Space Multi-Tenant Office Building, dated as of February 28, 2014, between Morguard Performance Court Limited and the Company, as amended by the Lease Amendment Agreement, dated August 25, 2014 between Morguard Performance Court Limited and the Company

On February 28, 2014 we entered into a lease with Morguard Performance Court Limited for our head office, which is located at 150 Elgin Street in Ottawa, Canada. This lease commenced on March 1, 2014 and expires on December 31, 2026. The lease includes an option to renew for a further five years. We received leasehold incentives in the form of rent-free periods and fit-up allowances. Further details of the lease are described in Note 11 to our audited financial statements, which are found immediately following the text of this Annual Report.

Loan and Security Agreement, dated March 12, 2015, between Silicon Valley Bank and the Company

On March 12, 2015, we entered into a credit facility with Silicon Valley Bank, which provides for a $25.0 million revolving line of credit bearing interest at the U.S. prime rate, as established by the Wall Street Journal plus or minus 25 basis points per annum. The credit facility is collateralized by substantially all of our assets, including the stock of our subsidiaries, but excluding our intellectual property, which is subject to a negative pledge. The credit facility matures on March 11, 2016. As at the date of this Annual Report, no amounts have been drawn under this credit facility and we are in compliance with all of the covenants contained therein.

Coattail Agreement, dated May 27, 2015

For a description of the Coattail Agreement, see " Item 10 Additional Information B. Memorandum and Articles of Incorporation - Take Over Bid Protection".

Third Amended and Restated Investors' Rights Agreement, dated May 27, 2015

The Third Amended and Restated Investors' Rights Agreement provides certain holders of our Class B multiple voting shares with registration rights in respect of (i) the Class A subordinate voting shares issuable or issued upon conversion of the Class B multiple voting shares held by such holders as of the closing of our initial public offering, (ii) any Class A subordinate voting shares held by such holders as of the closing of our initial public offering or any Class A subordinate voting shares issued or issuable upon conversion or exercise of any other securities issued by us and held by such holders as of the closing of our initial public offering and (iii) any Class A subordinate voting shares issued as, or issuable upon conversion or exercise of any other securities issued as, a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above. We refer to these Class A subordinate voting shares as "registrable securities".

We will pay the expenses, other than underwriting discounts, selling commissions and share transfer taxes incurred in connection with the registrations, filings or qualifications described above.

The registration rights will expire with respect to any particular holder at such time that such holder (i) can sell all of its registrable securities under Rule 144(b)(1)(i) under the Securities Act or (ii) holds less than 1% of the outstanding Class A subordinate voting shares and Class B multiple voting shares, in the aggregate, and can sell its registrable securities during any three month period pursuant to Rule 144 under the Securities Act.

D. Exchange Controls

Limitations on the ability to acquire and hold our Class A subordinate voting shares or Class B multiple voting shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition, or the Commissioner, to review any acquisition of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year after completion, to challenge this type of acquisition before the Canadian Competition Tribunal on the basis that it would, or would be likely to, substantially prevent or lessen competition. This legislation also requires any person who intends to acquire our Class A subordinate voting shares or Class B multiple voting shares to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded, if that person (and their affiliates) would hold more than 20% in the aggregate of the votes attached to all of our outstanding voting shares and if no exemption applies. If a person already holds more than 20% in the aggregate of the votes attached to all of our outstanding voting shares, a notification must be filed when the acquisition of additional shares would bring that person's (and their affiliates) holdings to over 50%, if certain financial thresholds are exceeded and if no exemption applies.

Where a notification is required, the legislation prohibits completion of the acquisition until the expiration of a statutory waiting period, unless compliance with the waiting period has been waived or the waiting period has been terminated. The Commissioner's review of a notifiable transaction for substantive competition law considerations may take longer than the statutory waiting period.

There is no limitation imposed by Canadian law or our restated articles of incorporation on the right of non-residents to hold or vote our Class A subordinate voting shares and Class B multiple voting shares, other than those that may be imposed by the *Investment Canada Act* .

The Investment Canada Act requires any person that is a "non-Canadian" (as defined in the Investment Canada Act) who acquires "control" (as defined in the Investment Canada Act) of an existing Canadian business to file either a pre-closing application for review or a post-closing notification with Industry Canada.

On March 25, 2015, the Canadian government announced new *Investment Canada Act* regulations that changed the thresholds for determining when an acquisition of control of a Canadian business is a reviewable transaction (from an asset value-based test to an enterprise value-based test, in most cases). As of April 24, 2015, when amendments to the *Investment Canada Act* and the regulations come into force, the threshold for review of a direct acquisition of control of a non-cultural Canadian business by a World Trade Organization member country investor is an enterprise value of assets that exceeds C$600 million. The enterprise value review threshold will remain at C$600 million for two years, before increasing to C$800 million for the following two years, and then moved to C$1 billion. For purposes of a publicly traded company, the "enterprise value" of the assets of the Canadian business is equal to the market capitalization of the entity, plus its liabilities (excluding its operating liabilities), minus its cash and cash equivalents.

As such, under the *Investment Canada Act* , the acquisition of control of us (either through the acquisition of our Class A subordinate voting shares and Class B multiple voting shares or all or substantially all our assets) by a non-Canadian who is a World Trade Organization member country investor, including a U.S. investor, would be reviewable only if the enterprise value of our assets exceeds the specified threshold for review.

Where the acquisition of control is a reviewable transaction, the *Investment Canada Act* generally prohibits the implementation of the reviewable transaction unless, after review, the relevant Minister is satisfied or deemed to be satisfied that the acquisition is likely to be of net benefit to Canada.

The acquisition of a majority of the voting interests of an entity is deemed to be acquisition of "control" of that entity. The acquisition of less than a majority but one-third or more of the total number of votes attached to all of the voting shares of a corporation or of an equivalent undivided ownership interest in the total number of votes attached to all of the voting shares of the corporation is presumed to be an acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquiror through the ownership of voting shares. The acquisition of less than one- third of the total number of votes attached to all of the voting shares of a corporation is deemed not to be acquisition of control of that corporation subject to certain discretionary rights relative to investments involving state owned enterprises. Other than in connection with a "national security" review, discussed below, certain transactions in relation to our Class A subordinate voting shares and Class B multiple voting shares would be exempt from the *Investment Canada Act* including:

- the acquisition of our Class A subordinate voting shares and Class B multiple voting shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- the acquisition or control of us in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the *Investment Canada Act* ; and
- the acquisition or control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of us, through the ownership of our voting interests, remains unchanged.

Under the national security regime in the *Investment Canada Act* , review on a discretionary basis may also be undertaken by the federal government in respect of a much broader range of investments by a non- Canadian to "acquire, in whole or in part, or to establish an entity carrying on all or any part of its operations in Canada." The relevant test is whether such an investment by a non-Canadian could be "injurious to national security." The Minister of Industry has broad discretion to determine whether an investor is a non-Canadian and therefore may be subject to national security review. Review on national security grounds is at the discretion of the federal government and may occur on a pre- or post-closing basis.

There is no law, governmental decree or regulation in Canada that restricts the export or import of capital, or which would affect the remittance of dividends or other payments by us to non-resident holders of our Class A subordinate voting shares and Class B multiple voting shares, other than withholding tax requirements.

E. Taxation

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the Class A subordinate voting shares offered hereunder. This discussion does not address all potentially relevant U.S. federal income tax matters, and unless otherwise specifically provided, it does not address any state, local, non-U.S., alternative minimum, estate or gift tax consequences of holding or disposing of the Class A subordinate voting shares offered hereunder. This discussion is limited to U.S. Holders that own less than 10% of our total Class A subordinate voting shares outstanding.

As used herein, the term "U.S. Holder" means the following persons who invest in and hold our Class A subordinate voting shares as capital assets (generally, property held for investment purposes): (1) citizens or residents of the United States; (2) corporations (or other entities classified as corporations for U.S. federal tax purposes) organized under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate whose income is subject to U.S. federal income taxation regardless of its source, and (4) a trust (A) if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) that has elected to be treated as a U.S. person under applicable U.S. Treasury Regulations. If a partnership (or other entity or arrangement treated as a partnership for U.S. federal tax purposes) holds our Class A subordinate voting shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Prospective investors who are partners in partnerships (or other entities or arrangements treated as a partnership for U.S. federal tax purposes) holding our Class A subordinate voting shares are urged to consult with their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions and existing and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Annual Report supplement may affect the tax consequences described herein, possibly on a retroactive basis. It is for general guidance only and does not address the consequences applicable to certain categories of shareholders subject to special treatment under the Code, including tax exempt organizations, pass through entities, certain financial institutions, insurance companies, qualified retirement plans, individual retirement accounts or other tax-deferred accounts, persons that hold our Class A subordinate voting shares as part of a straddle, hedging transaction, conversion transaction, constructive sale or other similar arrangements, persons that acquired our Class A subordinate voting shares in connection with the exercise of employee stock options or otherwise as compensation for services, dealers in securities or foreign currencies, traders in securities electing to mark to market, U.S. persons whose functional currency (as defined in the Code) is not the U.S. dollar, persons that hold our Class A subordinate voting shares other than as a capital asset within the meaning of the Code, or persons that own directly, indirectly or by application of the constructive ownership rules of the Code 10% or more of our shares by voting power or by value. Persons considering the purchase of the Class A subordinate voting shares offered hereunder are urged to consult their tax advisors with regard to the application of the income tax laws of the United States and any other taxing jurisdiction to their particular situations.

This summary is of a general nature only and is not intended to be tax advice to any prospective investor, and no representation with respect to the tax consequences to any particular investor is made. **Prospective investors are urged to consult their tax advisors with respect to the income tax considerations relevant to them, having regard to their particular circumstances.**

Dividends

Subject to the passive foreign investment company rules below, a U.S. Holder will generally recognize, to the extent out of our current and accumulated earnings and profits (determined in accordance with U.S. federal income tax principles), dividend income on the receipt of distributions on our Class A subordinate voting shares. The amount of any distributions paid in Canadian dollars will equal the U.S. dollar value of such distributions determined by reference to the exchange rate on the day they are received by the U.S. Holder (with the value of such distributions computed before any reduction for any Canadian withholding tax). A U.S. Holder will have a tax basis in Canadian dollars equal to their U.S. dollar value on the date of receipt. If the Canadian dollars received are converted into U.S. dollars on the date of receipt, the U.S. Holder should generally not be required to recognize foreign currency gain or loss in respect of the distribution. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt,

a U.S. Holder may recognize foreign currency gain or loss on a subsequent conversion or other disposition of the Canadian dollars. Such gain or loss will be treated as U.S. source ordinary income or loss. Subject to the passive foreign investment company rules discussed below, we believe that we are a "qualified foreign corporation," and therefore distributions treated as dividends and received by non-corporate U.S. Holders may be eligible for a preferential tax rate. Any amount of such distributions treated as dividends generally will not be eligible for the dividends received deduction available to certain U.S. corporate shareholders.

As discussed above under "Material Canadian Federal Income Tax Consequences for Non-Canadian Residents", distributions to a U.S. Holder with respect to our Class A subordinate voting shares will be subject to Canadian non-resident withholding tax. Any Canadian withholding tax paid will not reduce the amount treated as received by the U.S. Holder for U.S. federal income tax purposes. However, subject to limitations imposed by U.S. law, a U.S. Holder may be eligible to receive a foreign tax credit for the Canadian withholding tax. Because the rules applicable to the foreign tax credit rules are complex, U.S. Holders are urged to consult their own advisors concerning the application of these rules in light of their particular circumstances. U.S. Holders who do not elect to claim any foreign tax credits may be able to claim an ordinary income tax deduction for Canadian income tax withheld.

Dispositions

Subject to the passive foreign investment company rules discussed below, upon a sale or exchange of a common share, a U.S. Holder will generally recognize a capital gain or loss equal to the difference between the amount realized on such sale or exchange (or, if the amount realized is denominated in Canadian dollars, its U.S. dollar equivalent, determined by reference to the spot rate of exchange on the date of disposition) and the tax basis of such common share. Such gain or loss will be a long-term capital gain or loss if the common share has been held for more than one year and will be short-term gain or loss if the holding period is equal to or less than one year. Such gain or loss generally will be considered U.S. source gain or loss for U.S. foreign tax credit purposes. Long-term capital gains of non-corporate taxpayers are eligible for reduced rates of taxation. For both corporate and non-corporate taxpayers, limitations apply to the deductibility of capital losses.

Passive Foreign Investment Company

A foreign corporation will be considered a passive foreign investment company, or a PFIC, for any taxable year in which (1) 75% or more of its gross income is "passive income" or (2) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. We currently do not believe that we were a PFIC in the preceding taxable year nor do we anticipate that we will be a PFIC in the current taxable year or in the foreseeable future. However, the determination as to whether we are a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and is not determinable until after the end of such taxable year. Because of the above described uncertainties, there can be no assurance that the U.S. Internal Revenue Service will not challenge the determination made by us concerning our PFIC status or that we will not be a PFIC for any taxable year. If we are classified as a PFIC in any year a U.S. Holder owns our Class A subordinate voting shares, certain adverse tax consequences could apply to such U.S. Holder. Certain elections may be available (including a mark-to-market election) to U.S. Holders that may mitigate some of the adverse consequences resulting from our treatment as a PFIC. U.S. Holders are urged to consult their own tax advisors regarding the application of PFIC rules to their investments in our Class A subordinate voting shares and whether to make an election or protective election.

Net Investment Income Tax

Certain U.S. Holders who are individuals, estates and trusts are required to pay 3.8 percent tax on "net investment income" including, among other items, dividends and net gain from the sale or other disposition of property (other than property held in certain trades or businesses). U.S. Holders who are individuals, estates and trusts are urged to consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our Class A subordinate voting shares.

Required Disclosure with Respect to Foreign Financial Assets

Certain U.S. Holders are required to report information relating to an interest in our Class A subordinate voting shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the common shares. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of the common shares.

Canadian Federal Income Tax Consequences for Non-Canadian Residents

The following summarizes the principal Canadian federal income tax considerations generally applicable to the holding and disposition of our Class A subordinate voting shares by a beneficial owner of Class A subordinate voting shares who, for the purposes of the *Income Tax Act* (Canada) and the regulations thereto, or the Tax Act, and at all relevant times, (1) is not, and is not deemed to be, resident in Canada, (2) deals at arm's length with and is not affiliated with us, (3) holds such shares as capital property and does not use or hold, and is not deemed to use or hold, such shares in the course of carrying on, or otherwise in connection with, a business in Canada and (4) has not entered into and will not enter into, with respect to the Class A subordinate voting shares, a "derivative forward agreement" as that term is defined in the Tax Act (hereinafter, a **Non-Canadian Holder**). Special rules, which are not discussed in this summary, apply to a Non-Canadian Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act, the *Canada-United States Tax Convention (1980)* , as amended, or the Treaty, all proposed amendments to the Tax Act and the Treaty publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency, or the CRA. It has been assumed that all such proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative policy or assessing practice, whether by legislative, administrative or judicial action, although no assurances can be given in this respect. The summary does not take into account Canadian provincial, U.S. federal, state or other foreign income tax law or practice.

Subject to certain exceptions that are not discussed in this summary, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Class A subordinate voting shares must be determined in Canadian dollars based on the rate of exchange quoted by the Bank of Canada at noon on the date such amount first arose or such other rate of exchange as may be acceptable to CRA.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, holders of Class A subordinate voting shares are urged to consult their own tax advisors having regard to their own particular circumstances.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Canadian Holder by us will be subject to Canadian withholding tax. The Tax Act imposes withholding tax at a rate of 25%, although such rate may be reduced by virtue of an applicable tax treaty. For example, under the Treaty, where dividends on the Class A subordinate voting shares are considered to be paid to a Non-Canadian Holder that is the beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to all of the benefits of, the Treaty, or a qualifying person, the applicable rate of Canadian withholding tax is generally reduced to 15% (or to 5% if such Non-Canadian Holder is a qualifying person that is a company that for purposes of Article X(2)(a) of the Treaty owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the Non-Canadian Holder's account. A disposition of Class A subordinate voting shares to us may in certain circumstances result in a deemed dividend.

Disposition

A Non-Canadian Holder will not be subject to Canadian tax under the Tax Act on a capital gain realized on a disposition or deemed disposition of our Class A subordinate voting shares unless, at the time of disposition, such Class A subordinate voting shares constitute "taxable Canadian property" to the Non-Canadian Holder for the purposes of the Tax Act and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

If a Class A subordinate voting share is listed on a designated stock exchange (which includes the TSX and NYSE) at the time it is disposed of, such Class A subordinate voting share will generally not constitute "taxable Canadian property" to a Non-Canadian Holder unless, at that time or at any particular time within the preceding 60 months,

- 25% or more of the issued shares of any class or series of our capital stock was owned by one or any combination of (1) the Non-Canadian Holder, (2) persons with whom the Non-Canadian Holder did not deal with at "arm's length" (within the meaning of the Tax Act), and (3) partnerships in which the Non-Canadian Holder or a person described in (2) holds a membership directly or indirectly through one or more partnerships, and

- more than 50% of the fair market value of the Class A subordinate voting share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such foregoing properties, whether or not such properties exist.

If a Class A subordinate voting share is taxable Canadian property to a Non-Canadian Holder that is a qualifying person, any capital gain realized on a disposition or deemed disposition of such share will nevertheless generally not be subject to Canadian federal income tax by virtue of the Treaty if the value of the Class A subordinate voting share at the time of the disposition or deemed disposition is not derived principally from "real property situated in Canada" for purposes of the Treaty.

A Non-Canadian Holder whose shares may constitute taxable Canadian property is urged to consult with the Non- Canadian Holder's own tax advisors.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. Shareholders may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the U.S. Securities and Exchange Commission at 1-800-SEC-0330.

We are a "foreign private issuer" as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws.

We will provide without charge to each person, including any beneficial owner, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this Annual Report (not including exhibits to such incorporated information that are not specifically incorporated by reference into such information). Requests for such copies should be directed to us at the following address: Shopify, 150 Elgin Street, 8 th Floor, Ottawa, Ontario, Canada, K2P 1L4 Attention: Corporate Secretary, phone number: 613-241-2828.

I. Subsidiary Information

Not applicable.

Item 11. ***Quantitative and Qualitative Disclosures about Market Risk***

See "Quantitative and Qualitative Disclosures about Market Risk" in the MD&A attached hereto as Exhibit 15.1.

Item 12. ***Description of Securities Other than Equity Securities***

Not applicable.

PART II

Item 13. ***Defaults, Dividend Arrearages and Delinquencies***

Not applicable.

Item 14. ***Material Modifications to the Rights of Security Holders and Use of Proceeds***

Initial Public Offering

The effective date of the registration statement (File no. 333-203401) for our initial public offering of Class A subordinate voting shares was May 20, 2015. The offering closed on May 27, 2015. Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC and RBC Dominion Securities Inc. were joint bookrunning managers for the offering, and Pacific Crest Securities, Raymond James & Associates Inc. and Canaccord Genuity Inc. were co-managers for the offering. We registered 7,700,000 Class A subordinate voting shares in the offering and granted the underwriters a 30-day over-allotment option, which was fully exercised, to purchase up to 1,155,000 additional shares from us to cover over-allotments. The net offering proceeds to us from the offering were approximately $136.3 million. There has been no material change in the planned use of proceeds from our initial public offering from that described in our prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on May 21, 2015.

None of the net proceeds of the offering was paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

Item 15. ***Controls and Procedures***

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The Chief Executive Officer and Chief Financial Officer have evaluated the design of the Company's disclosure controls and procedures at the end of the period covered by this Annual Report and based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effectively designed as of the end of the period covered by this Annual Report.

Internal Controls Over Financial Reporting

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

During the year ended December 31, 2015 there were no changes to our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16. ***[Reserved]***

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Steven Collins, chair of the audit committee of our board of directors, is an "audit committee financial expert" as defined in Item 16A of Form 20-F under the Exchange Act, and satisfies the "independence" requirements set forth in Rule 10A-3 under the Exchange Act and the listing standards of the NYSE.

Item 16B. Code of Ethics

Effective as of our initial public offering, we adopted a Code of Conduct applicable to all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, controller or principal accounting officer, or other persons performing similar functions, which is a "code of ethics" as defined in Item 16B of Form 20-F promulgated by the SEC and which is a "code" under NI 58-101. The Code of Conduct sets out our fundamental values and standards of behavior that are expected from our directors, officers and employees with respect to all aspects of our business. The objective of the Code of Conduct is to provide guidelines for maintaining our integrity, reputation and honesty with a goal of honoring others' trust in us at all times.

The full text of the Code of Conduct is posted on our website at www.shopify.com. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report and is not incorporated by reference herein. We have not made any amendments to the Code of Conduct or granted any waivers, including any implicit waivers, from a provision of the code of ethics.

Item 16C. Principal Accountant and Fees

Aggregate audit fees, audit-related fees, tax fees and the aggregate of all other fees billed to us by PricewaterhouseCoopers LLP during fiscal 2015 and fiscal 2014 amounted to the following:

	Fiscal 2015	**Fiscal 2014**
	$	$
Audit Fees	802	161
Audit-Related Fees	—	—
Tax Fees	—	69
Other Fees	7	—
Total	809	230

Audit fees relate to the audit of our annual consolidated financial statements, the review of our quarterly condensed consolidated financial statements and services in connection with our registration statement on Form F-1 related to our initial public offering,

Audit-related fees consist of aggregate fees for accounting consultations and other services that were reasonably related to the performance of audits or reviews of our consolidated financial statements and were not reported above under "Audit Fees".

Tax fees relate to assistance with tax compliance, expatriate tax return preparation, tax planning and various tax advisory services.

Other fees are any additional amounts for products and services provided by the principal accountants.

Audit committee pre-approval process:

From time to time, our management recommends to and requests approval from the audit committee for audit and non-audit services to be provided by our auditors. The audit committee considers such requests on a quarterly basis, and if acceptable, pre-approves such audit and non- audit services. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the SEC, and whether the services requested and the fees related to such services could impair the independence of the auditors.

Since the implementation of the audit committee pre-approval process in November 2015, all audit and non-audit services rendered by our auditors have been pre-approved by the audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Section 310.00 of the NYSE Listed Company Manual generally requires that a listed company's by-laws provide for a quorum for any meeting of the holders of the company's common shares that is sufficiently high to ensure a representative vote. Pursuant to the NYSE corporate governance rules we, as a foreign private issuer, have elected to comply with practices that are permitted under Canadian law in lieu of the provisions of Section 310.00. Our amended by-laws provide that a quorum of shareholders is the holders of at least 25% of the shares entitled to vote at the meeting, present in person or represented by proxy, and at least two persons entitled to vote at the meeting, present in person or represented by proxy.

Except as stated above, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the NYSE. We may in the future decide to use other foreign private issuer exemptions with respect to some of the other NYSE listing requirements. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on the NYSE, may provide less protection than is accorded to investors under the NYSE listing requirements applicable to U.S. domestic issuers.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. ***Financial Statements***

See Item 18 - "Financial Statements".

Item 18. ***Financial Statements***

Our consolidated financial statements are found immediately following the text of this Annual Report. These financial statements are expressed in U.S. dollars and were prepared in accordance with U.S. GAAP.

Item 19. ***Exhibits***

Exhibit No.	Description
3.1 [(1)]	Restated Articles of Incorporation of the Company.
3.2 [(1)]	By-laws of the Company.
4.1 [(2)]	Specimen Class A subordinate voting share certificate.
4.2 [(2)]	Specimen Class B multiple voting share certificate.
10.1 [(3)]	Third Amended and Restated Investors' Rights Agreement, dated May 27, 2015.
10.2 [(4)]	Employment Agreement, dated October 15, 2010, between Shopify Inc. and Tobias Lütke.
10.3 [(4)]	Employment Agreement, dated March 7, 2011, between Shopify Inc. and Russell Jones.
10.4 [(4)]	Employment Agreement, dated July 5, 2011, between Shopify Inc. and Craig Miller.
10.5 [(4)]	Employment Agreement, dated December 9, 2010, between Shopify Inc. and Harley Finkelstein.
10.6 [(4)]	Employment Agreement, dated December 9, 2010, between Shopify Inc. and Daniel Weinand.
10.7 [(4)]	Form of Indemnity Agreement between the Company and its officers and directors.
10.8	Stock Option Plan.
10.9	Fourth Amended and Restated Stock Option Plan.
10.10	Long Term Incentive Plan.
11.11 [(4)(a)]	Payment Services Provider Agreement, dated July 22, 2013, between Stripe, Inc. and Shopify Payments (USA) Inc.
10.12 [(4)]	Addendum to Payment Services Provider Agreement for Canada, dated July 22, 2013, among Stripe, Inc., Shopify Payments (USA) Inc. and Shopify Payments (Canada) Inc.
10.13 [(4)]	Lease of Office Space Multi-Tenant Office Building, dated as of February 28, 2014, between Morguard Performance Court Limited and Shopify Inc.
10.14 [(4)]	Lease Amendment Agreement, dated August 25, 2014, between Morguard Performance Court Limited and Shopify Inc.
10.15 [(4)]	Second Lease Amendment Agreement, dated February 13, 2015, between Morguard Performance Court Limited and Shopify Inc.
10.16 [(4)]	Loan and Security Agreement, dated March 12, 2015, between Silicon Valley Bank and Shopify Inc.
10.17 [(3)]	Coattail Agreement, dated May 27, 2015, between Shopify Inc. and Computershare Trust Company of Canada.
21.1 [(5)]	Subsidiaries of the Company.
12.1	Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
12.2	Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
13.1	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
15.1	Management's Discussion and Analysis of Shopify Inc. for the year ended December 31, 2015.
23.1	Consent of PricewaterhouseCoopers LLP.

(1) Incorporated by reference to the Company's Report on Form 6-K (File No. 001-37400), furnished on May 29, 2015.
(2) Incorporated by reference to the Company's Registration Statement on Form F-1 (File No. 333-203401), filed on May 6, 2015.
(3) Incorporated by reference to the Company's Report on Form 6-K (File No. 001-37400), furnished on June 1, 2015.

(4) Incorporated by reference to the Company's Registration Statement on Form F-1 (File No. 333-203401), filed on April 14, 2015.
(5) Incorporated by reference to the Company's Report on Form 20-F (File No. 001-37400), filed on February 17, 2016.
(a) Company has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act.

EXHIBIT INDEX

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(a) Company has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

SHOPIFY INC.

/s/ Tobias Lütke
Name: Tobias Lütke
Title: Chief Executive Officer

Date: February 16, 2016

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Consolidated Financial Statements
December 31, 2015

Independent Auditor's Report

To the Shareholders of
Shopify Inc.

We have audited the accompanying consolidated financial statements of Shopify Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of operations and comprehensive loss, of changes in shareholders' equity, and of cash flows for each of the three years in the period ended December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and 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 from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shopify Inc. and its subsidiaries as at December 31, 2015 and 2014 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario, Canada
February 16, 2016

Shopify Inc.
Consolidated Balance Sheets
Expressed in US $000's except share amount

	Note	As at December 31, 2015 $	As at December 31, 2014 $
Assets			
Current assets			
Cash and cash equivalents	*4*	110,070	41,953
Marketable securities	*5*	80,103	17,709
Trade and other receivables	*6*	6,089	7,227
Other current assets	*7*	6,203	1,495
		202,465	68,384
Long term assets			
Property and equipment	*8*	33,048	21,728
Intangible assets	*9*	5,826	2,708
Goodwill		2,373	2,373
		41,247	26,809
Total assets		243,712	95,193
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	*10*	23,689	12,514
Current portion of deferred revenue		12,726	6,775
Current portion of lease incentives	*11*	822	485
		37,237	19,774
Long term liabilities			
Deferred revenue		661	394
Lease incentives	*11*	10,497	7,293
		11,158	7,687
Commitments and contingencies	*13*		
Shareholders' equity			
Convertible preferred shares; nil and 27,159,277 shares authorized, issued and outstanding (aggregate liquidation preference of nil and $87,500)	*14*	—	87,056
Common stock, unlimited Class A subordinate voting shares authorized, 56,877,089 and nil issued and outstanding; unlimited Class B multiple voting shares authorized, 23,212,769 and nil issued and outstanding; unlimited Common shares authorized, nil and 39,310,446 issued and outstanding	*14*	231,452	4,055
Additional paid-in capital		11,719	5,685
Accumulated deficit		(47,854)	(29,064)
Total shareholders' equity		195,317	67,732
Total liabilities and shareholders' equity		243,712	95,193

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

"Tobias Lütke"	"Steven Collins"
Tobias Lütke	Steven Collins
Chairman, Board of Directors	Chairman, Audit Committee

Shopify Inc.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in US $000's, except share and per share amounts

		Years ended		
		December 31, 2015	December 31, 2014	December 31, 2013
	Note	$	$	$
Revenues				
Subscription solutions	*18*	111,979	66,668	38,339
Merchant solutions	*18*	93,254	38,350	11,913
		205,233	105,018	50,252
Cost of revenues				
Subscription solutions		24,531	16,790	8,504
Merchant solutions		69,631	26,433	5,009
		94,162	43,223	13,513
Gross profit		111,071	61,795	36,739
Operating expenses				
Sales and marketing		70,374	45,929	23,351
Research and development, net of refundable tax credits of $1,058 (2014 – $1,295; 2013 – $891)		39,722	25,915	13,682
General and administrative		18,731	11,566	3,975
Total operating expenses		128,827	83,410	41,008
Loss from operations		(17,756)	(21,615)	(4,269)
Other income (expense)				
Interest income, net		200	57	42
Loss on asset disposal		—	(100)	(73)
Foreign exchange loss		(1,234)	(653)	(537)
		(1,034)	(696)	(568)
Net loss and comprehensive loss		(18,790)	(22,311)	(4,837)
Basic and diluted net loss per share attributable to common shareholders	*15*	$ (0.30)	$ (0.57)	$ (0.13)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	*15*	61,716,065	38,940,252	37,248,710

The accompanying notes are an integral part of these consolidated financial statements.

Shopify Inc.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in US $000's except share amounts

	Note	Series A Convertible Preferred Shares		Series B Convertible Preferred Shares		Series C Convertible Preferred Shares		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
		Shares	Amount $	Shares	Amount $	Shares	Amount $	Shares	Amount $	$	$	$
As at December 31, 2012		**13,025,765**	**5,346**	**7,247,070**	**11,952**	**—**	**—**	**36,453,715**	**1,840**	**747**	**(1,916)**	**17,969**
Exercise of stock options		—	—	—	—	—	—	1,658,197	445	(150)	—	295
Stock-based compensation		—	—	—	—	—	—	—	—	1,472	—	1,472
Issuance of common stock - business combination		—	—	—	—	—	—	96,479	404	—	—	404
Vesting of restricted shares		—	—	—	—	—	—	354,730	320	—	—	320
Issuance of Series C preferred shares		—	—	—	—	6,886,442	69,758	—	—	—	—	69,758
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(4,837)	(4,837)
As at December 31, 2013		**13,025,765**	**5,346**	**7,247,070**	**11,952**	**6,886,442**	**69,758**	**38,563,121**	**3,009**	**2,069**	**(6,753)**	**85,381**
Exercise of stock options		—	—	—	—	—	—	305,649	395	(255)	—	140
Stock-based compensation		—	—	—	—	—	—	—	—	3,871	—	3,871
Vesting of restricted shares		—	—	—	—	—	—	441,676	651	—	—	651
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(22,311)	(22,311)
As at December 31, 2014		**13,025,765**	**5,346**	**7,247,070**	**11,952**	**6,886,442**	**69,758**	**39,310,446**	**4,055**	**5,685**	**(29,064)**	**67,732**
Exercise of stock options		—	—	—	—	—	—	4,665,059	3,737	(2,133)	—	1,604
Stock-based compensation		—	—	—	—	—	—	—	—	8,167	—	8,167
Vesting of restricted shares		—	—	—	—	—	—	100,076	353	—	—	353
Issuance of Class A subordinate voting shares upon initial public offering, net of offering costs of $14,259	*1*	—	—	—	—	—	—	8,855,000	136,251	—	—	136,251
Conversion of preferred shares to Class B multiple voting shares		(13,025,765)	(5,346)	(7,247,070)	(11,952)	(6,886,442)	(69,758)	27,159,277	87,056	—	—	—
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(18,790)	(18,790)
As at December 31, 2015		**—**	**—**	**—**	**—**	**—**	**—**	**80,089,858**	**231,452**	**11,719**	**(47,854)**	**195,317**

The accompanying notes are an integral part of these consolidated financial statements.

Shopify Inc.
Consolidated Statements of Cash Flows
Expressed in US $000's

	Note	Years ended December 31, 2015 $	December 31, 2014 $	December 31, 2013 $
Cash flows from operating activities				
Net loss for the year		(18,790)	(22,311)	(4,837)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Amortization and depreciation		7,236	4,672	1,758
Stock-based compensation		7,805	3,792	1,446
Vesting of restricted shares		353	651	320
Loss on asset disposal		—	100	73
Unrealized foreign exchange loss		1,828	524	62
Changes in lease incentives		3,541	7,292	236
Change in deferred revenue		6,218	2,813	1,945
Changes in non-cash working capital items	*17*	7,565	1,666	393
Net cash provided by (used in) operating activities		15,756	(801)	1,396
Cash flows from investing activities				
Purchase of marketable securities		(111,154)	(20,131)	—
Maturity of marketable securities		48,350	2,375	—
Acquisitions of property and equipment		(16,525)	(20,573)	(3,462)
Proceeds from disposal of property and equipment		—	90	—
Acquisitions of intangible assets		(4,511)	(2,127)	(1,042)
Acquisition of business, net of cash acquired		—	—	(828)
Net cash used in investing activities		(83,840)	(40,366)	(5,332)
Cash flows from financing activities				
Proceeds from initial public offering, net of issuance costs	*1*	136,251	—	—
Issuance of Series C convertible preferred shares, net of issuance costs		—	—	69,758
Proceeds from the exercise of stock options		1,604	140	295
Net cash provided by financing activities		137,855	140	70,053
Effect of foreign exchange on cash and cash equivalents		(1,654)	(549)	(243)
Net increase (decrease) in cash and cash equivalents		68,117	(41,576)	65,874
Cash and cash equivalents – Beginning of Year		41,953	83,529	17,655
Cash and cash equivalents – End of Year		110,070	41,953	83,529
Supplemental non-cash items	*17*			

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business

Shopify Inc. ("Shopify" or "the Company") was incorporated as a Canadian corporation on September 28, 2004. The Company's mission is to make commerce better for everyone. The Company provides the leading cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. Using a single interface, the Company's merchants can design, set up and manage their business across multiple sales channels, including web and mobile storefronts, social media storefronts and physical retail locations. The Company's platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, ship orders, build customer relationships and leverage analytics and reporting. The Company's platform is engineered to enterprise-level standards and functionality while designed for simplicity and ease-of-use.

The Company's headquarters and principal place of business are in Ottawa, Canada.

Initial Public Offering

In May 2015, the Company completed its initial public offering, or IPO, in which it issued and sold 8,855,000 Class A subordinate voting shares at a public offering price of $17.00 per share (including the 1,155,000 Class A subordinate voting shares purchased by the underwriters pursuant to the exercise of the over-allotment option). The Company received net proceeds of $136,251 after deducting underwriting discounts and commissions of $10,537 and other offering expenses of $3,747 . Immediately prior to consummation of the IPO, all of the then-outstanding common shares were redesignated as an aggregate of 39,780,952 Class B multiple voting shares, and upon consummation of the IPO, all of the then-outstanding convertible preferred stock automatically converted into an aggregate of 27,159,277 Class B multiple voting shares.

2. Basis of Presentation and Consolidation

These consolidated financial statements include the accounts of the Company and its directly and indirectly wholly owned subsidiaries: Shopify Payments (Canada) Inc., incorporated in Canada; Shopify (Ireland) Limited., incorporated in Ireland; Shopify (Australia) Pty Ltd., incorporated in Australia; and the following United States subsidiaries each incorporated in Delaware: Shopify Payments (USA) Inc., Shopify Data Processing (USA) Inc., Shopify LLC and Shopify Holdings (USA) Inc. On February 19, 2015 the Company dissolved and wound up two inactive shell subsidiaries, Jet Cooper Ltd., incorporated in Canada; and Atatomic Inc., incorporated in Canada. The wind-up had no accounting impact on the consolidated financial statements. All intercompany accounts and transactions have been eliminated upon consolidation.

These consolidated financial statements of the Company have been presented in United States dollars (USD) and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), including the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding financial reporting.

3. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items that are subject to estimation and assumptions include: estimates related to contingencies and refundable tax credits; chargebacks on Shopify Payments transactions that are unrecoverable from merchants; recoverability of deferred tax assets; fair values of assets and liabilities acquired in business combinations; capitalization of software development costs; estimated useful lives of property and equipment and intangible assets; estimates relating to the recoverability of lease inducements; and assumptions

used when employing the Black-Scholes valuation model to estimate the fair value of common shares and stock-based awards. Actual results may differ from the estimates made by management.

Segment Information

The Company's "chief operating decision maker" is the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluation of financial performance. Accordingly, the Company has determined that it operates as a single operating and reportable segment.

Revenue Recognition

The Company's sources of revenue consist of subscription solutions and merchant solutions. Arrangements with merchants do not provide the merchants with the right to take possession of the software supporting the Company's hosting platform at any time and are therefore accounted for as service contracts. The Company's subscription service contracts do not provide for refunds or any other rights of return to merchants in the event of cancellations.

The Company recognizes revenue when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The services have been or are being provided to the merchant;
- The amount of fees to be paid by the merchant is fixed or determinable; and
- The collection is reasonably assured.

The Company follows the guidance provided in ASC 605-45, Principal Agent Considerations for determining whether the Company should recognize revenue based on the gross amount billed to a merchant or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement. The Company recognizes revenue from Shopify Shipping and the sales of Apps on a net basis as it has been determined that the Company is the agent in the arrangement with merchants. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the arrangement, in that it is the primary obligor for providing services and assumes the risk of any loss or changes in costs.

Sales taxes collected from merchants and remitted to government authorities are excluded from revenue.

Our arrangements can include multiple elements, which may consist of some or all of our subscription solutions. When multiple-element arrangements exist, we evaluate whether these individual deliverables should be accounted for as separate units of accounting or one single unit of accounting. In order to treat deliverables in a multiple-element arrangement as separate units of accounting, the delivered item or items must have standalone value upon delivery. A delivered item has standalone value to the customer when either (1) any vendor sells that item separately or (2) the customer could resell that item on a standalone basis. Each of our subscription solutions have standalone value, as the solutions are sold separately. Accordingly, we consider the separate units of accounting in our multiple deliverable arrangements to be the subscription fees, themes, apps and domain names. When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple-element arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. We have not established VSOE for our subscription solutions due to lack of pricing consistency, the introduction of new services and other factors. We have also concluded that third-party evidence of selling price is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information.

Accordingly, we use our best estimate of selling price (BESP) to determine the relative selling price for our subscription solutions.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription solutions include discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by our management, taking into consideration our go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices.

Subscription Solutions

Subscription revenue is recognized on a rateable basis over the contractual term. The terms range from monthly, annual or multi-year subscription terms. Revenue recognition begins on the date that the Company's service is made available to the merchant. Payments received in advance of services being rendered are recorded as deferred revenue and recognized on a rateable basis over the requisite service period. The Company earns revenue based on the services it delivers either directly to its merchants or indirectly through resellers.

The Company also sells separately priced Themes and Apps to merchants for which revenue is recognized at the time of the sale. The right to use domain names is also sold separately and is recognized on a rateable basis over the contractual term, which is generally an annual term. Revenue from Themes, as well as Apps and Domains have been classified within Subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscription services arrangement or because they are charged on a recurring basis.

Merchant Solutions

The Company generates the majority of its merchant solutions revenue from fees that it charges merchants on their customer orders processed through Shopify Payments. The Company also derives merchants solutions revenue relating to Shopify Shipping, other transaction services and referral fees, as well as from the sale of Point-of-Sale (POS) hardware. For the sale of POS hardware, revenue is recognized when title passes to the merchant, in accordance with the shipping terms. Revenues earned from Shopify Payments, Shopify Shipping, other transaction services, and referral fees are recognized at the time of the transaction.

Cost of Revenues

The Company's cost of revenues consists of payments for Themes and Domain registration, credit card fees, hosting infrastructure costs, an allocation of costs incurred by both the operations and support functions, and amortization of capitalized software development costs. In addition, included in the cost of merchant solutions are costs associated with credit card processing and chargebacks related to Shopify Payments and the cost of POS hardware.

Software Development Costs

Research and development costs are generally expensed as incurred. These costs primarily consist of personnel and related expenses, contractor and consultant fees, stock-based compensation, and corporate overhead allocations, including depreciation.

The Company capitalizes certain development costs incurred in connection with its internal use software. These capitalized costs are related to the development of its software platform that is hosted by the Company and accessed by its merchants on a subscription basis as well as material internal infrastructure software. Costs incurred in the preliminary stages of development are expensed as incurred. The Company capitalizes all direct

and incremental costs incurred during the application phase, until such time when the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing.

The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Capitalized costs are recorded as part of Intangible assets in the consolidated balance sheets and are amortized on a straight-line basis over their estimated useful lives of three years. Maintenance costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs included in sales and marketing expenses during the years ended December 31, 2015 , 2014 , and 2013 were $ 45,445 , $ 31,093 , and $14,447 respectively.

Operating Leases

The total payments and costs associated with operating leases, including leases that contain lease inducements and uneven payments, are aggregated and amortized on a straight-line basis over the initial lease term of each respective agreement.

Foreign Currency Transactions

The functional and reporting currency of the Company and its subsidiaries is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are re-measured to United States dollars using the exchange rates at the consolidated balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are measured in United States dollars using historical exchange rates. Revenues and expenses are measured using the actual exchange rates prevailing on the dates of the transactions. Gains and losses resulting from re-measurement are recorded in the Company’s Consolidated Statements of Operations and Comprehensive Loss as Foreign exchange gain (loss).

Cash and Cash Equivalents

The Company considers all short term highly liquid investments purchased with original maturities at their acquisition date of three months or less to be cash equivalents.

Marketable Securities

The Company’s marketable securities consist of U.S federal agency bonds, corporate bonds and commercial paper, and mature within 12 months from the date of purchase. Marketable securities are classified as held-to-maturity at the time of purchase and this classification is re-evaluated as of each consolidated balance sheet date. Held-to-maturity securities represent those securities that the Company has both the intent and ability to hold to maturity and are carried at amortized cost, which approximates their fair market value. Interest on these securities, as well as amortization/accretion of premiums/discounts, are included in interest income. All investments are assessed as to whether any unrealized loss positions are other than temporarily impaired. Impairments are considered other than temporary if they are related to deterioration in credit risk or if it is likely the Company will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value determined to be other than temporary are determined based on the specific identification method and are reported in Other income (expenses) in the Consolidated Statements of Operations and Comprehensive Loss.

Derivatives

The Company may hold foreign exchange forward contracts to mitigate the risk of future foreign exchange rate volatility related to future Canadian dollar denominated costs and current and future obligations. The

Company recognizes these derivative financial instruments as either assets or liabilities and measures them at fair value. The Company has elected not to apply hedge accounting, therefore changes in the fair value of these derivative instruments will affect their consolidated balance sheet amounts and the resulting gain or loss will be reflected as Foreign exchange gains (losses) in the Consolidated Statements of Operations and Comprehensive Loss.

Concentration of Credit Risk

The Company's cash and cash equivalents, marketable securities, trade and other receivables, and foreign exchange forward contracts subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange forward contracts only with large Canadian, Irish, Australian and United States banks and financial institutions that are considered to be highly credit worthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

Interest Rate Risk

Certain of the Company's cash equivalents and marketable securities earn interest. The Company's trade and other receivables, accounts payable and accrued liabilities and lease liabilities do not bear interest. The Company is not exposed to material interest rate risk.

Foreign Exchange Risk

The Company's exposure to foreign exchange risk is primarily related to fluctuations between the Canadian dollar and the United States dollar. The Company is exposed to foreign exchange fluctuations on the revaluation of foreign currency assets and liabilities. The Company may use foreign exchange derivative products to manage the impact of foreign exchange fluctuations. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counter parties.

Fair Value Measurements

The carrying amounts for cash and cash equivalents, marketable securities, trade receivables, other receivables, trade accounts payable and accruals, and employee related accruals approximate fair value due to the short-term maturities of these instruments.

The Company measures the fair value of its financial assets and liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Computer equipment is depreciated over three years while office furniture and equipment are depreciated over four years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of their associated leases, which range from three to thirteen years.

The carrying values of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. The determination of whether any impairment exists includes a comparison of estimated undiscounted future cash flows anticipated to be generated over the remaining life of the asset to the net carrying value of the asset. If the estimated undiscounted future cash flows associated with the asset are less than the carrying value, an impairment loss will be recorded based on the estimated fair value.

Intangible Assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Purchased software, other intangible assets, and capitalized software development costs are amortized into cost of revenues over a three year period.

The carrying values of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. The determination of whether any impairment exists includes a comparison of estimated undiscounted future cash flows anticipated to be generated over the remaining life of the asset to the net carrying value of the asset. If the estimated undiscounted future cash flows associated with the asset are less than the carrying value, an impairment loss will be recorded based on the estimated fair value.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net assets of a business acquired in a business combination. Goodwill is not amortized, but instead tested for impairment at least annually in the fourth quarter of each year. Should certain events or indicators of impairment occur between annual impairment tests, the Company will perform the impairment test as those events or indicators occur. Examples of such events or circumstances include the following: a significant decline in the Company’s expected future cash flows; a sustained, significant decline in the Company’s fair value; a significant adverse change in the business climate; and slower growth rates.

Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. The qualitative assessment considers the following factors: macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance, events affecting the reporting units, and changes in the Company’s fair value. If the reporting unit does not pass the qualitative assessment, the Company carries out a two-step test for impairment of goodwill. The first step of the test compares the fair value of the reporting unit with the carrying value of its net assets. If the fair value of the reporting unit is greater than its carrying value, no impairment results. If the fair value of the reporting unit is less than its carrying value, the Company performs the second step of the test for impairment of goodwill. During the second step of the test, the Company compares the implied fair value of the reporting unit’s goodwill with the carrying value of that goodwill. If the implied fair value of goodwill is less than the carrying value, an impairment charge would be recorded in the Consolidated Statements of Operations and Comprehensive Loss. The Company has one reporting unit and evaluates goodwill for impairment at the entity level.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized.

The Company evaluates tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions have met a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Tax benefits related to tax positions not deemed to meet the "more-likely-than-not" threshold are not permitted to be recognized in the consolidated financial statements. The Company classifies accrued interest and penalties related to liabilities for income taxes in income tax expense.

Refundable Tax Credits

Tax credits related to Scientific Research and Experimental Development (SR&ED) expenditures are accounted for using the flow-through method. Refundable tax credits are accounted for, in the period in which the related expenditures are incurred, as a direct reduction of research and development or capitalized costs. Non-refundable tax credits, which may only be used to reduce future taxes otherwise payable, are recorded as an income tax recovery in the period in which their realization is considered more likely than not.

Stock-Based Compensation

The accounting for stock-based awards is based on the fair value of the award measured at the grant date. Accordingly, stock-based compensation cost is recognized in the Consolidated Statements of Operations and Comprehensive Loss as an operating expense over the requisite service period.

The fair value of stock options is determined using the Black-Scholes option-pricing model, single option approach. An estimate of forfeitures is applied when determining compensation expense. The Company determines the fair value of stock option awards on the date of grant using assumptions regarding expected term, share price volatility over the expected term of the awards, risk-free interest rate, and dividend rate. All shares issued under the Legacy Option Plan and Stock Option Plan are from treasury.

The fair value of restricted share units ("RSU's") is measured using the fair value of the Company's shares as if the RSU's were vested and issued on the grant date. An estimate of forfeitures is applied when determining compensation expense. All shares issued under the Long Term Incentive Plan are from treasury.

In connection with prior period business acquisitions, the Company has also issued restricted shares. The restricted shares vest evenly, on a month-by-month basis and are contingent on future services being provided. As a result, the restricted shares are considered post business combination services and are accounted for as compensation expense and not as part of purchase accounting. The fair value of the restricted shares is derived from the fair value of the Company's common shares, which was determined by an independent valuation firm, based on input, feedback and review by the Company's management, at or around the same time as the related transactions and in combination with other available market data.

Earnings Per Share

Basic earnings per share are calculated by dividing net earnings attributable to common equity holders of the Company by the weighted average number of common stock outstanding during the year.

Diluted earnings per share are calculated by dividing net earnings attributable to common equity holders of the Company by the weighted average number of common stock outstanding during the year, plus the effect of dilutive potential common stock outstanding during the year. This method requires that diluted earnings per share be calculated (using the treasury stock method) as if all dilutive potential common stock had been

exercised at the latest of the beginning of the year or on the date of issuance, as the case may be, and that the funds obtained thereby (plus an amount equivalent to the unamortized portion of related stock-based compensation costs) be used to purchase common stock of the Company at the average fair value of the common stock during the year.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-9 "Revenue from Contracts with Customers." The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015 the Financial Accounting Standards Board issued ASU No. 2015-14, which deferred the effective date for all entities by one year. The standard becomes effective for reporting periods beginning after December 15, 2017. Early adoption is permitted starting January 1, 2017. The Company is currently assessing the impact of these standards.

In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02 "Consolidations (Topic 810)—Amendments to the Consolidation Analysis". The new standard makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity ("VIE") unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015. The Company is currently assessing the impact of these amendments.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Company is currently assessing the impact of this new standard.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)", which amends ASC 820, Fair Value Measurement. The standard removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. The standard will be effective for the Company's fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

In November 2015, the Financial Accounting Standards Board issued ASU 2015-17, "Income Taxes (Topic 740)", which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The standard will be effective for the Company's fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

4. Cash and Cash Equivalents

As of December 31, 2015 and 2014 , the Company's cash and cash equivalents balance of $ 110,070 and $ 41,953 , respectively, included $80,914 and $36,065 , respectively, of money market funds and term deposits that bear interest at rates ranging from 0.01% to 1% . As of December 31, 2015 , the Company had $ 1,000 CAD of restricted cash which was pledged as collateral against the Company's leases (December 31, 2014 - $1,050 CAD).

Expressed in US $000's except share and per share amounts

5. Financial Instruments

As of December 31, 2015 , the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value $	Fair Value Measurements Using		
		Level 1 $	Level 2 $	Level 3 $
Assets:				
Cash equivalents:				
Money market funds	59,655	59,655	—	—
U.S. term deposits	21,259	21,259	—	—
Marketable securities:				
U.S. federal bonds	35,970	35,970	—	—
Corporate bonds	44,028	—	44,028	—

All cash equivalents and marketable securities mature within one year of the consolidated balance sheet date. As at December 31, 2015 the Company did not have any outstanding foreign exchange forward contracts.

As of December 31, 2014 , the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value $	Fair Value Measurements Using		
		Level 1 $	Level 2 $	Level 3 $
Assets:				
Cash equivalents:				
Money market funds	31,271	31,271	—	—
Canadian guaranteed investment certificates	1,294	1,294	—	—
U.S. term deposits	3,500	3,500	—	—
Marketable securities:				
U.S. federal bonds	5,502	5,502	—	—
Corporate bonds	12,207	—	12,207	—
Derivatives:				
Foreign exchange forward contracts	7	—	7	—

As at December 31, 2014 the Company held foreign exchange forward contracts to convert USD into CAD to fund a portion of its operations. The fair value of foreign exchange forward contracts and corporate bonds was based upon Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2015 and 2014 .

Expressed in US $000's except share and per share amounts

6. Trade and Other Receivables

	2015 $	2014 $
Trade receivables	1,701	838
Leasehold incentives receivable	1,554	3,158
Unbilled revenues	1,075	704
Refundable tax credits	754	1,959
Sales tax receivable	572	499
Other receivables	433	69
	6,089	7,227

Unbilled revenues represent amounts not yet billed to merchants related to transaction fee charges, up to the consolidated balance sheet date.

7. Other Current Assets

	2015 $	2014 $
Prepaid expenses	3,264	1,023
POS hardware	1,550	290
Deposits	1,389	175
Foreign exchange forward contracts	—	7
	6,203	1,495

As of December 31, 2015 , the Company did not hold any foreign exchange forward contracts to convert USD into CAD. As of December 31, 2014 , the Company held foreign exchange forward contracts to convert $6,000 USD into $6,974 CAD at exchange rates ranging from 1.1618 to 1.1630 . These contracts expired between January 12, 2015 and March 11, 2015 and the fair value of these contracts as of December 31, 2014 was an asset of $7 . During the years ended December 31, 2015 , 2014 , and 2013 , the use of foreign exchange forward contracts resulted in net foreign exchange losses of nil , $368 and $489 , respectively.

8. Property and Equipment

	2015		
	Cost $	Accumulated depreciation $	Net book value $
Leasehold improvements	23,225	2,057	21,168
Computer equipment	14,508	5,630	8,878
Office furniture and equipment	4,100	1,098	3,002
	41,833	8,785	33,048

Expressed in US $000's except share and per share amounts

	2014		
	Cost $	**Accumulated depreciation $**	**Net book value $**
Leasehold improvements	15,014	352	14,662
Computer equipment	7,346	2,415	4,931
Office furniture and equipment	2,506	371	2,135
	24,866	3,138	21,728

The following table illustrates the classification of depreciation in the Consolidated Statements of Operations and Comprehensive Loss.

	2015 $	**2014 $**	**2013 $**
Cost of revenues	3,086	1,599	572
Sales and marketing	1,040	795	344
Research and development	1,191	1,253	466
General and administrative	408	351	98
	5,725	3,998	1,480

9. Intangible Assets

	2015		
	Cost $	**Accumulated amortization $**	**Net book value $**
Software development costs	4,238	1,143	3,095
Purchased software	3,668	1,242	2,426
Domain names	540	235	305
	8,446	2,620	5,826

	2014		
	Cost $	**Accumulated amortization $**	**Net book value $**
Software development costs	1,925	445	1,480
Purchased software	1,806	588	1,218
Domain names	90	80	10
	3,821	1,113	2,708

Internal software development costs of $2,313 , $1,269 and $656 were capitalized during the years ended December 31, 2015 , 2014 and 2013 , respectively, and are included in Intangible assets in the accompanying Consolidated Balance Sheets. Amortization expense related to the capitalized internally developed software was $698 , for the year ended December 31, 2015 and is included in Cost of revenues and General and administrative expense. Amortization expense related to the capitalized internally developed software was $330 and $115 for the years ended 2014 and 2013 , respectively, and is included in Cost of revenues in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

Expressed in US $000's except share and per share amounts

The following table illustrates the classification of amortization expense related to Intangible assets in the Consolidated Statements of Operations and Comprehensive Loss.

	2015 $	2014 $	2013 $
Cost of revenues	750	608	240
Sales and marketing	186	33	32
Research and development	465	20	5
General and administrative	110	13	1
	1,511	674	278

Estimated future amortization expense related to intangible assets, as at December 31, 2015 is as follows.

Fiscal Year	Amount $
2016	2,288
2017	2,215
2018	1,192
2019	131
Total	5,826

10. Accounts Payable and Accrued Liabilities

	2015 $	2014 $
Trade accounts payable and trade accruals	18,453	8,186
Other payables and accrued liabilities	1,697	1,607
Accrued payroll taxes related to exercised stock options	1,584	—
Employee related accruals	1,150	539
Accrued sales tax	805	2,182
	23,689	12,514

11. Lease Incentives

The Company leases space for its offices. The Company's principal lease is for its head office, which is located at 150 Elgin Street in Ottawa, Canada. This lease covers a period of twelve years, ten months that began on March 1, 2014. The lease includes an option to renew for a further five years . The Company received leasehold incentives in the form of rent-free periods and fit-up allowances. The lease agreement also includes scheduled rent increases that are not dependent on future events and therefore the lease payments are being accounted for on a straight-line basis over the entire term of the lease.

The Company also maintains offices in Toronto, Montreal and Kitchener-Waterloo. In all locations, the Company received leasehold incentives in the form of rent-free periods and fit-up allowances. The lease agreements also include scheduled rent increases that are not dependent on future events and therefore the lease payments are being accounted for on a straight-line basis over the entire term of the lease.

The following table represents the details of the Company's lease incentives balance as of December 31, 2015 and 2014.

Expressed in US $000's except share and per share amounts

	2015 $	2014 $
Lease incentives	11,177	7,536
Other lease liabilities	142	242
	11,319	7,778
Less: current portion	822	485
Long-term portion	10,497	7,293

12. Credit Facilities

In 2011, the Company established a revolving line of credit with the Royal Bank of Canada. The credit facility is renewable annually for borrowing of up to $1,500 CAD. The line is collateralized by cash and cash equivalents and its interest rate is tied to the Bank of Canada prime lending rate plus 0.3% (3.0% as of December 31, 2015 and 3.3% as of December 31, 2014). As of December 31, 2015 the Company had drawn nil under the facility. As of December 31, 2015 , $1,000 CAD under the facility was pledged as collateral for a letter of credit.

In March 2015, the Company entered into a credit facility with Silicon Valley Bank, which provides for a $25,000 revolving line of credit bearing interest at the U.S. prime rate, as published by the Wall Street Journal plus or minus 25 basis points per annum. As at December 31, 2015 the effective rate was 3.25% . The credit facility has a maturity date of March 11, 2016, and is collateralized by substantially all of the Company's assets, including the stock of its subsidiaries named in the agreement as guarantors, but excluding the Company's intellectual property, which is subject to a negative pledge. As of December 31, 2015 , no amounts have been drawn under this credit facility and the Company is in compliance with all of the covenants contained therein.

13. Commitments and Contingencies

Operating Leases

The Company leases space for its offices in Ottawa, Toronto and Kitchener-Waterloo, Ontario, Canada and Montreal, Quebec, Canada. In the years ended December 31, 2015 , 2014 , and 2013 rent expense totalled $6,446 , $4,547 and $1,178 , respectively.

Amounts of minimum future annual rental payments under non-cancellable operating leases in each of the next five years and thereafter are as follows:

Fiscal Year	Amount $
2016	5,804
2017	7,809
2018	7,907
2019	7,958
2020	8,070
Thereafter	42,594
Total future minimum lease payments	80,142

Litigation and Loss Contingencies

The Company accrues estimates for loss contingencies when losses are probable and reasonably estimable. From time to time, the Company may become a party to litigation and subject to claims incident to the ordinary course of business, including intellectual property claims, labour and employment claims and threatened

claims, breach of contract claims, tax and other matters. The Company currently has no material pending litigation or claims. The Company is not aware of any litigation matters or loss contingencies that would be expected to have a material adverse effect on the business, consolidated financial position, results of operation, or cash flows.

14. Shareholders' Equity

Convertible Preferred Shares

Upon the completion of the Company's IPO, all of the then outstanding convertible preferred shares were converted into 27,159,277 Class B multiple voting shares.

Common Stock Authorized

Immediately prior to the completion of the Company's IPO, all of the then outstanding 39,780,952 common shares were redesignated as Class B multiple voting shares. The Company is authorized to issue an unlimited number of Class A subordinate voting shares and an unlimited number of Class B multiple voting shares. The Class A subordinate voting shares have one vote per share and the Class B multiple voting shares have 10 votes per share. The Class A subordinate voting shares are not convertible into any other class of shares, including Class B multiple voting shares. The Class B multiple voting shares are convertible into Class A subordinate voting shares on a one -for-one basis at the option of the holder. In addition, Class B multiple voting shares will automatically convert into Class A subordinate voting shares in certain other circumstances. In connection with historical acquisitions, the Company has also issued restricted shares. The restricted shares vest evenly, on a month-by-month basis, and are contingent on future services being provided.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Company's Board of Directors prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of shares.

Stock-Based Compensation

In 2008, the Board of Directors adopted and the Company's shareholders approved the Legacy Stock Option Plan ("the Legacy Option Plan"). Under the Legacy Option Plan, the Board of Directors was authorized to grant options to purchase common shares to both employees and non-employees. The Compensation Committee, or in their absence, the Board of Directors, was given the authority to set the exercise prices of all options granted based upon not less than the fair market value of the common shares of the Company on the date of grant. In October 2010, an amendment was made to the Legacy Option Plan to set all future option grants, unless otherwise specified by the Board of Directors at the time of grant, on a vesting schedule over four years with 25% vesting after one year and the remainder vesting 1/48 each month thereafter. In April 2013, an amendment was made to the Legacy Option Plan to provide that the term of the options shall be exercisable until the tenth anniversary of their grant date. In December 2013 the Board of Directors approved a modification to the Legacy Option Plan which allowed for uniform vesting at 1/48 each month starting immediately in the first month after an option grant for any grant issued to employees subsequent to their initial grant. At that time, the Board of Directors also approved a modification that changed the initial vesting commencement date from three months following the employment or engagement start date to the actual employment or engagement start date. Immediately prior to the completion of the Company's IPO, a total of 14,982,341 options were outstanding under the Legacy Option Plan, and, in connection with the closing of the offering, each such option became exercisable for one Class B multiple voting share. Following the closing of the Company's IPO, no further awards were made under the Legacy Option Plan.

The Company's Board of Directors and shareholders approved a new stock option plan ("Stock Option Plan") as well as a long-term incentive plan ("LTIP"), each of which became effective on May 27, 2015. The Stock Option Plan allows for the grant of options to the Company's officers, directors, employees and consultants. All options granted under the Stock Option Plan will have an exercise price determined and approved by the Company's Board of Directors at the time of grant, which shall not be less than the market price of the Class A subordinate voting shares at such time. For purposes of the Stock Option Plan, the market price of the Class A subordinate voting shares shall be the volume weighted average trading price of the Class A subordinate voting shares on the NYSE for the five trading days ending on the last trading day before the day on which the option is granted. Options granted under the Stock Option Plan are exercisable for Class A subordinate voting shares. Both the vesting period and term of the options in the Stock Option Plan are determined by the Board of Directors at the time of grant.

The LTIP provides for the grant of share units, or LTIP Units, consisting of restricted share units ("RSU"), performance share units ("PSU"), and deferred share units ("DSU"). Each LTIP Unit represents the right to receive one Class A subordinate voting share in accordance with the terms of the LTIP. Unless otherwise approved by the Board of Directors, RSUs will vest as to 1/3 each on the first, second and third anniversary dates of the date of grant. A PSU participant's grant agreement will describe the performance criteria established by the Company's Board of Directors that must be achieved for PSUs to vest to the PSU participant, provided the participant is continuously employed by or in the Company's service or the service or employment of any of the Company's affiliates from the date of grant until such PSU vesting date. DSUs will be granted solely to directors of the Company, at their option, in lieu of their Board retainer fees. DSUs will vest upon a director ceasing to act as a director. As at the consolidated balance sheet date there have been nil PSUs or DSUs granted.

The maximum number of Class A subordinate voting shares reserved for issuance, in the aggregate, under the Company's Stock Option Plan and the LTIP was initially equal to 3,743,692 Class A subordinate voting shares. The number of Class A subordinate voting shares available for issuance, in the aggregate, under the Stock Option Plan and the LTIP will be automatically increased on January 1st of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B multiple voting shares on December 31st of the preceding calendar year. As at January 1, 2016 there were 6,786,124 shares reserved for issuance under the Company's Stock Option Plan and LTIP.

The following table summarizes the stock option and RSU award activities under the Company's share-based compensation plans for the years ended December 31, 2015 , 2014 , and 2013 :

Expressed in US $000's except share and per share amounts

	Shares Subject to Options Outstanding					Outstanding RSUs	
	Number of Options [1]	Weighted Average Exercise Price $	Remaining Contractual Term (in years)	Aggregate Intrinsic Value [2] $	Weighted Average Grant Date Fair Value $	Outstanding RSUs	Weighted Average Grant Date Fair Value $
Balance as at December 31, 2013	12,737,893	0.38	—	—	—	—	—
Stock options granted	2,985,495	5.28	—	—	5.63	—	—
Stock options exercised	(305,649)	0.46	—	—	—	—	—
Stock options forfeited	(386,351)	1.40	—	—	—	—	—
Balance as at December 31, 2014	15,031,388	1.31	7.16	73,642	—	—	—
Stock options granted	1,259,025	22.16	—	—	12.16	—	—
Stock options exercised	(4,665,059)	0.34	—	—	—	—	—
Stock options forfeited	(421,328)	12.04	—	—	—	—	—
RSUs granted	—	—	—	—	—	503,701	32.01
RSUs settled	—	—	—	—	—	—	—
RSUs forfeited	—	—	—	—	—	(75,135)	30.95
Balance as at December 31, 2015	11,204,026	3.65	6.99	248,119	—	428,566	32.19
Stock options exercisable as of December 31, 2015	6,902,359	0.82	6.03	172,415			

(1) As at December 31, 2015 10,519,901 of the outstanding stock options were granted under the Company's Legacy Option Plan and are exercisable for Class B multiple voting shares, and 684,125 of the outstanding stock options were granted under the Company's Stock Option Plan and are exercisable for Class A subordinate voting shares.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the assessed fair value of the common stock as of December 31, 2014 and the closing market price of our common stock as of December 31, 2015 .

As of December 31, 2015 , and 2014 , there was $ 34,572 and $16,574 , respectively, of remaining unamortized compensation cost related to unvested stock options and RSUs granted to the Company’s employees. This cost will be recognized over an estimated weighted-average remaining period of 3.22 years. Total unamortized compensation cost will be adjusted for future changes in estimated forfeitures.

Share-Based Compensation Expense

All share-based awards are measured based on the grant date fair value of the awards and recognized in the Consolidated Statements of Operations and Comprehensive Loss over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award).

The Company estimates the fair value of stock options granted using the Black-Scholes option valuation model, which requires assumptions, including the fair value of our underlying common stock, expected term, expected volatility, risk-free interest rate and dividend yield of the Company's common stock. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, share-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* Prior to the Company's IPO in May 2015, the Board of Directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of the Company's common stock as of the date of each option grant. Valuations of the Company’s stock were determined in accordance with the guidelines outlined in the American Institute of

Expressed in US $000's except share and per share amounts

Certified Public Accountant Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Since the Company's IPO, the Company has used the Volume Weighted Average Price for its common stock as reported on the New York Stock Exchange.

- *Expected Term.* The Company determines the expected term based on the average period the stock options are expected to remain outstanding. The Company bases the expected term assumptions on its historical behavior combined with estimates of post-vesting holding period.

- *Expected Volatility.* The Company determines the price volatility factor based on the historical volatility of publicly traded industry peers. To determine its peer group of companies, the Company considers public companies in the technology industry and selects those that are similar to us in size, stage of life cycle, and financial leverage. The Company intends to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of its own common stock price becomes available, or unless circumstances change such that the identified companies are no longer similar, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

- *Risk-Free Interest Rate.* The Company bases the risk-free interest rate used in the Black-Scholes valuation model on the yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the stock options for each stock option group.

- *Expected Dividend.* The Company has not paid and does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option pricing model.

The assumptions used to estimate the fair value of stock options granted to employees are as follows:

	2015	2014	2013
Expected volatility	64.3%	62.4%	73.9%
Risk free interest rate	1.62%	1.82%	1.67%
Dividend yield	Nil	Nil	Nil
Average expected life	5.26	5.73	6.06

In addition to the assumptions used in the Black-Scholes option valuation model, the Company must also estimate a forfeiture rate to calculate the share-based compensation expense for our awards. The Company's forfeiture rate is based on an analysis of its actual forfeitures. The Company will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher/lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase/decrease to the share-based compensation expense recognized in the consolidated financial statements.

The following table illustrates the classification of stock-based compensation in the Consolidated Statements of Operations and Comprehensive Loss, which includes both stock-based compensation and restricted share-based compensation expense.

Expressed in US $000's except share and per share amounts

	Years ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
	$	**$**	**$**
Cost of revenues	282	259	113
Sales and marketing	1,099	696	354
Research and development	4,509	2,776	1,152
General and administrative	2,268	712	147
	8,158	**4,443**	**1,766**

15. Earnings per Share

The Company applies the two-class method to calculate its basic and diluted net loss per share as both classes of its voting shares are participating securities with equal participation rights and are entitled to receive dividends on a share for share basis.

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding.

	Years ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
Basic and diluted weighted average number of shares outstanding	61,716,065	38,940,252	37,248,710
The following items have been excluded from the diluted weighted average number of shares outstanding because they are anti-dilutive:			
Stock options	11,204,026	15,031,388	12,737,893
Restricted share units	428,566	—	—
Restricted shares	48,238	148,314	589,990
Convertible preferred shares	—	27,159,277	27,159,277
	11,680,830	42,338,979	40,487,160

In the years ended December 31, 2015 , 2014 , and 2013 the Company was in a loss position and therefore diluted loss per share is equal to basic loss per share.

16. Income Taxes

The reconciliation of the expected provision for income tax recovery/expense to the actual provision for income tax recovery/expense reported in the Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2015 , 2014 , and 2013 is as follows.

Expressed in US $000's except share and per share amounts

	2015 $	2014 $	2013 $
Earnings (loss) before income taxes	(18,790)	(22,311)	(4,837)
Expected income tax expense (recovery) at Canadian statutory income tax rate of 26.51% (2014-26.51%)	(4,980)	(5,915)	(1,282)
Permanent differences	1,333	1,203	435
Share issuance costs	(3,734)	—	—
Effect of change in tax rates	—	—	(163)
Utilization of tax credits	—	—	(93)
Other	(8)	(43)	—
Foreign rate differential	(44)	(3)	(2)
Increase (decrease) in valuation allowance	7,433	4,758	1,105
Provision for income tax (recovery) expense	—	—	—

During the years ended December 31, 2015 , 2014 , and 2013 , the loss before income taxes includes foreign income (loss) of $234 , $14 , and ($14), respectively.

The significant components of the Company's deferred income tax assets and liabilities as of December 31, 2015 and 2014 are as follows.

	2015 $	2014 $
Deferred tax assets		
Temporary differences on capital and intangible assets	415	606
Tax loss carryforwards	3,799	3,415
SR&ED expenditure carryforwards	1,687	974
Share issue costs	3,345	39
Investment tax credits	1,253	497
Lease accruals and other provisions	4,316	1,664
Total deferred tax assets	14,815	7,195
Valuation allowance	(14,011)	(6,578)
	804	617
Deferred tax liabilities		
Capitalized software development costs	(804)	(380)
Investment tax credits used or refunded	—	(237)
Total deferred tax liabilities	(804)	(617)
Net deferred tax asset	—	—

The Company has determined that it is not more likely than not that it will realize any of its deferred tax assets, and therefore a full valuation allowance has been established against the total deferred tax assets.

The Company does not have any unrecognized tax benefits.

Expressed in US $000's except share and per share amounts

The Company's accounting policy is to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. In the years ended December 31, 2015 , 2014 , and 2013 , there was no interest or penalties related to uncertain tax positions.

The Company and its Canadian subsidiaries file federal and provincial income tax returns in Canada. The Company and its U.S. subsidiaries file federal and state income tax returns in the U.S. and its other foreign subsidiaries file income tax returns in their respective foreign jurisdictions. The Company remains subject to audit by the relevant tax authorities for the years ended 2010 through 2015 .

The Company estimates SR&ED expenditures and claims investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the *Income Tax Act* ("the Act") and related provincial legislation. These claims are subject to audit by the tax authorities. In the opinion of management, the treatment of research and development expenditures for income tax purposes is appropriate. Any difference between recorded refundable tax credits and amounts ultimately received is recorded when the amount becomes known. As of December 31, 2015 and 2014 , the Company had unused non-capital tax losses of approximately $14,264 and $13,475 respectively, a SR&ED expenditure pool totaling $6,364 and $3,673 respectively, and investment tax credits of $1,486 and $532 respectively, that are due to expire as follows.

	SR&ED Expenditures $	Investment Tax Credits $	Non-Capital Losses $
2031	—	45	—
2032	—	117	13
2033	—	232	11,235
2034	—	197	825
2035	—	895	2,191
Indefinite	6,364	—	—
	6,364	1,486	14,264

17. Supplemental Cash Flow Information Items

The following table presents the changes in non-cash working capital items.

	2015 $	2014 $	2013 $
Trade and other receivables	1,176	(3,930)	(1,196)
Other current assets	(4,708)	(414)	(725)
Accounts payable and accrued liabilities	11,097	6,010	2,314
	7,565	1,666	393

The following table provides supplemental disclosure of non-cash investing and financing activities.

	2015 $	2014 $	2013 $
Acquired property and equipment remaining unpaid	1,295	853	—
Acquired intangibles assets remaining unpaid	—	250	—
Capitalized stock-based compensation	362	79	26
Non-cash acquisitions of businesses	—	—	404

Expressed in US $000's except share and per share amounts

18. Geographical Information

The following table presents total external revenues by geographic location, based on the location of the Company's merchants.

	2015		2014		2013	
	Amount $	%	Amount $	%	Amount $	%
Canada	14,691	7.2%	7,729	7.4%	4,101	8.2%
United States	144,748	70.5%	72,149	68.7%	31,743	63.2%
United Kingdom	15,436	7.5%	7,912	7.5%	4,517	9.0%
Australia	10,531	5.1%	6,420	6.1%	3,807	7.6%
Rest of World	19,827	9.7%	10,808	10.3%	6,084	12.0%
	205,233	100.0%	105,018	100.0%	50,252	100.0%

The following table presents the total net book value the Company's long-lived assets by geographic location.

	2015		2014	
	Amount $	%	Amount $	%
Canada	25,886	78.3%	17,758	81.7%
United States	7,162	21.7%	3,970	18.3%
	33,048	100.0%	21,728	100.0%

19. Acquisitions

2013 Acquisition

On July 31, 2013 the Company acquired 100% of the shares of two companies which were commonly owned, Jet Cooper Ltd., a design studio focused on user experience and website design, and Atatomic Inc., a firm of mobile application developers, in a combined purchase transaction for total consideration on closing of $1,232 , consisting of cash in the amount of $828 and 96,479 common shares with a fair value of $404 determined at the date of acquisition.

The acquisition also established an escrow agreement upon which additional cash payments of C$468 were restricted and 289,435 of additional common shares were transferred to an escrow agent. The restrictions on the cash were lifted on July 31, 2014. The restricted common shares vest evenly, on a month-by-month basis over a period of three years ending on July 31, 2016. Both the cash payment and restricted common shares are contingent on the sellers' continued employment and were therefore considered post business combination services and are accounted for as compensation expense and not part of purchase accounting.

During the years ended December 31, 2015 , 2014 , and 2013 , nil , C $280 and C $188 , respectively, of the restricted cash was released from escrow and 82,697 shares with a fair value of $ 345 , 118,301 shares with a fair value of $493 , and 40,200 restricted shares with a fair value of $168 , respectively, were earned and have been recognized as compensation expense in the Consolidated Statements of Operations.

The Company did not complete any acquisitions during the years ended December 31, 2015 and December 31, 2014 .

20. Comparative Figures

Certain comparative figures have been reclassified in order to conform to the current year presentation.

EXHIBIT 10.8

SHOPIFY INC.

STOCK OPTION PLAN

Effective as of: May 27, 2015

SHOPIFY INC.
STOCK OPTION PLAN

The purpose of this Plan is to advance the interests of the Corporation and its shareholders by providing to the directors, officers, employees and consultants of the Corporation a performance incentive for continued and improved services with the Corporation and its Affiliates.

Article 1
INTERPRETATION

Section 1.1 **Definitions**

For the purposes of this Plan, the following terms shall have the following meanings:

(a) " **Affiliate** " or " **Affiliated** " means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise);

(b) " **Authorized Leave** " means any leave of absence (paid or unpaid) approved in writing by the Corporation for a period of more than four (4) weeks that occurs while the Participant continues to be employed as a full-time employee by the Corporation or retained as a full-time Consultant by the Corporation and includes any parental leave, short term disability, or other bona fide paid or unpaid leave of absence or sabbatical period;

(c) " **Board** " means the board of directors of the Corporation as constituted from time to time, or a committee thereof to which authority has been delegated by the board of directors with respect to any particular functions of the board of directors, as set forth herein;

(d) " **Business Day** " means a day, other than a Saturday or Sunday, on which banking institutions in Ottawa, Ontario are not authorized or obligated by law to close;

(e) " **Change of Control** " means, unless the Board determines otherwise, the happening, in a single transaction or in a series of related transactions, of any of the following events:

(i) any transaction (other than a transaction described in clause (ii) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation's then issued and outstanding securities entitled to vote in the election of directors of the Corporation, other than any such acquisition that occurs (A) upon the exercise or settlement of options or other securities granted by the Corporation under any of the Corporation's equity incentive plans, or (B) as a result of the conversion of Multiple Voting Shares into Shares;

(ii) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction,

the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction;

(iii) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation's assets to a person other than a person that was an Affiliate of the Corporation at the time of such sale, lease, exchange, license or other disposition, other than a sale, lease, exchange, license or other disposition to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by shareholders of the Corporation in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such sale, lease, exchange, license or other disposition;

(iv) the passing of a resolution by the Board or Shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or

(v) individuals who, on the Effective Date, are members of the Board (the " **Incumbent Board** ") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

(f) " **Code** " has the meaning given to that term in Appendix 1;

(g) " **Consultant** " has the meaning ascribed to that term in National Instrument 45-106 of the Canadian Securities Administrators;

(h) " **Corporation** " means Shopify Inc. and its respective successors and assigns;

(i) " **Date of Grant** " means the date on which a particular Option is granted by the Board as evidenced by the Grant Agreement pursuant to which the particular Option was granted;

(j) " **Effective Date** " has the meaning given to that term in Section 2.5;

(k) " **Eligible Person** " means any director, officer, employee or Consultant of the Corporation or any of its direct or indirect subsidiaries;

(l) " **Exercise Notice** " means an election to exercise Options granted to a Participant under this Plan, substantially in the form attached as Exhibit "B" to the Grant Agreement, as may be amended from time to time;

(m) " **Exercise Period** " means the period from the Vesting Date to the close of business on the Expiry Date during which a particular Option may be exercised in the manner described in Section 4.1;

(n) " **Exercise Price** " has the meaning given to that term in Section 3.2;

(o) " **Expire** " means, with respect to an Option or Legacy Option, the termination of such Option or Legacy Option, on the occurrence of which such Option or Legacy Option is void, incapable of exercise, and of no value whatsoever; and Expires and Expired have a similar meaning;

(p) " **Expiry Date** " means the date on which an Option Expires;

(q) " **Fair Market Value** " means, on any particular day, the Market Price of a Share, but if the Shares are not listed and posted for trading on an applicable stock exchange at the relevant time, it shall be the fair market value of the Share, as determined by the Board acting in good faith;

(r) " **Grant Agreement** " means an agreement between the Corporation and a Participant under which an Option is granted, substantially in the form attached hereto as Schedule "A", as may be amended from time to time;

(s) " **Incapacity** " has the meaning given to that term in Section 4.3(c);

(t) " **Incumbent Board** " has the meaning given to that term in Section 1.1(e);

(u) " **Legacy Option** " means an option to purchase a newly issued Multiple Voting Share that is granted pursuant to the terms of the Legacy Option Plan;

(v) " **Legacy Option Plan** " means the Corporation's Fourth Amended and Restated Incentive Stock Option Plan, as may be amended from time to time;

(w) " **Long-Term Incentive Plan** " means the Corporation's long-term incentive plan, effective upon the Effective Date, as may be amended from time to time;

(x) " **Market Price** " means, on any particular day, the volume weighted average trading price of a Share on the New York Stock Exchange for the five (5) preceding days on which the Shares were traded, or on any other stock exchange as selected by the Board for these purposes;

(y) " **Multiple Voting Shares** " means the Class B multiple voting shares in the capital of the Corporation;

(z) " **Option** " means an option to purchase a newly issued Share that is granted to an Eligible Person pursuant to the terms of this Plan;

(aa) " **Participant** " means an Eligible Person to whom an Option has been granted;

(bb) " **Person** " means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof;

(cc) " **Plan** " means this Stock Option Plan, as may be amended from time to time;

(dd) " **Share** " means a Class A subordinate voting share in the capital of the Corporation;

(ee) " **Share Compensation Arrangement** " means any stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of securities of the Corporation from treasury, including without limitation a Share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise, but does not include any such arrangement which does not involve the issuance from treasury or potential issuance from treasury of securities of the Corporation;

(ff) " **Shareholders** " means holders of Shares or Multiple Voting Shares;

(gg) " **Stock Exchange** " means the TSX or, if the Shares are not listed or posted for trading on the TSX but are listed and posted for trading on another stock exchange, the stock exchange on which the Shares are listed or posted for trading;

(hh) " **Surrender** " has the meaning given to that term in Section 4.1(c);

(ii) " **Surrender Notice** " has the meaning given to that term in Section 4.1(c);

(jj) " **Termination Date** " has the meaning given to that term in Section 4.3(c);

(kk) " **TSX** " means the Toronto Stock Exchange; and

(ll) " **Vesting Date** " means the date or dates determined in accordance with the terms of the Grant Agreement entered into in respect of such Options (as described in Section 3.3), on and after which a particular Option, or any part thereof, may be exercised, subject to amendment or acceleration from time to time in accordance with the terms hereof or the terms of the Grant Agreement.

Section 1.2 **Interpretation**

(a) Whenever the Board is to exercise discretion or authority in the administration of the terms and conditions of this Plan, the term "discretion" or "authority" means the sole and absolute discretion of the Board.

(b) In the Plan, words importing the singular shall include the plural and vice versa and words importing any gender include any other gender.

(c) Unless otherwise specified in the Participant's Grant Agreement, all references to money amounts are to United States currency.

(d) As used herein, the terms "Article" and "Section" mean and refer to the specified Article and Section of this Plan, respectively.

(e) The words "including" and "includes" mean "including (or includes) without limitation".

Article 2
GENERAL PROVISIONS

Section 2.1 **Administration**

(f) The Board shall administer this Plan. Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or other compensation arrangements.

(g) Subject to the terms and conditions set forth herein, the Board has the authority: (i) to grant Options to purchase Shares to Eligible Persons; (ii) to determine the terms, including the limitations, restrictions, vesting period and conditions, if any, of such grants; (iii) to interpret this Plan and all agreements entered into hereunder; (iv) to adopt, amend and rescind such administrative guidelines and other rules relating to this Plan as it may from time to time deem advisable; and (v) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board's guidelines, rules, interpretations, and determinations shall be conclusive and binding upon the Corporation, its subsidiaries, and all Participants, Eligible Persons and their legal, personal representatives and beneficiaries.

(h) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee thereof. For greater certainty, any such delegation by the Board may be revoked at any time at the Board's sole discretion.

(i) No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board and each such person shall be entitled to indemnification by the Corporation with respect to any such action or determination.

(j) The Board may adopt such rules or regulations and vary the terms of this Plan and any grant hereunder as it considers necessary to address tax or other requirements of any applicable non-Canadian jurisdiction, including without limitation Sections 422 and 409A of the Code (with respect to Participants who are subject to taxation in the United States).

(k) The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Shares or any other securities in the capital of the Corporation other than as specifically provided for in the Plan.

Section 2.2 **Shares Reserved**

(a) Subject to Section 2.2(c), the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Shares.

(b) The maximum number of Shares reserved for issuance, in the aggregate, under this Plan and the Long-Term Incentive Plan shall initially be equal to 2,500,000 Shares plus the number of Shares equal to the number of Multiple Voting Shares subject to the Legacy Option Plan's available reserve as of the Effective Date. The number of Shares available for issuance, in the aggregate, under this Plan and the Long-Term Incentive Plan will be automatically, and without any further action on the part of the Board or the Shareholders, increased on January 1 of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5 % of the aggregate number of outstanding Shares and Multiple Voting Shares on December 31 of the preceding calendar year. Notwithstanding the foregoing, the Board may

act prior to January 1st of a given year to provide that there will be no January 1st increase in the maximum number of Shares reserved for issuance under this Plan and the Long-Term Incentive Plan for such fiscal year or that any increase in the Share reserve for such year will be a lesser number of Shares than would otherwise occur pursuant to the preceding sentence. If an Option Expires, is forfeited, or is cancelled for any reason, the Shares subject to that Option shall be available for grants under this Plan, subject to any required prior approval by the Stock Exchange. If a Legacy Option Expires, is forfeited, or is cancelled for any reason, then a number of Shares equal to the number of Multiple Voting Shares subject to that Option shall be available for grants under this Plan, subject to any required prior approval by the Stock Exchange. In addition, to the extent that any Shares become re-available for grants pursuant to the terms of the Long-Term Incentive Plan, such Shares shall automatically become available to be made the subject of grants under this Plan **.**

(c) If there is a change in the outstanding Shares by reason of any stock dividend or split, or in connection with a reclassification, reorganization or other change of Shares, consolidation, distribution (other than an ordinary course dividend in cash or Shares, but including for greater certainty shares or equity interests in a subsidiary or business unit of the Corporation or one of its subsidiaries or cash proceeds of the disposition of such a subsidiary or business unit), merger or amalgamation or similar corporate transaction, the Board shall make, subject to any required approval of the Stock Exchange, the appropriate substitution or adjustment in order to maintain the Participants' economic rights in respect of their Options in connection with such change, including without limitation:

(vi) adjustments to the Exercise Price without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share covered by the Option,

(vii) adjustments to the number of Shares to which a Participant is entitled upon exercise of an Option,

(viii) adjustments permitting the immediate exercise of any outstanding Options that are not otherwise exercisable, or

(ix) adjustments to the number or kind of Shares or other securities reserved for issuance pursuant to the Plan and to the number or kind of Shares or other securities or other property issuable upon the exercise of Options.

Section 2.3 **Amendment and Termination**

(a) The Board may, in its sole discretion, suspend or terminate the Plan at any time or from time to time and/or amend or revise the terms of the Plan or of any Option granted under the Plan and any Grant Agreement relating thereto, provided that such suspension, termination, amendment, or revision shall:

(i) not adversely alter or impair any Option previously granted except as permitted by the terms of this Plan;

(ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the Stock Exchange; and

(iii) be subject to Shareholder approval, where required by law, the requirements of the Stock Exchange or this Plan.

(b) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force with respect to outstanding Options will continue in effect as long as any such Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such interpretations and amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

(c) Subject to Section 2.3(a), the Board may from time to time, in its discretion and without the approval of Shareholders, make changes to the Plan or any Option that do not require the approval of Shareholders under Section 2.3(d), which may include but are not limited to:

(i) any amendment of a "housekeeping" nature, including without limitation those made to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;

(ii) a change to the vesting provisions of the Plan or any Option;

(iii) a change to the provisions governing assignability and the effect of termination of a Participant's employment, contract or office;

(iv) the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;

(v) a change to advance the date on which any Option may be exercised under the Plan;

(vi) a change to the definition of Eligible Persons;

(vii) the addition of a deferred or performance share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation; and

(viii) an amendment of the Plan or an Option as necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan, the Participants or the Shareholders.

(d) Shareholder approval is required for the following amendments to the Plan:

(i) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Options granted under the Plan (as set out in Section 2.2), other than an adjustment pursuant to Section 2.2(c);

(ii) any reduction in the Exercise Price of an Option after the Option has been granted or any cancellation of such Option and the substitution of that Option with a new Option with a reduced Exercise Price, except in the case of an adjustment pursuant to Section 2.2(c);

(iii) any extension of the maximum Expiry Date of an Option, except in case of an extension due to a black-out period; and

(iv) any amendment to Section 2.3(c) and Section 2.3(d).

Section 2.4 **Compliance with Legislation**

(a) The Plan (including any amendments thereto), the terms of the grant of any Option under the Plan, the grant and exercise of any Option, and the Corporation's obligation to sell and deliver Shares upon the exercise of any Option, shall be subject to all applicable federal, provincial, state and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and any other stock exchange on which the Shares are listed or posted for trading, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any Option hereunder to issue or sell Shares in violation of such laws, rules and regulations or any condition of such approvals.

(b) No Option shall be granted, and no Shares shall be issued or sold hereunder, where such grant, issue, or sale would require registration of the Plan or of Shares under the securities laws of any foreign jurisdiction (other than the United States), and any purported grant of any Option or purported issue or sale of Shares hereunder in violation of this provision shall be void.

(c) The Corporation shall have no obligation to issue any Shares pursuant to this Plan unless upon official notice of issuance such Shares shall have been duly listed with the Stock Exchange (and any other stock exchange on which the Shares are listed or posted for trading). Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.

(d) If Shares cannot be issued to a Participant upon the exercise of an Option due to legal or regulatory restrictions, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the applicable Participant as soon as practicable.

Section 2.5 **Effective Date**

The Plan shall be effective upon the date (the " **Effective Date** ") of the closing of the initial public offering of the Shares.

Section 2.6 **Tax Withholdings and Deductions**

Notwithstanding any other provision contained herein, the exercise of each Option granted under this Plan is subject to the condition that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Corporation. In such circumstances, the Corporation may require that a Participant pay to the Corporation, in addition to and in the same manner as the Exercise Price for the Shares, such amount as the Corporation is obliged to remit to the relevant taxing authority in respect of the exercise of the Option. Any such additional payment is due no later than the date as of which any amount with respect to the Option exercised first becomes includable in the gross income of the Participant for tax purposes. In addition, the Corporation or the relevant subsidiary, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Corporation or the relevant subsidiary is in compliance with the all applicable withholding taxes or other source deductions relating to the exercise of such Options.

Section 2.7 **Non-Transferability**

Except as set forth herein, Options are not transferable. Options may be exercised only by:

(i) the Participant to whom the Options were granted; or

(ii) with the Corporation's prior written approval and subject to such conditions as the Corporation may stipulate, such Participant's family or retirement savings trust or any registered retirement savings plans or registered retirement income funds of which the Participant is and remains the annuitant; or

(iii) upon the Participant's death, by the legal representative of the Participant's estate; or

(iv) upon the Participant's Incapacity, the legal representative having authority to deal with the property of the Participant;

provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise any Option. A person exercising an Option may subscribe for Shares only in the person's own name or in the person's capacity as a legal representative.

Section 2.8 **Participation in this Plan**

(a) No Participant has any claim or right to be granted an Option (including, without limitation, an Option granted in substitution for any Option that has expired pursuant to the terms of this Plan), and the granting of any Option does not and is not to be construed as giving a Participant a right to continued employment or to remain a Consultant, director, officer or employee, as the case may be, of the Corporation or an Affiliate of the Corporation. Nothing contained in this Plan or in any Option granted under this Plan shall interfere in any way with the rights of the Corporation or an Affiliate of the Corporation in connection with the employment, retention or termination of any such person.

(b) No Participant has any rights or privileges as a shareholder of the Corporation in respect of Shares issuable on the exercise of rights to acquire Shares under any Option until the allotment and issuance to the Participant of certificates representing such Shares or the entry of such Participant's name on the share register of the Corporation as the holder of Shares, and that person becomes the holder of record of those Shares. The Participant or the Participant's legal representative shall not, by reason of the grant of any Option, be considered to be a shareholder of the Corporation until an Option has been duly exercised and shares have been issued in respect thereof.

(c) The Corporation makes no representation or warranty as to the future market value of the Shares or with respect to any income tax matters affecting the Participant resulting from the grant or exercise of an Option or transactions in the Shares. With respect to any fluctuations in the market price of Shares, neither the Corporation, nor any of its directors, officers, employees, shareholders or agents shall be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Shares hereunder, or in any other manner related to the Plan. For greater certainty, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Options will be granted to such Participant to compensate for a downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation does not assume responsibility for the income or other tax consequences resulting to the Participant and they are advised to consult with their own tax advisors.

Section 2.9 **Notice**

Each notice relating to the Option, including the exercise thereof, must be in writing. All notices to the Corporation must be delivered personally, by prepaid registered mail or by email and must be addressed to the secretary of the Corporation. All notices to the Participant will be addressed to the principal address of the

Participant on file with the Corporation. Either the Corporation or the Participant may designate a different address by written notice to the other. Such notices are deemed to be received: (i) if delivered personally, on the date of delivery; (ii) if sent by prepaid, registered mail, on the fifth Business Day following the date of mailing; or (iii) if sent by email, when the sender receives an email from the recipient acknowledging receipt, provided that an automatic "read receipt" does not constitute acknowledgment of an email for purposes hereof. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

Section 2.10 **Right to Issue Other Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares or Multiple Voting Shares, repurchasing Shares or Multiple Voting Shares or varying or amending its share capital or corporate structure.

Section 2.11 **Quotation of Shares**

So long as the Shares are listed on a Stock Exchange, the Corporation must apply to the Stock Exchange for the listing or quotation, as applicable, of the Shares issued upon the exercise of all Options granted under the Plan, however, the Corporation cannot guarantee that such Shares will be listed or quoted on the Stock Exchange or any other stock exchange.

Section 2.12 **No Fractional Shares**

No fractional Shares shall be issued upon the exercise of any Option granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, or from an adjustment permitted by the terms of this Plan, such Participant shall only have the right to purchase the next lowest whole number of Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

Section 2.13 **Governing Law**

The Plan shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Article 3
OPTIONS

Section 3.1 **Grant**

(d) Subject to the provisions of this Plan, the Board may grant Options to any Eligible Person upon the terms, conditions and limitations set forth herein or such other terms, conditions and limitations as the Board may determine and set forth in the Grant Agreement; provided that no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange is granted until the time that such grant has been approved by the Shareholders.

(e) An Option shall be evidenced by a Grant Agreement, signed on behalf of the Corporation.

(f) The grant of an Option to, or the exercise of an Option by, a Participant under the Plan shall neither entitle such Participant to receive nor preclude such Participant from receiving subsequently granted Options.

Section 3.2 **Exercise Price**

An Option may be exercised at a price that shall be fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Fair Market Value of the Shares on the Date of Grant (the " **Exercise**

Price "). The Exercise Price shall be subject to adjustment in accordance with the provisions of Section 2.2(c) hereof.

Section 3.3 **Vesting**

(e) All Options granted hereunder shall vest in accordance with the terms of the Grant Agreement entered into in respect of such Options. The Board has the right to accelerate the date upon which any Option becomes exercisable notwithstanding the vesting schedule set forth for such Option, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration.

(f) Notwithstanding any other provision of the Plan, unless otherwise approved by the Board, the vesting of any Options granted hereunder shall be suspended and postponed during any period of Authorized Leave and, upon a Participant's return from such Authorized Leave, the vesting of such Options shall be extended by a period equivalent to such period of Authorized Leave. Notwithstanding the foregoing, upon a Participant's return from an Authorized Leave that was a parental leave, the rate of vesting of such Participant's Options shall be accelerated to twice the rate provided for in the Participant's Grant Agreement until such time as the Participant holds vested Options in accordance with the original schedule of Vesting Dates provided for in the Participant's Grant Agreement. For certainty, nothing contained herein shall limit the effect of Section 4.3 of the Plan upon the termination of any Participant's employment or service as a Consultant, and the calculation of the number of Options vested as of a Participant's Termination Date for purposes thereof shall take into account any suspension, postponement or adjustment of the vesting schedule applicable to such Options contemplated by this Section 3.3(b).

Article 4
EXERCISE & EXPIRY

Section 4.1 **Conditions of Exercise**

(e) Vested Options may only be exercised during the Exercise Period by the Participant or upon the Participant's death or Incapacity, his or her legal representative (provided that such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise such vested Options). Subject to the restrictions set out in this Plan and to any alternative exercise procedure which may be established from time to time by the Board, Options to acquire Shares may be exercised by delivering to the Corporation an Exercise Notice, together with a bank draft, certified cheque or other form of payment acceptable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Options and, if required by Section 2.6, the amount necessary to satisfy any source deductions or withholding taxes.

(f) Pursuant to the Exercise Notice, a Participant may choose to undertake a "cashless exercise" with the assistance of a broker in order to facilitate the exercise of such Participant's Options. The "cashless exercise" procedure may include a sale of such number of Shares as is necessary to raise an amount equal to the aggregate Exercise Price for all Options being exercised by that Participant under an Exercise Notice. Pursuant to the Exercise Notice, the Participant may authorize the broker to sell Shares on the open market by means of a short sale and forward the proceeds of such short sale to the Corporation to satisfy the Exercise Price, promptly following which the Corporation shall issue the Shares underlying the number of Options as provided for in the Exercise Notice. The Participant shall also comply with Section 2.6 of this Plan with regards to any applicable withholding tax, and shall comply with all such other procedures and policies as the Corporation may prescribe or determine to be necessary or advisable from time to time in connection with such "cashless exercise."

(g) In addition, in lieu of exercising any vested Option in the manner described in this Section 4, and pursuant to the terms of this Section 4, a Participant may, by surrendering an Option (" **Surrender** ") with a properly endorsed notice of Surrender to the Secretary of the Corporation, substantially in the form of Exhibit "C" to the Grant Agreement (a " **Surrender Notice** "), elect to receive that number of Shares calculated using the following formula, after deduction of any income tax and other amounts required by law to be withheld pursuant to Section 2.6:

X = Y * (A-B) / A

Where:

X = the number of Shares to be issued to the Participant

Y = the number of Shares underlying the Options to be Surrendered

A = the Fair Market Value of the Shares as at the date of the Surrender

B = the Exercise Price of such Options

(h) Where Shares are to be issued to the Participant pursuant to the terms of this Section 4.1, as soon as practicable following the receipt of the Exercise Notice and, if Options are exercised only in accordance with the terms of Section 4.1(a), the required bank draft, certified cheque or other acceptable form of payment, the Corporation shall duly issue such Shares to the Participant as fully paid and non-assessable.

Section 4.2 **Exercise Period**

(g) The Exercise Period shall be determined by the Board in its sole and absolute discretion at the time the Option is granted, and unless otherwise provided in the Participant's Grant Agreement:

(i) each Option shall Expire ten (10) years after the Date of Grant;

(ii) the Exercise Period shall be automatically reduced or the Expiry Date postponed in accordance with this Article 4 upon the occurrence of any of the events referred to therein; and

(iii) no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be exercisable until the time that such Option has been approved by the Shareholders.

(h) Notwithstanding any other provision of the Plan, if the Expiry Date of an Option falls on a date upon which such Participant is prohibited from exercising such Option due to a black-out period or other trading restriction imposed by the Corporation, then the Expiry Date of such Option shall be automatically extended to the tenth (10 th) Business Day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed; provided, however, that notwithstanding the foregoing, the Expiry Date of an Option shall in no case extend beyond the tenth (10th) anniversary of the date on which it is granted.

Section 4.3 **Termination Date**

(a) Subject to Section 4.2, unless otherwise provided in the Participant's Grant Agreement, employment agreement or consulting agreement:

(ix) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's retirement with the concurrence of the Board, any Options granted to such Participant and vested as of the Termination Date (as defined below) shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options of such Participant shall expire and such Participant shall no longer be eligible for a grant of Options;

(x) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's death or Incapacity, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (i) one year following the date of death or the date on which the Board determines that the Incapacity will prevent the employee from fulfilling his or her full-time duties with the Corporation, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options of such Participant shall expire;

(xi) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's termination for cause, then, as of the Termination Date, the vested and unvested Options granted to such Participant shall expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options;

(xii) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's resignation, then any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options;

(xiii) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's dismissal without cause, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options of such Participant shall expire (for certainty, without regard to any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant) and such Participant shall no longer be eligible for a grant of Options;

(xiv) where, in the case of a Consultant, the Participant's consulting agreement or arrangement terminates by reason of: (i) termination by the Corporation or an Affiliate for any reason whatsoever other than for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Participant's consulting agreement or arrangement); or (ii) voluntary termination by the Participant, then any Options held by the Participant that are exercisable at the Termination Date continue to be exercisable by the Participant until the earlier of: (A) the date that is 90 days from the Termination Date; and (B) the date on which the particular Options expire in accordance with their terms. Any Options held by the Participant that are not exercisable at the Termination Date immediately expire and are cancelled on such date;

(xv) where, in the case of a Consultant, the Participant's consulting agreement or arrangement terminates by reason of the death or Incapacity of the Participant, then any Options held by the Participant that are exercisable at the date of the death or Incapacity of the Participant continue to be exercisable by the Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (A) the date that is one year from the date of the death or Incapacity of the Participant; and (B) the date on which the particular Options expire in accordance with their terms. Any Options held by the Participant that are not exercisable at the date of the death or Incapacity of the Participant immediately expire and are cancelled on such date;

(xvi) where, in the case of a Consultant, the Participant's consulting agreement or arrangement is terminated by the Corporation or an Affiliate for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Participant's consulting agreement or arrangement), then any Options held by the Participant, whether or not such Options are exercisable at the Termination Date, immediately expire and are cancelled on the Termination Date at a time determined by the Board, in its discretion;

(xvii) if, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee of the Corporation or a subsidiary) for a reason other than the death or Incapacity of the Participant, the Options granted to such Participant and vested as of the Termination Date may be exercised by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever; and

(xviii) if, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee of the Corporation or a subsidiary) as a result of the Participant's death or Incapacity, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (i) the date that is one year from the date of the death or Incapacity of the Participant; and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever.

(b) Notwithstanding any other provisions of this Section 4.3, the Board may extend the expiration date of vested and unvested Options of a Participant who ceases to be a full-time employee, Consultant, officer or director of the Corporation or a subsidiary beyond the expiry dates set out above, provided that such extended dates are not later than the initial assigned maximum expiry date of any such Option.

(c) For purposes of the foregoing:

" **Incapacity** " means the permanent and total incapacity of a Participant as determined in accordance with procedures established by the Board for purposes of this Plan; and

" **Termination Date** " means:

(i) in the case of a Participant whose employment or term of office with the Corporation or a subsidiary terminates in the circumstances set out in Section 4.3, the date that is designated by the Corporation or a subsidiary, as the case may be, as the last day of the Participant's employment or term of office with the Corporation or a subsidiary, as the case may be, provided that in the case of termination of employment by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given, and " **Termination Date** " specifically does not mean the date on which any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant, would expire; and

(ii) in the case of a Participant who is a Consultant and whose consulting agreement or arrangement with the Corporation or a subsidiary, as the case may be, terminates in the circumstances set out in Section 4.3, the date that is designated by the Corporation or a subsidiary, as the case may be, as the date on which the Participant's consulting agreement or arrangement is terminated, provided that in the case of voluntary termination by the Participant, such date shall not be earlier than the date notice of voluntary termination was received by the Corporation, and " **Termination Date** " specifically does not mean the date on which any period of notice of termination that the Corporation or a subsidiary, as the case may be, may be required to provide to the Participant under the terms of the consulting agreement or arrangement, would expire.

Section 4.4 **Change of Control**

(a) Notwithstanding anything else in this Plan or any Grant Agreement, the Board has the right to provide for the conversion or exchange of any outstanding Options into or for options, rights or other securities in any entity participating in or resulting from a Change of Control.

(b) Upon the Corporation entering into an agreement relating to a transaction which, if completed, would result in a Change of Control, or otherwise becoming aware of a pending Change of Control, the Corporation shall give written notice of the proposed Change of Control to the Option holders, together with a description of the effect of such Change of Control on outstanding Options, not less than seven (7) days prior to the closing of the transaction resulting in the Change of Control.

(c) The Board may, in its sole discretion, accelerate the vesting and/or the expiry date of any or all outstanding Options to provide that, notwithstanding the vesting provisions of such Options or any Grant Agreement, such designated outstanding Options shall be fully vested and conditionally exercisable upon (or prior to) the completion of the Change of Control provided that the Board shall not, in any case, authorize the exercise of Options pursuant to this Section 4.4(c) beyond the expiry date of the Options. If the Board elects to accelerate the vesting and/or the expiry date of the Options, then if any of such Options are not exercised within seven (7) days after the Option holders are given the notice contemplated in Section 4.4(b) (or such later expiry date as the Board may prescribe), such unexercised Options shall, unless the Board otherwise determines, terminate and expire following the completion of the proposed Change of Control. If, for any reason, the Change of Control does not occur within the contemplated time period, the acceleration of the vesting and the expiry date of the Options shall be retracted and vesting shall instead revert to the manner provided in the Grant Agreement.

(d) To the extent that the Change of Control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the share capital of the Corporation and the Board does not accelerate the vesting and/or the expiry date of Options pursuant to Section 4.4(c), the Corporation shall make adequate provisions to ensure that, upon completion of the proposed Change of Control, the number and

kind of shares subject to outstanding Options and/or the Exercise Price per share of Options shall be appropriately adjusted (including by substituting the Options for options to acquire securities in any successor entity to the Corporation) in such manner as the Board considers equitable to prevent substantial dilution or enlargement of the rights granted to Option holders. The Board may make changes to the terms of the Options or the Plan to the extent necessary or desirable to comply with any rules, regulations or policies of any stock exchange on which any securities of the Corporation may be listed, provided that the value of previously granted Options and the rights of Option holders are not materially adversely affected by any such changes.

(e) Notwithstanding anything else to the contrary herein, in the event of a potential Change of Control, the Board shall have the power, in its sole discretion, to modify the terms of this Plan and/or the Options (including, for greater certainty, to cause the vesting of all unvested Options) to assist the Participants to tender into a take-over bid or other transaction leading to a Change of Control. For greater certainty, in the event of a take-over bid or other transaction leading to a Change of Control, the Board shall have the power, in its sole discretion, to permit Participants to conditionally exercise their Options, such conditional exercise to be conditional upon the take-up by such offeror of the Shares or other securities tendered to such take-over bid in accordance with the terms of such take-over bid (or the effectiveness of such other transaction leading to a Change of Control). If, however, the potential Change of Control referred to in this Section 4.4(e) is not completed within the time specified therein (as the same may be extended), then notwithstanding this Section 4.4(e) or the definition of "Change of Control": (i) any conditional exercise of vested Options shall be deemed to be null, void and of no effect, and such conditionally exercised Options shall for all purposes be deemed not to have been exercised, (ii) Shares which were issued pursuant to exercise of options which vested pursuant to this Section 4.4 shall be returned by the Participant to the Corporation and reinstated as authorized but unissued Shares, and (iii) the original terms applicable to Options which vested pursuant to this Section 4.4 shall be reinstated.

Article 5
APPENDIX 1
US RESIDENT EMPLOYEES

The terms of the Plan are hereby modified with respect to those Participants who are U.S. Participants:

SPECIAL APPENDIX
to the
Shopify Inc.
Stock Option Plan

Special Provisions Applicable to Participants Subject to
the United States Internal Revenue Code

This Appendix sets forth special provisions of the Shopify Inc. Stock Option Plan (the " **Plan** ") that apply to U.S. Participants. All Options issued under the Plan to U.S. Participants are intended to comply with or be exempt from Section 409A of the Code, or any successor thereto, and all provisions hereunder shall be read, interpreted, and applied with that purpose in mind. Terms used herein that are defined in the Plan shall have the meanings set forth in the Plan, as amended from time to time.

1. Interpretation

(i) For the purposes of this Appendix, the following terms have the following meanings:

(i) " **Code** " means the United States Internal Revenue Code of 1986, as amended, and any applicable United States Treasury Regulations and other binding regulatory guidance thereunder;

(ii) " **Incentive Stock Option** " means any Option granted under the Plan which is designated in the Grant Agreement (at the time it is granted) as an incentive stock option within the meaning of Section 422 of the Code or any successor thereto and satisfies the requirements of such section;

(iii) " **Non-Qualified Option** " means any Option granted under the Plan to a U.S. Participant which is not an Incentive Stock Option;

(iv) " **Ten Percent Shareholder** " means a U.S. Participant who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any subsidiary of the Corporation, as applicable (determined in accordance with Section 422 of the Code);

(v) " **Separation From Service** " shall have the meaning as set forth in United States Treasury Regulation Section 1.409A-1(h) (after giving effect to the presumptions contained therein); and

(vi) " **U.S. Participant** " shall have the meaning set forth in Section 2(a), below.

(j) The Plan and this Appendix are complementary to each other and shall, with respect to Options granted to U.S. Participants, be read and deemed as one. In the event of any contradiction, whether

explicit or implied, between the provisions of this Appendix and the Plan, the provisions of this Appendix shall prevail with respect to Options granted to U.S. Participants. Options may be granted under this Appendix either as Incentive Stock Options or as Non-Qualified Options, subject to any applicable restrictions or limitations as provided under applicable law.

2. Application

(a) The following special rules and limitations are applicable to Options issued under the Plan to Participants subject to taxation in the United States (referred to hereunder as " **U.S. Participants** ") at the time of grant.

(b) Incentive Stock Options may be granted with respect to a maximum of 2,500,000 Shares.

(c) To the extent that the aggregate fair market value (determined as of the time the Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the U.S. Participant under all Share Compensation Arrangements of the Corporation and/or its Affiliates (if applicable) exceeds US$100,000 during any calendar year, the Options or portions thereof that exceed such limit (according to the order in which they are granted) shall be treated as Non-Qualified Options in accordance with Section 422(d) of the Code or any successor thereto, notwithstanding any contrary provision of the Plan and/or Grant Agreement.

(d) No U.S. Participant shall be permitted to defer the recognition of income beyond the exercise date of a Non-Qualified Option or beyond the date that the Shares received upon the exercise of an Incentive Stock Option are sold.

(e) Each U.S. Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S. Participant in connection with the Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any Affiliate of the Corporation shall have any obligation to pay, indemnify or otherwise hold such U.S. Participant (or any beneficiary) harmless from any or all of such taxes or penalties.

(f) The Corporation and its Affiliates, if applicable, shall withhold taxes according to the requirements of applicable laws, rules, and regulations, including the withholding of taxes at source to satisfy any applicable federal, provincial, state, or local tax withholding obligation and employment taxes.

(g) Each recipient of an Option hereunder who is or who becomes a U.S. Participant is advised to consult with his or her personal tax advisor with respect to the tax consequences under federal, state, local and other tax laws of the receipt and/or exercise of an Option hereunder.

(h) Without derogating from the powers and authorities of the Board detailed in the Plan, and unless specifically required under applicable law, the Board shall also have the sole and full discretion and authority to administer the provisions of this Appendix and all actions related thereto including, in addition to any powers and authorities specified in the Plan, the performance, from time to time and at any time, of either or both of the following:

(i) deciding whether to issue Options as Incentive Stock Options or as Non-Qualified Options; and

(ii) adopting standard forms of Grant Agreements to be applied with respect to U.S. Participants, incorporating and reflecting, *inter alia* , relevant provisions regarding the grant of Options

in accordance with this Appendix, and amending or modifying the terms of such standard forms from time to time.

3. Exercise Price

The Exercise Price of each Option granted under the Plan to a U.S. Participant shall not be less than the Fair Market Value of a Share on the date such Option is granted. Notwithstanding any other provision of the Plan, in determining the Fair Market Value of a Share under the Plan in connection with the grant of an Option to a U.S. Participant, the Board will make the determination of Fair Market Value in good faith consistent with the rules of Sections 422 and 409A of the Code and the rules of the TSX, to the extent applicable.

4. Expiry of Option/Trading Blackouts

Notwithstanding any other provision of the Plan and any provisions of the Grant Agreement to the contrary, Options granted to U.S. Participants may not be exercised under any circumstance following the ten (10) year anniversary of the date of grant.

5. Disqualifying Disposition

Without limiting the generality of the foregoing, if a U.S. Participant sells or otherwise disposes of any of the Shares acquired pursuant to an Incentive Stock Option on or before the later of (x) the date two years after the date the Option is granted, or (y) the date one year after the transfer of such Shares to the U.S. Participant upon exercise of the Incentive Stock Option, the U.S. Participant shall notify the Corporation in writing within 30 days after the date of any such disposition (" **Disqualifying Disposition** ") and shall remit to the Corporation or its Affiliate, as applicable, the amount of any applicable federal, state, provincial and local withholding and employment taxes which the Corporation is required to collect (if any).

6. Adjustments to Options

In the event of a corporate transaction requiring the adjustment of an Option held by a U.S. Participant, the number of Shares deliverable on the exercise of an Option held by a U.S. Participant and the Exercise Price of an Option held by a U.S. Participant shall be adjusted in a manner intended to keep the Options exempt from Section 409A, and to comply with Section 422, if applicable in the case of an Incentive Stock Option.

7. Amendment of Appendix

The Board shall retain the power and authority to amend or modify this Appendix and any Option issued hereunder to the extent the Board in its sole discretion deems necessary or advisable to comply with law or regulation, including to comply with any guidance issued under Sections 409A and 422. Such amendments may be made without the approval of any U.S. Participant.

8. Ten Percent Shareholders

(a) If any U.S. Participant to whom an Incentive Stock Option is to be granted under this Plan is, at the time of the grant of such Option, a Ten Percent Shareholder, then the following special provisions shall apply:

(x) the per share price at which Shares may be purchased upon the exercise of an Incentive Stock Option shall be no less 110% of the fair market value of a Share at such time as the Option is granted (as determined under the applicable provisions of the Code), and

(xi) the maximum term of the Option shall not exceed five (5) years from the date the Option is granted.

(b) Subject to the provisions of this Section 8 regarding Ten Percent Shareholders, no Incentive Stock Option may be granted hereunder to a U.S. Participant following the expiry of ten (10) years after the date on which this Plan is adopted by the Board.

SCHEDULE "A"
SHOPIFY INC.
STOCK OPTION GRANT AGREEMENT

This agreement (the " **Grant Agreement** ") evidences the Options granted by Shopify Inc. (the " **Corporation** ") to the undersigned (the " **Participant** "), pursuant to and subject to the terms of the Shopify Inc. Stock Option Plan (the " **Plan** "), which is incorporated herein by reference. The Schedules attached to this Stock Option Grant Agreement shall form an integral part of this Stock Option Grant Agreement.

The Corporation hereby grants to the Participant on the Date of Grant such number of Options as set forth in the attached Schedule "A", as may be amended from time to time, with each Option representing the right to purchase, on the terms provided herein and in the Plan (including, without limitations, the applicable exercise provisions), a Share with an Exercise Price per Share as set forth in the attached Schedule "A", as may be amended from time to time, in each case subject to adjustment in accordance with the provisions of the Plan.

Article 1
INTERPRETATION

(a) Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

(b) Words importing the singular shall include the plural and vice versa and words importing any gender include any other gender.

(c) Unless otherwise specified herein, all references to money amounts are to United States currency.

(d) The words "including" and "includes" mean "including (or includes) without limitation"

Article 2
VESTING

Section 2.14 **Options**

Unless earlier terminated, relinquished or expired, Options granted pursuant to this Grant Agreement shall vest in accordance with the provisions set forth in the attached Schedule "A", as may be amended from time to time.

Article 3
GENERAL PROVISIONS

Section 3.4 **Participation in the Plan**

No Participant has any claim or right to be granted an Option (including, without limitation, an Option granted in substitution for any Option that has expired pursuant to the terms of this Plan), and the granting of any Option is not to be construed as giving a Participant a right to continued employment or to remain a Consultant, director, officer or employee, as the case may be, of the Corporation or an Affiliate of the Corporation. Nothing contained in this Grant Agreement or the Plan shall interfere in any way with the rights of the Corporation or an Affiliate of the Corporation in connection with the employment or termination of any such person. Upon any such termination, a Participant's rights to exercise Options will be subject to restrictions and time limits for the exercise of Options. Complete details of such restrictions are set out in the Plan, and in particular in Article 4 thereof (except to the extent that such provisions are varied in accordance with Schedule A hereto). The Participant hereby agrees that any rule, regulation or determination, including the interpretation by the Board of the Plan, the Option granted hereunder and the exercise thereof, is final and conclusive for all purposes and binding on all persons including the Corporation and the Participant.

Section 3.5 **Binding Agreement**

The exercise of the Options granted hereby, issuance of Shares and ownership of the Shares are subject to the terms and conditions of the Plan (all of which are incorporated into and form part of this Grant Agreement) and this Grant Agreement. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party) and permitted assigns.

Section 3.6 **Governing Law**

This Grant Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

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By acceptance of these Options, the undersigned acknowledges receipt of the Plan text and agrees hereby to be subject and bound to the terms of the Plan. The undersigned further acknowledges and agrees that the Participant's abovementioned participation is voluntary and has not been induced by expectation of engagement, appointment, employment, continued engagement or continued employment, as the case may be.

Accepted and agreed to this ____ day of _____, _____.

Corporation: **SHOPIFY INC.**

By:_____

Name:

Title:

Participant: _____

Signature of Option Holder

_____

Name of Option Holder (Please Print)

Address :

_____

_____

_____

_____

EXHIBIT "A"
OPTION GRANT

Participant:	[●]
Number of Options	[●]
Exercise Price:	[●]
Date of Grant:	[●]
Vesting Schedule	[●]
Expiry Date	[●]
Type of Option	**[Incentive Stock Option/Non-Qualified Option]**

EXHIBIT "B"
ELECTION TO EXERCISE STOCK OPTIONS

TO: SHOPIFY INC. (the " Corporation ")

The undersigned option holder hereby elects to exercise Options granted by the Corporation to the undersigned pursuant to a Grant Agreement dated _____, 20___ under the Shopify Inc. Stock Option Plan (the " **Plan** "), for the number Shares set forth below. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Number of Shares to be Acquired:	_____
Option Exercise Price (per Share):	$_____
Aggregate Purchase Price:	$_____
Amount enclosed that is payable on account of any Source Deductions relating to this Option exercise (contact the Corporation for details of such amount):	$_____

□ Or check here if alternative arrangements have been made with the Corporation;

and hereby tenders a certified cheque, bank draft or other form of payment confirmed as acceptable by the Corporation for such aggregate purchase price, and, if applicable, all Source Deductions, and directs such Shares to be registered in the name of _____ _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

_____

Signature of Option Holder

_____

Name of Option Holder (Please Print)

EXHIBIT "C"
SURRENDER NOTICE

TO: SHOPIFY INC. (the " **Corporation** ")

The undersigned option holder hereby elects to surrender _____ Options granted by the Corporation to the undersigned pursuant to a Grant Agreement dated _____, 20___ under the Shopify Inc. Stock Option Plan (the " **Plan** ") in exchange for Shares as calculated in accordance with Section 4.1(c) of the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Please issue a certificate or certificates representing the Shares in the name of _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

_____
Signature of Option Holder

_____
Name of Option Holder (Please Print)

EXHIBIT 10.9

SHOPIFY INC.

FOURTH AMENDED AND RESTATED
INCENTIVE STOCK OPTION PLAN

1. Purpose

The purpose of this fourth amended and restated incentive stock option plan (the " **Plan** ") is to advance the interests of **SHOPIFY INC.** (the " **Corporation** ") and its shareholders by providing to the directors, officers, employees and consultants to the Corporation a performance incentive for continued and improved services with the Corporation and its affiliates.

2. Term of Plan

The Plan is effective on the date (the " **Effective Date** ") on which the Corporation implements a reorganization of its share capital to, among other things, re-designate its Common Shares as Class B multiple voting shares. On the Effective Date, this Plan shall amend and restate the Third Amended and Restated Incentive Stock Option Plan (the " **Prior Plan** ") in its entirety. From and after the Effective Date the terms of the Plan shall govern all options granted under the Prior Plan.

Options may be granted under the Plan until the earlier of (i) the 10 th anniversary of the effective date of the Plan; (ii) the date on which the board of directors of the Corporation (the " **Board** ") terminates the Plan.

3. Shares

(a) The shares that may be issued pursuant to the exercise of options (" **Options** ") granted under the Plan (including, for greater certainty, all options granted under the Prior Plan) are Class B multiple voting shares (the " **Shares** ") of the Corporation.

(b) The aggregate number of Shares reserved for issuance under the Plan is 18,216,207 Shares, subject to increase or decrease by reason of amalgamations, consolidations or subdivisions as provided in Section 15. No Option may be granted if such grant would have the effect of causing the total number of Shares subject to Options to exceed the above-noted total number of Shares reserved for issuance pursuant to the exercise of Options.

(c) Notwithstanding any other provision of this Plan, from and after the completion of an initial public offering of any securities of the Corporation (an " **IPO** "), no additional Options shall be granted under this Plan.

4. Administration

(a) The Plan shall be administered by the Board or any committee of directors of the Corporation designated by the Board (such designated directors being the " **Administrators** "). The Board or the Administrators, as the case may be, shall have full and complete authority to interpret the Plan and to prescribe such rules and regulations and make such other determinations as it or they deem necessary or desirable for the administration of the Plan, including without limitation the full power and authority to:

(i) adopt rules and regulations for implementing the Plan;

(ii) determine the eligibility of persons to participate in the Plan, the number of Shares subject to Options, the vesting period of the Options and the term of the Options;

(iii) determine when Options shall be granted, which eligible persons will be granted Options, the number of Shares subject to each Option granted to a Participant and the vesting for each Option;

(iv) interpret and construe the provisions of the Plan;

(v) restrict or limit the Shares and the nature of such restrictions and limitations, if any;

(vi) accelerate the exercisability or waive the termination of any Options, based on such factors as the Board or the Administrators may determine;

(vii) make exceptions to the Plan in circumstances which it or they determine to be exceptional; and

(viii) take such other steps as it or they determine to be necessary or desirable to give effect to the Plan.

(b) Decisions of the Board or the Administrators shall be recorded in writing and shall be binding on the Corporation and on all persons eligible to participate in the Plan.

5. Granting of Options to Participants

The only persons to whom Options may be granted (" **Participants** ") shall be directors, officers, employees and consultants (as that term is defined in National Instrument 45-106) of the Corporation or its direct or indirect subsidiaries designated from time to time by the Board or the Administrators.

The Board or the Administrators may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Board or the Administrators may prescribe, grant Options to any Participant.

6. Exercise Price

The Board or the Administrators shall determine the exercise price (the " **Exercise Price** ") for an Option but in any event the Exercise Price will be no less than the Fair Market Value (as defined below) of the Shares on the day prior to the date of grant of such Option.

7. Term and Vesting

(a) Subject to any accelerated termination under this Plan, each Option shall be exercisable until the tenth (10 th) anniversary of the date on which it is granted. Each Option that has not been exercised pursuant thereto on or before the close of business on such tenth (10 th) anniversary shall forthwith expire and terminate and be of no further force or effect whatsoever. Notwithstanding any other provision of this Plan, should the expiration date for an Option fall on a date upon which such Participant is prohibited from exercising such Option due to a black-out period or other trading restriction imposed by the Corporation, then the expiration date for such Option shall be automatically extended to the tenth (10th) business day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed; provided, however, that notwithstanding the foregoing, the expiry date of an Option shall in no case extend beyond the tenth (10th) anniversary of the date on which it is granted.

(b) Unless otherwise specified by the Board at the time of granting Options and except as otherwise provided in this Plan, each Option will vest and be exercisable as per the following terms:

Fraction of Total Number of Shares that may be Purchased	**Exercise Period**
1/4	From the later of (i) the first anniversary of the date the Participant became a full-time employee, consultant, officer or director of the Corporation or a subsidiary and (ii) the first anniversary of the date of grant (the applicable date being the " **Initial Vesting Date** ") to and including the tenth anniversary of the date of grant; and
1/48	From the end of each month following the Initial Vesting Date to and including the tenth anniversary of the date of grant;
	with the result that all of the Options subject to the grant shall be vested and all Shares subject to such Options may be purchased as of the fourth anniversary of the later of (i) the date the Participant became a full-time employee, consultant, officer or director of the Corporation or a subsidiary and (ii) the date of grant, to and including the tenth anniversary of the date of grant.

(c) Once a portion of an Option that has vested becomes exercisable, it remains exercisable until expiration or termination of the Option, unless otherwise specified by the Board in connection with the grant of such Option or pursuant to Section 16. Each Option or portion of an Option that has vested may be exercised at any time or from time to time, in whole or in part, for up to the total number of Shares with respect to which it is then exercisable. The Board or the Administrators has/have the right to accelerate the date upon which any portion of an Option becomes exercisable, notwithstanding the vesting schedule set forth for such Option.

(d) Notwithstanding any other provision of the Plan, unless otherwise approved by the Board, the vesting of any Options granted hereunder shall be suspended and postponed during any period of Authorized Leave (as defined below), and, upon a Participant's return from such Authorized Leave, the vesting of such Options shall be extended by a period equivalent to such period of Authorized Leave. Notwithstanding the foregoing, upon a Participant's return from an Authorized Leave that was a parental leave, the rate of vesting of such Participant's Options shall be accelerated to twice the rate provided for in the Participant's Stock Option Plan Agreement until such time as the Participant holds vested Options in accordance

with the original schedule of Vesting Dates provided for in the Participant's Stock Option Plan Agreement. For purposes hereof, " **Authorized Leave** " means any leave of absence (paid or unpaid) approved in writing by the Corporation for a period of more than four (4) weeks that occurs while the Participant continues to be employed as a full-time employee by the Corporation or retained as a full-time consultant by the Corporation and includes any parental leave, short term disability, or other bona fide paid or unpaid leave of absence or sabbatical period. For certainty, nothing contained herein shall limit the effect of Section 8 of the Plan upon the termination of any Participant's employment, and the calculation of the number of Options vested as of a Participant's Termination Date (as defined below) for purposes thereof shall take into account any suspension, postponement or adjustment of the vesting schedule applicable to such Options contemplated by this Section 7(d).

8. Termination of Employment

(a) If, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's retirement with the concurrence of the Board or the Administrators, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options of such Participant shall expire and such Participant shall no longer be eligible for a grant of Options.

(b) If, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's death or Incapacity (as defined below), any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with clause 14(b)(iii), the Participant's legal representative) until the earlier of: (i) one year following the date of death or the date on which the Board or the Administrators determine(s) that the Incapacity will prevent the employee from fulfilling his or her full-time duties with the Corporation, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date or at the date of the death or Incapacity of the Participant, as the case may be, all unvested Options of such Participant shall expire.

(c) If, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's termination for cause, then, as of the Termination Date, the vested and unvested Options granted to such Participant shall expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options.

(d) If, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's resignation, then any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by

such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options.

(e) If, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's dismissal without cause, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options of such Participant shall expire (for certainty, without regard to any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant) and such Participant shall no longer be eligible for a grant of Options.

(f) Where, in the case of a consultant, the Participant's consulting agreement or arrangement terminates by reason of: (i) termination by the Corporation or an affiliated corporation for any reason whatsoever other than for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Participant's consulting agreement or arrangement); or (ii) voluntary termination by the Participant, then any Options held by the Participant that are exercisable at the Termination Date continue to be exercisable by the Participant until the earlier of: (A) the date that is 90 days from the Termination Date; and (B) the date on which the particular Options expire in accordance with their terms. Any Options held by the Participant that are not exercisable at the Termination Date immediately expire and are cancelled on such date.

(g) Where, in the case of a consultant, the Participant's consulting agreement or arrangement terminates by reason of the death or Incapacity of the Participant, then any Options held by the Participant that are exercisable at the date of the death or Incapacity of the Participant continue to be exercisable by the Participant (or, in accordance with clause 14(b)(iii), the Participant's legal representative) until the earlier of: (A) the date that is one year from the date of the death or Incapacity of the Participant; and (B) the date on which the particular Options expire in accordance with their terms. Any Options held by the Participant that are not exercisable at the date of the death or Incapacity of the Participant immediately expire and are cancelled on such date.

(h) Where, in the case of a consultant, the Participant's consulting agreement or arrangement is terminated by the Corporation or an affiliated corporation for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the

Participant's consulting agreement or arrangement), then any Options held by the Participant, whether or not such Options are exercisable at the Termination Date, immediately expire and are cancelled on the Termination Date at a time determined by the Board, in its discretion.

(i) If, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee of the Corporation or a subsidiary) for a reason other than the death or Incapacity of the Participant, the Options granted to such Participant and vested as of the Termination Date may be exercised by such Participant until the earlier of: (i) 90 days following the Termination Date, and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever.

(j) If, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee of the Corporation or a subsidiary) as a result of the Participant's death or Incapacity, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with clause 14(b)(iii), the Participant's legal representative) until the earlier of: (i) the date that is one year from the date of the death or Incapacity of the Participant; and (ii) the expiration of such vested Options in accordance with their terms. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever.

(k) Notwithstanding any other provisions of this Section 8, the Board or the Administrators may extend the expiration date of vested and unvested Options of a Participant who ceases to be a full-time employee, consultant, officer or director of the Corporation or a subsidiary beyond the expiry dates set out above, provided that such extended dates are not later than the initial assigned expiry date of any such Option.

"Incapacity" means the permanent and total incapacity of a Participant as determined in accordance with procedures established by the Board or the Administrators for purposes of this Plan.

" **Termination Date** " means:

(i) in the case of a Participant whose employment or term of office with the Corporation or a subsidiary terminates in the circumstances set out in Section 8, the date that is designated by the Corporation or a subsidiary, as the case

may be, as the last day of the Participant's employment or term of office with the Corporation or a subsidiary, as the case may be, provided that in the case of termination of employment by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given, and "Termination Date" specifically does not mean the date on which any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant, would expire; and

(ii) in the case of a Participant who is a consultant and whose consulting agreement or arrangement with the Corporation or a subsidiary, as the case may be, terminates in the circumstances set out in Section 8, the date that is designated by the Corporation or a subsidiary, as the case may be, as the date on which the Participant's consulting agreement or arrangement is terminated, provided that in the case of voluntary termination by the Participant, such date shall not be earlier than the date notice of voluntary termination was received by the Corporation, and "Termination Date" specifically does not mean the date on which any period of notice of termination that the Corporation or a subsidiary, as the case may be, may be required to provide to the Participant under the terms of the consulting agreement or arrangement, would expire.

9. Stock Option Plan Agreement

The Corporation shall enter into an agreement with each Participant on the date of grant of Options substantially in the form of Schedule 1 (or such other form as may be acceptable to the Board or the Administrators) evidencing the Participant's right to acquire Shares in accordance with the Plan (a " **Stock Option Plan Agreement** "). Each Stock Option Plan Agreement will specify the number of Shares that are subject to the Options and will provide for the adjustment of that number in accordance with Section 15. The Stock Option Plan Agreement also will specify whether the Options are Incentive Stock Options or Non-Qualified Stock Options; however, if any Option does not meet the requirements to qualify as an Incentive Stock Option, that Option shall be a Non-Qualified Stock Option.

10. Right to Employment

Nothing contained in this Plan or in any Option granted under this Plan shall confer upon any person any right to continued employment with the Corporation or a subsidiary or interfere in any way with the rights of the Corporation or a subsidiary in connection with the employment or termination of any such person.

11. Status as Shareholder

The Participant or the Participant's legal representative shall not, by reason of the grant of any Option, be considered to be a stockholder of the Corporation until an Option has been

duly exercised. No person shall enjoy any of the rights or privileges of a holder of Shares subject to Options until that person becomes the holder of record of those Shares.

12. Exercise of Option

(a) Subject to Section 12(c), a vested Option may be exercised at any time, or from time to time, during its term. A person electing to exercise a vested Option shall give written notice of the election to the Secretary of the Corporation substantially in the form of Exhibit A to Schedule 1 (an " **Exercise Notice** "), or such other form acceptable to the Board or the Administrators, together with a bank draft, certified cheque or other form of payment acceptable to the Corporation in an amount equal to the Exercise Price for each Share to be acquired pursuant to the exercise of the Options.

(b) Pursuant to the Exercise Notice, a Participant may, for exercises taking place following an IPO, choose to undertake a "cashless exercise" with the assistance of a broker in order to facilitate the exercise of such Participant's Options. The "cashless exercise" procedure may include a sale of such number of Class A subordinate voting shares of the Corporation (" **Subordinate Voting Shares** ") issuable after conversion by the Participant of the Shares as is necessary to raise an amount equal to the aggregate Exercise Price for all Options being exercised by that Participant under an Exercise Notice. Pursuant to the Exercise Notice, the Participant may authorize the broker to sell Subordinate Voting Shares on the open market by means of a short sale and forward the proceeds of such short sale to the Corporation to satisfy the Exercise Price, promptly following which the Corporation shall issue the Shares underlying the number of Options as provided for in the Exercise Notice. The Participant shall also provide all such documents as may be required under the Corporation's constating documents to convert the necessary number of Shares issuable on the exercise of the Options into Subordinate Voting Shares, shall comply with Section 22 of the Plan with regards to any applicable withholding tax, and shall comply with all such other procedures and policies as the Corporation or the Administrators may prescribe or determine to be necessary or advisable from time to time in connection with such "cashless exercise."

(c) The exercise of any Option shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or desirable to comply with any legal requirement or the requirements of any stock exchange or other regulatory authority as a condition of, or in connection with, such exercise or the issue of Shares or Subordinate Voting Shares, as applicable, as a result thereof, then in any such event such exercise shall not be effective unless such compliance shall have been effected on conditions satisfactory to the Corporation.

(d) Upon actual receipt by the Corporation of an Exercise Notice and payment for the Shares to be purchased, the person exercising the Option shall be registered in the share register of the Corporation as the holder of the appropriate number of Shares and a share certificate shall be issued to such person.

(e) The issuance of Shares upon the exercise of any Option shall, prior to the completion of an IPO, be conditional upon the Participant becoming a party to any existing shareholders' agreement and/or any other agreement or voting trust as may be required by the Board, in its sole discretion, including, where applicable, the Minority Shareholder Adoption and Voting Trust Agreement executed and delivered by certain of the shareholders of the Corporation in favour of the Corporation. The issuance of Shares upon the exercise of any Option shall, following the completion of an IPO, be conditional upon the Participant becoming a party to the Corporation's coattail agreement in respect of the Shares, unless such Participant delivers, together with an Exercise Notice, such documents and instruments as the Corporation may from time to time require effecting the conversion of all of the Shares issuable upon the exercise of the applicable Option into Subordinate Voting Shares of the Corporation.

13. Surrender of Option

In addition, in lieu of exercising any vested Option in the manner described above under Section 12, and pursuant to the terms of this Section 13, a Participant may, by surrendering the Option (" **Surrender** ") with a properly endorsed notice of Surrender (" **Surrender Notice** ") to the Secretary of the Corporation, substantially in the form of Exhibit B to Schedule 1, elect to receive that number of Shares calculated using the following formula, after deduction of any income tax and other amounts required by law to be withheld pursuant to Section 22:

$X = Y * (A-B) / A$

Where:

X = the number of Shares to be issued to the Participant

Y = the number of Shares underlying the Options to be Surrendered

A = the Fair Market Value of the Shares as at the date of the Surrender

B = the Exercise Price of such Options

For purposes of this Section 13, **"Fair Market Value** " means, provided that the Shares are convertible at the option of the holder for Subordinate Voting Shares on a 1:1 basis with no restrictions, on any particular day: (i) the volume weighted average trading price of a Subordinate Voting Share for the five (5) preceding days on which the Subordinate Voting Shares were traded, calculated with reference to the trading price on the New York Stock Exchange; or (ii) if the Subordinate Voting Shares are not listed and posted for trading on such stock exchange at the relevant time or the Shares are not so convertible as described above, the fair market value of the Shares as determined by the Board acting in good faith.

For purposes of the above calculation, if the market price of the Subordinate Voting Shares is in United States dollars and the Exercise Price of the Options is in Canadian dollars, or vice versa, then any applicable currency conversion shall be effected using the noon Canadian dollar-United States dollar exchange rate as quoted by the Bank of Canada on the day immediately preceding the receipt of the Surrender Notice.

The provisions of Sections 12(c), (d) and (e) shall apply, *mutatis mutandis* , to a Surrender.

14. Transferability

(a) Except as set forth in Section 14(b), Options are not transferable.

(b) Options may be exercised only by:

(i) the Participant to whom the Options were granted; or

(ii) for Options that are not Incentive Stock Options, with the Corporation's prior written approval and subject to such conditions as the Corporation may stipulate, such Participant's family or retirement savings trust or any registered retirement savings plan or registered retirement income fund, each as defined in the *Income Tax Act* (Canada) of which the Participant is and remains the annuitant; or

(iii)(A) upon the Participant's death, by the legal representative of the Participant's estate; or

(B) upon the Participant's Incapacity, by the legal representative having authority to deal with the property of the Participant;

provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise any Option.

(c) A person exercising an Option may subscribe for Shares only in the person's own name or in the person's capacity as a legal representative.

(d) Prior to the occurrence of an IPO, Shares may not be sold, traded, pledged or otherwise dealt with or disposed of to a third party without the prior written approval of the Board.

15. Adjustment of Options

(a) In the event of any subdivision, redivision or other similar change in the Shares at any time prior to the termination of an Option into a greater number of Shares, the Corporation shall deliver at the time of any exercise thereafter of an Option such additional number of Shares as would have resulted from such subdivision, redivision

or change if such exercise of an Option had taken place prior to the date of such subdivision, redivision or change and the Exercise Price for such Shares shall be adjusted accordingly.

(b) In the event of any merger, consolidation, recapitalization or other similar corporate change affecting the Shares at any time prior to the termination of an Option, the Board shall make such adjustments as each deems equitable to the number and kind of shares or other property to be delivered by the Corporation on any exercise thereafter of an Option, the Exercise Price of an Option and any other term of the Option as it deems necessary to prevent the dilution or enlargement of the rights of Participants thereunder.

(c) No fractional Shares shall be issued upon the exercise of an Option. If, as a result of any adjustment under this Section 15 a Participant would be entitled to a fractional Share, the Participant shall have the right to acquire only the adjusted number of full Shares and no payment or other adjustment shall be made with respect to the fractional Shares so disregarded.

16. Change in Control

(a) Notwithstanding anything else in this Plan or any Stock Option Plan Agreement, the Board has the right to provide for the conversion or exchange of any outstanding Options into or for options, rights or other securities in any entity participating in or resulting from a Change in Control (as defined below).

(b) Upon the Corporation entering into an agreement relating to a transaction which, if completed, would result in a Change in Control, or otherwise becoming aware of a pending Change in Control, the Corporation shall give written notice of the proposed Change in Control to the Option holders, together with a description of the effect of such Change in Control on outstanding Options, not less than seven (7) days prior to the closing of the transaction resulting in the Change in Control.

(c) The Board may, in its sole discretion, accelerate the vesting and/or the expiry date of any or all outstanding Options to provide that, notwithstanding the vesting provisions of such Options or any Stock Option Plan Agreement, such designated outstanding Options shall be fully vested and conditionally exercisable upon (or prior to) the completion of the Change in Control provided that the Board shall not, in any case, authorize the exercise of Options pursuant to this Section beyond the expiry date of the Options. If the Board elects to accelerate the vesting and/or the expiry date of the Options, then if any of such Options are not exercised within seven (7) days after the Option holders are given the notice contemplated in Section 16(b) (or such later expiry date as the Board may prescribe), such unexercised Options shall, unless the Board otherwise determines, terminate and expire following the completion of the proposed Change in Control.

(d) To the extent that the Change in Control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the share capital of the Corporation and the Board does not accelerate the vesting and/or the expiry date of Options pursuant to Section 16(c), the Corporation shall make adequate provisions to ensure that, upon completion of the proposed Change in Control, the number and kind of shares subject to outstanding Options and/or the Exercise Price per share of Options shall be appropriately adjusted (including by substituting the Options for options to acquire securities in any successor entity to the Corporation) in such manner as the Board considers equitable to prevent substantial dilution or enlargement of the rights granted to Option holders. The Board may make changes to the terms of the Options or the Plan to the extent necessary or desirable to comply with any rules, regulations or policies of any stock exchange on which any securities of the Corporation may be listed following an IPO, provided that the value of previously granted Options and the rights of Option holders are not materially adversely affected by any such changes.

(e) Notwithstanding anything else to the contrary herein, in the event of a potential Change in Control, the Board shall have the power, in its sole discretion, to modify the terms of this Plan and/or the Options (including, for greater certainty, to cause the vesting of all unvested Options) to assist the Participants to tender into a take-over bid or other transaction leading to a Change in Control. For greater certainty, in the event of a take-over bid or other transaction leading to a Change in Control, the Board shall have the power, in its sole discretion, to permit Participants to conditionally exercise their Options, such conditional exercise to be conditional upon the take-up by such offeror of the securities tendered to such take-over bid in accordance with the terms of such take-over bid (or the effectiveness of such other transaction leading to a Change in Control). If, however, the potential Change in Control referred to in this Section 16(e) is not completed within the time specified therein (as the same may be extended), then notwithstanding this Section 16(e) or the definition of "Change in Control": (i) any conditional exercise of vested Options shall be deemed to be null, void and of no effect, and such conditionally exercised Options shall for all purposes be deemed not to have been exercised, (ii) Shares which were issued pursuant to exercise of options which vested pursuant to this Section 16 shall be returned by the Participant to the Corporation and reinstated as authorized but unissued Shares, and (iii) the original terms applicable to Options which vested pursuant to this Section 16 shall be reinstated.

(f) For purposes of this Agreement, a **"Change in Control"** means, unless the Board determines otherwise, the happening, in a single transaction or in a series of related transactions, of any of the following events: (i) any transaction (other than a transaction described in clause (iv) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation's then issued and outstanding securities entitled to vote in the election of directors of the Corporation, other than any such

acquisition that occurs (A) upon the exercise of options granted by the Corporation under the Corporation's incentive stock option plans, or (B) as a result of the conversion of Shares into Subordinate Voting Shares; (ii) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation's assets to a person other than a person that was an affiliated corporation of the Corporation at the time of such sale, lease, exchange, license or other disposition, other than a sale, lease, exchange, license or other disposition to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by shareholders of the Corporation in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such sale, lease, exchange, license or other disposition; (iii) the passing of a resolution by the Board or shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); (iv) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction, the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction; or (v) individuals who, on the Effective Date, are members of the Board (the " **Incumbent Board** ") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that (x) if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board and (y) the completion of an IPO shall not constitute a Change in Control.

17. Alterations in Plan

(a) The Board may, in its sole discretion, suspend or terminate the Plan at any time or from time to time and/or amend or revise the terms of the Plan or of any Option granted under the Plan and any Stock Option Plan Agreement relating thereto, subject

to any required regulatory approval, provided that such suspension, termination, amendment, or revision shall:

(i) not adversely alter or impair any Option previously granted except as permitted by the terms of this Plan;

(ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of any exchange upon which the securities of the Corporation are then listed; and

(iii) be subject to shareholder approval, where required by law, the requirements of any exchange upon which the securities of the Corporation are then listed or this Plan.

(b) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board or the Administrators and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board or the Administrators will remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

(c) Subject to Section 17(a), the Board may from time to time, in its discretion and without the approval of shareholders, make changes to the Plan or any Option that do not require the approval of shareholders under Section 17(d), which may include but are not limited to:

(i) any amendment of a "housekeeping" nature, including without limitation those made to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;

(ii) a change to the vesting provisions of the Plan and any Option;

(iii) a change to the provisions governing assignability and the effect of termination of a Participant's employment, contract or office;

(iv) the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;

(v) a change to advance the date on which any Option may be exercised under the Plan;

(vi) a change to the definition of Participants;

(vii) the addition of a deferred or performance share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation; and

(viii) an amendment of the Plan or an Option as necessary to comply with applicable law or the requirements of any exchange upon which the securities of the Corporation are then listed or any other regulatory body having authority over the Corporation, the Plan, the Participants or the shareholders of the Corporation.

(d) Shareholder approval is required for the following amendments to the Plan:

(i) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Options granted under the Plan, other than an adjustment pursuant to Section 15;

(ii) any reduction in the Exercise Price of an Option after the Option has been granted or any cancellation of such Option and the substitution of that Option with a new Option with a reduced Exercise Price, except in the case of an adjustment pursuant to Section 15;

(iii) any extension of the maximum expiry date of an Option, except in case of an extension due to a black-out period;

(iv) any amendment to Section 17(c) or Section 17(d).

18. Special Provisions Relating to the Incentive Stock Options

Options granted pursuant to this Section 18 are intended to constitute "Incentive Stock Options" within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended (the " **Code** ") and shall be subject to the following additional terms and conditions:

(a) The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares or Subordinate Voting Shares, as applicable, with respect to which Incentive Stock Options granted under the Plan and all other option plans of the Corporation, any Parent Corporation and any Subsidiary Corporation that become exercisable for the first time by any one Participant during any calendar year shall not exceed $100,000.

(b) In the case of an Incentive Stock Option granted to a Ten Percent Stockholder: (i) the Exercise Price of such Option shall not be less than 110% of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option; and (ii) the term of the Option shall not exceed five years from the date of grant of such Incentive Stock Option. For purposes of the above calculation, if the Fair Market Value is in United States dollars and the Exercise Price is in Canadian dollars, or vice versa,

then any applicable currency conversion shall be effected using the noon Canadian dollar-United States dollar exchange rate as quoted by the Bank of Canada on the immediately preceding day.

(c) " **Fair Market Value** " per Share or Subordinate Voting Share, as applicable, as of a particular date shall mean:

(i) the closing price per Share or Subordinate Voting Share, as applicable, on a national securities exchange or on the New York Stock Exchange for the last preceding date on which there was a sale of Shares or Subordinate Voting Shares, as applicable, on such exchange;

(ii) if the Shares or Subordinate Voting Shares, as applicable, are then traded on any other over-the-counter market, the average of the closing bid and ask prices for the Shares or Subordinate Voting Shares, as applicable, in such over-the-counter market for the last preceding date on which there was a sale of Shares or Subordinate Voting Shares, as applicable, in such market, or

(iii) if the Shares or Subordinate Voting Shares, as applicable, are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Board or Administrator in its or their discretion may determine.

(d) " **Parent Corporation** " means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation if, at the time of granting an Option, each of such corporations (other than the Corporation) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(e) " **Subsidiary Corporation** " means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if, at the time of granting an Option, each of such corporations (other than the last corporation in an unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(f) " **Ten Percent Stockholder** " means a Participant who, at the time an Incentive Stock Option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or of its Parent or Subsidiary Corporations (as determined in accordance with Section 424(d) of the Code).

(g) Only common law employees of the Corporation or its subsidiaries are eligible to receive Incentive Stock Options.

19. Termination of Plan

The Board may terminate the Plan at any time in its discretion. If the Plan is so terminated, no further Options shall be granted but, subject to Section 18, the Options then outstanding shall continue in full force and effect in accordance with the provisions set out above.

20. Compliance with Statutes and Regulations

The granting of Options and the sale of Shares under the Plan shall be carried out in compliance with applicable statutes and with the regulations of governmental authorities. In order for Options that are intended to qualify as Incentive Stock Options to qualify as such, the stockholders of the Corporation must approve this Plan within 12 months of its effective date in accordance with the provisions of Section 422 of the Code.

21. Participant's Entitlement

Except as otherwise provided in this Plan, Options previously granted under this Plan, whether or not then exercisable, are not affected by any change in the relationship between, or ownership of, the Corporation and an affiliated corporation. For greater certainty, all Options remain valid and exercisable in accordance with the terms and conditions of this Plan and are not affected by reason only that, at any time, an affiliated corporation ceases to be an affiliated corporation.

22. Withholding Taxes

Notwithstanding any other provision contained herein, the exercise of each Option granted under this Plan is subject to the condition that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Corporation. In such circumstances, the Corporation may require that a Participant pay to the Corporation, in addition to and in the same manner as the Exercise Price for the Shares, such amount as the Corporation is obliged to remit to the relevant taxing authority in respect of the exercise of the Option. Any such additional payment is due no later than the date as of which any amount with respect to the Option exercised first becomes includable in the gross income of the Participant for tax purposes. In addition, the Corporation or the relevant subsidiary, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Corporation or the relevant subsidiary is in compliance with the all applicable withholding taxes or other source deductions relating to the exercise of such Options.

23. Rights of Participant

No Participant has any claim or right to be granted an Option (including, without limitation, an Option granted in substitution for any Option that has expired pursuant to the terms of this Plan), and the granting of any Option is not to be construed as giving a Participant a right to remain in the employ of the Corporation or an affiliated corporation. No Participant has any rights as a shareholder of the Corporation in respect of Shares issuable on the exercise of rights to acquire Shares under any Option until the allotment and issuance to the Participant of certificates representing such Shares.

24. Indemnification

Every Director will at all times be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses whatsoever including any income tax liability arising from any such indemnification, that such Director may sustain or incur by reason of any action, suit or proceeding, taken or threatened against the Director, otherwise than by the Corporation, for or in respect of any act done or omitted by the Director in respect of this Plan, such costs, charges and expenses to include any amount paid to settle such action, suit or proceeding or in satisfaction of any judgement rendered therein. This indemnification is in addition to any rights of indemnification a Director may have under the by-laws of the Corporation, any agreement, any vote of shareholders or disinterested directors or otherwise.

25. Participation in the Plan

The participation of any Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment nor a commitment on the part of the Corporation to ensure the continued employment of such Participant. The Plan does not provide any guarantee against any loss which may result from fluctuations in the market value of the Shares. The Corporation does not assume responsibility for the income or other tax consequences for the Participants and they are advised to consult with their own tax advisors.

26. Governing Law

The Plan, and determinations made and actions taken in connection with the Plan, shall be governed by the laws of the Province of Ontario and the federal laws of Canada and construed in accordance therewith.

Schedule 1

SHOPIFY INC.
STOCK OPTION PLAN AGREEMENT

WHEREAS SHOPIFY INC. (the " **Corporation** ") wishes to provide to [ ] (the " **Participant** ") a performance incentive for continued and improved service within the Corporation or its subsidiaries.

NOW THEREFORE this agreement is entered into this [ ] day of [ ], [ ] (the " **Date of Grant** ") between the Corporation and the Participant pursuant to the Fourth Amended and Restated Incentive Stock Option Plan (the " **Plan** ") implemented by the Corporation effective on the ● th day of ● , 2015, a copy of which is annexed hereto.

1. Pursuant to the Plan, the Corporation hereby grants non-assignable, non-transferable options (collectively, the " **Options** ") to acquire _____ Shares (as defined in the Plan) at an exercise price of $[ ] per Share (the " **Exercise Price** ") and agrees to issue Shares to the Participant in accordance with the terms of the Plan upon the due exercise of the Options.

2. The Options will vest and be exercisable as follows:

Fraction of Total Number of Shares that may be Purchased	**Exercise Period**

3. The exercise of the Options granted hereby, issuance of Shares and ownership of the Shares are subject to the terms and conditions of the Plan (all of which are incorporated into and form part of this Stock Option Plan Agreement) and this Stock Option Plan Agreement.

4. The Participant hereby acknowledges that the Corporation may, as a condition to the exercise of the Options, require that the Participant execute and deliver a voting trust agreement in a form acceptable to the Board relating to the Shares so issued and sign certain other agreements as may be required by the Board in its sole discretion, including the Corporation's coattail agreements relating to its Shares.

5. Nothing in the Plan or in this Stock Option Plan Agreement will affect the Corporation's right, or that of an affiliated corporation, to terminate the employment of, term of office of, or consulting agreement or arrangement with a Participant at any time for any reason whatsoever. Upon such termination, a Participant's rights to exercise Options will be subject to restrictions and time limits for the exercise of Options. Complete details of such restrictions are set out in the Plan, and in particular in Section 8 thereof.

6. Each notice relating to the Option, including the exercise thereof, must be in writing. All notices to the Corporation must be delivered personally or by prepaid registered mail and must be addressed to the secretary of the Corporation. All notices to the Participant will be addressed to the principal address of the Participant on file with the Corporation. Either the Corporation or the Participant may designate a different address by written notice to the other. Such notices are deemed to be received, if delivered personally, on the date of delivery, and if sent by prepaid, registered mail, on the fifth business day following the date of mailing. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

7. The Participant hereby agrees that:

   (a) any rule, regulation or determination, including the interpretation by the Board or the Administrators of the Plan, the Option granted hereunder and the exercise thereof, is final and conclusive for all purposes and binding on all persons including the Corporation and the Participant; and

   (b) the grant of the Option does not affect in any way the right of the Corporation or any affiliated corporation to terminate the employment of the Participant.

8. This Stock Option Plan Agreement shall be binding upon and enure to the benefit of the Corporation, its successors and assigns and the Participant and the legal representative of the Participant's estate and any other person who acquires Shares by bequest or inheritance.

9. By executing this Stock Option Plan Agreement, the Participant confirms and acknowledges that the Participant has not been induced to enter into this agreement or acquire any Options by expectation of employment or continued employment with the Corporation or its subsidiaries.

10. This Stock Option Plan Agreement has been made in and is to be construed under and in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11. This Agreement is drawn up in English at the request of all parties. Les parties aux présentes ont expressément convenu que ce contrat soit rédigé en anglais.

SHOPIFY INC.

Per: _
Authorized Signatory

SIGNED, SEALED AND DELIVERED in the presence of	)	
_	)	_
(Witness)	)	(Signature of Participant)

Exhibit A to Schedule 1

NOTICE TO EXERCISE

TO: The Secretary of **SHOPIFY INC.** (the " **Corporation** ")

(a) The undersigned hereby elects to purchase _____ Shares (as defined in the Fourth Amended and Restated Incentive Stock Option Plan of the Corporation dated the ● th day of ● , 2015 (the **"Plan"**) pursuant to the terms of the stock option plan agreement dated _____ (the " **Option Agreement** ") between the undersigned and the Corporation, and tenders herewith payment in full of the purchase price thereof. The undersigned acknowledges that the issuance of Shares upon this exercise is conditional upon the undersigned becoming a party to any existing shareholders' agreement and/or any other agreement or voting trust as may be required by the Board, in its sole discretion, and the undersigned hereby agrees to execute and be bound by any such agreements at the request of the Board. The undersigned acknowledges that the Corporation will not issue such shares until such applicable withholdings are received by the Corporation in accordance with Section 22 of the Plan.

(b) Please issue a certificate or certificates representing the Shares in the name of the undersigned, whose address is as follows:

Dated this _____ day of _____,

_____

(Signature of Participant)

_____

(Name of Participant – Please Print)

Exhibit B to Schedule 1

SURRENDER NOTICE

TO: The Secretary of **SHOPIFY INC.** (the " **Corporation** ")

(a) The undersigned hereby surrenders _____ Options (as defined in the Fourth Amended and Restated Incentive Stock Option Plan of the Corporation dated the ● th day of ● , 2015 (the **"Plan"**) pursuant to the terms of the stock option plan agreement dated _____ (the " **Option Agreement** ") between the undersigned and the Corporation, in exchange for Shares (as defined in the Plan), as calculated in accordance with Section 13 of the Plan. The undersigned acknowledges that the issuance of Shares upon this surrender is conditional upon the undersigned becoming a party to any existing shareholders' agreement and/or any other agreement or voting trust as may be required by the Board, in its sole discretion, and the undersigned hereby agrees to execute and be bound by any such agreements at the request of the Board.

(b) Please issue a certificate or certificates representing the Shares in the name of _____.

Dated this _____ day of _____,

_____

(Signature of Participant)

_____

(Name of Participant – Please Print)

EXHIBIT 10.10

LONG TERM INCENTIVE PLAN

Effective as of May 27, 2015

SHOPIFY INC.
LONG TERM INCENTIVE PLAN

The purpose of this Plan is to advance the interests of the Corporation and its shareholders by providing to the directors, officers, employees and consultants of the Corporation a performance incentive for continued and improved services with the Corporation and its Affiliates.

Article 1
INTERPRETATION

Section 1.1 Definitions

For the purposes of this Plan, the following terms shall have the following meanings:

(a) " **Affiliate** " or " **Affiliated** " means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise);

(b) " **Annual Board Retainer** " means the annual retainer paid by the Corporation to a director in a Fiscal Year for service on the Board, together with Board committee fees, attendance fees and additional fees and retainers to committee chairs;

(c) " **Applicable Withholding Taxes** " has the meaning given to that term in Section 2.6(1);

(d) **"Authorized Leave** " means any leave of absence (paid or unpaid) approved in writing by the Corporation for a period of more than four (4) weeks that occurs while an RSU Participant continues to be employed as a full-time employee by the Corporation or retained as a full-time Consultant by the Corporation and includes any parental leave, short term disability, or other bona fide paid or unpaid leave of absence or sabbatical period;

(e) " **Award Date** " means the date(s) during the Fiscal Year on which the Annual Board Retainer is awarded;

(f) " **Board** " means the board of directors of the Corporation as constituted from time to time, or a committee thereof to which authority has been delegated by the board of directors with respect to any particular functions of the board of directors, as set forth herein;

(g) " **Business Day** " means a day, other than a Saturday or Sunday, on which banking institutions in Ottawa, Ontario are not authorized or obligated by law to close;

(h) " **Cash Equivalent** " means the amount of money expressed in U.S. dollars equal to the Market Value multiplied by the number of vested Units in the Participant's notional account, net of any Applicable Withholding Taxes, on the PSU Settlement Date, RSU Settlement Date or DSU Termination Date, as applicable;

(i) " **Change of Control** " means, unless the Board determines otherwise, the happening, in a single transaction or in a series of related transactions, of any of the following events:

(i) any transaction (other than a transaction described in clause (ii) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation's then issued and outstanding securities entitled to vote in the election of directors of the Corporation, other than any such acquisition that occurs (A) upon the exercise or settlement of options or other securities granted by the Corporation under any of the Corporation's equity incentive plans, or (B) as a result of the conversion of Multiple Voting Shares into Shares;

(ii) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction, the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction;

(iii) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation's assets to a person other than a person that was an Affiliate of the Corporation at the time of such sale, lease, exchange, license or other disposition, other than a sale, lease, exchange, license or other disposition to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by shareholders of the Corporation in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such sale, lease, exchange, license or other disposition;

(iv) the passing of a resolution by the Board or Shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or

(v) individuals who, on the Effective Date, are members of the Board (the " **Incumbent Board** ") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

(j) " **Consultant** " has the meaning ascribed to that term in National Instrument 45-106 of the Canadian Securities Administrators;

(k) " **Corporation** " means Shopify Inc. and its respective successors and assigns;

(l) " **Date of Grant** " means the date on which a particular Unit is granted by the Board as evidenced by the Grant Agreement pursuant to which the applicable Unit was granted;

(m) " **Deferred Share Unit** " or " **DSU** " means a unit designated as a Deferred Share Unit representing the right to receive one Share or the Cash Equivalent in accordance with the terms set forth in the Plan;

(n) " **DSU Participant** " means a director of the Corporation (who for greater certainty may also be an employee, if applicable) who has been designated by the Corporation for participation in the Plan and who has agreed to participate in the Plan and to whom Deferred Share Units have or will be granted thereunder;

(o) " **DSU Payment Date** " means, with respect to a Deferred Share Unit granted to a DSU Participant, no later than December 31 of the Fiscal Year following the Fiscal Year in which the DSU Termination Date occurred;

(p) " **DSU Settlement Notice** " means a notice, in the form contained in Schedule "F" attached hereto, by a DSU Participant to the Corporation electing the desired form of settlement of Deferred Share Units;

(q) " **DSU Termination Date** " of a DSU Participant means, the day that the DSU Participant ceases to be a director and, if applicable, an employee of the Corporation for any reason including, without limiting the generality of the foregoing, as a result of retirement, death, voluntary or involuntary termination without cause, or Incapacity;

(r) " **Effective Date** " has the meaning ascribed thereto in Section 2.5;

(s) " **Elected Amount** " has the meaning ascribed thereto in Section 5.3(1);

(t) " **Election Notice** " has the meaning ascribed thereto in Section 5.3(1) ;

(u) " **Eligible Person** " means any director, officer, employee or Consultant of the Corporation or any of its Affiliates and any such person's personal holding company, as designated by the Board in a resolution;

(v) " **Expire** " means, with respect to a Unit, the termination of such Unit, on the occurrence of which such Unit is void, incapable of settlement, and of no value whatsoever; and Expires and Expired have a similar meaning;

(w) " **Fiscal Year** " means the fiscal year of the Corporation, which as of the Effective Date is the annual period commencing January 1 and ending the following December 31;

(x) " **Grant Agreement** " means an agreement between the Corporation and a Participant under which a Unit is granted, substantially in the form attached hereto as Schedule "A" in reference to RSUs,

Schedule “D” in reference to DSUs, and Schedule “G” in reference to PSUs, as each may be amended from time to time;

(y) “ **Incapacity** ” means the permanent and total incapacity of a Participant as determined in accordance with procedures established by the Board for purposes of this Plan;

(z) “ **Incumbent Board** ” has the meaning given to that term in Section 1.1(i)(v);

(aa) “ **ITA** ” means the *Income Tax Act* (Canada), and the regulations thereunder;

(bb) “ **Legacy Option Plan** ” means the Corporation’s Fourth Amended and Restated Incentive Stock Option Plan, as may be amended from time to time;

(cc) “ **Market Value** ” means, on any particular day, the volume weighted average trading price of a Share on the New York Stock Exchange for the five (5) preceding days on which the Shares were traded, or on any other stock exchange as selected by the Board for these purposes. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Shares as determined by the Board in its sole and absolute discretion;

(dd) “ **Multiple Voting Shares** ” means the Class B multiple voting shares in the capital of the Corporation;

(ee) “ **Participant** ” means an RSU Participant, or a DSU Participant, or a PSU Participant, as applicable;

(ff) **“Performance Criteria** ” shall mean criteria, if any, established by the Board which, without limitation, may include criteria based on the financial performance of the Corporation and/or an Affiliate;

(gg) “ **Performance Share Unit** ” or “ **PSU** ” means a unit granted or credited to a PSU Participant’s notional account pursuant to the terms of this Plan that, subject to the provisions hereof, entitles a PSU Participant to receive one Share or the Cash Equivalent in accordance with the terms set forth in the Plan;

(hh) “ **Plan** ” means this Long Term Incentive Plan, as amended from time to time;

(ii) “ **PSU Participant** ” means an Eligible Person who has been designated by the Corporation for participation in the Plan and who has agreed to participate in the Plan and to whom a Performance Share Unit has been granted or will be granted thereunder;

(jj) “ **PSU Settlement Date** ” has the meaning given to that term in Section 7.1(1);

(kk) “ **PSU Settlement Notice** ” means a notice, in the form contained in Schedule “H” attached hereto, by a PSU Participant to the Corporation electing the desired form of settlement of vested Performance Share Units;

(ll) “ **PSU Termination Date** ” means the date on which a PSU Participant ceases to be an Eligible Person as a result of a termination of employment or retention with the Corporation or an Affiliate

for any reason, including death, retirement, or resignation with or without cause. For the purposes of the Plan, a PSU Participant's employment or retention with the Corporation or an Affiliate shall be considered to have terminated effective on the last day of the PSU Participant's actual and active employment or retention with the Corporation or Affiliate, whether such day is selected by agreement with the individual, or unilaterally by the PSU Participant or the Corporation or Affiliate, and whether with or without advance notice to the PSU Participant. For the avoidance of doubt, no period of notice or pay in lieu of notice that is given or that ought to have been given under applicable law in respect of such termination of employment or retention that follows or is in respect of a period after the PSU Participant's last day of actual and active employment or retention shall be considered as extending the PSU Participant's period of employment or retention for the purposes of determining his or her entitlement under the Plan;

(mm) " **PSU Vesting Date** " means the date or dates determined in accordance with the terms of the Grant Agreement entered into in respect of such Performance Share Units (as described in Section 6.4), on and after which a particular Performance Share Unit will be settled, subject to amendment or acceleration from time to time in accordance with the terms hereof;

(nn) " **Restricted Share Unit** " or " **RSU** " means a unit granted or credited to an RSU Participant's notional account pursuant to the terms of this Plan that, subject to the provisions hereof, entitles an RSU Participant to receive one Share or the Cash Equivalent in accordance with the terms set forth in the Plan;

(oo) " **RSU Participant** " means an Eligible Person who has been designated by the Corporation for participation in the Plan and who has agreed to participate in the Plan and to whom a Restricted Share Unit has been granted or will be granted thereunder;

(pp) " **RSU Settlement Date** " has the meaning ascribed thereto in Section 4.1(1);

(qq) " **RSU Settlement Notice** " means a notice, in the form contained in Schedule "B" attached hereto, by an RSU Participant to the Corporation electing the desired form of settlement of vested Restricted Share Units;

(rr) " **RSU Termination Date** " means the date on which an RSU Participant ceases to be an Eligible Person as a result of a termination of employment or retention with the Corporation or an Affiliate for any reason, including death, retirement, or resignation with or without cause. For the purposes of the Plan, an RSU Participant's employment or retention with the Corporation or an Affiliate shall be considered to have terminated effective on the last day of the RSU Participant's actual and active employment or retention with the Corporation or Affiliate, whether such day is selected by agreement with the individual, or unilaterally by the RSU Participant or the Corporation or Affiliate, and whether with or without advance notice to the RSU Participant. For the avoidance of doubt, no period of notice or pay in lieu of notice that is given or that ought to have been given under applicable law in respect of such termination of employment or retention that follows or is in respect of a period after the RSU Participant's last day of actual and active employment or retention shall be considered as extending the RSU Participant's period of employment or retention for the purposes of determining his or her entitlement under the Plan;

(ss) " **RSU Vesting Date** " means the date or dates determined in accordance with the terms of the Grant Agreement entered into in respect of such Restricted Share Units (as described in

Section 3.4), on and after which a particular Restricted Share Unit will be settled, subject to amendment or acceleration from time to time in accordance with the terms hereof;

(tt) " **Share** " means a Class A subordinate voting share in the capital of the Corporation;

(uu) " **Share Compensation Arrangement** " means any stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of securities of the Corporation from treasury, including without limitation a Share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise, but does not include any such arrangement which does not involve the issuance from treasury or potential issuance from treasury of securities of the Corporation;

(vv) " **Shareholders** " means holders of Shares or Multiple Voting Shares;

(ww) " **Stock Exchange** " means the TSX or, if the Shares are not listed or posted for trading on the TSX but are listed and posted for trading on another stock exchange, the stock exchange on which the Shares are listed or posted for trading;

(xx) " **Stock Option Plan** " means the Corporation's Stock Option Plan, as may be amended from time to time;

(yy) " **Termination Notice** " has the meaning ascribed thereto in Section 5.4(1);

(zz) " **TSX"** means the Toronto Stock Exchange; and

([[) " **Units** " means DSUs, PSUs and RSUs, as applicable.

Section 1.2 **Interpretation**

(1) Whenever the Board is to exercise discretion or authority in the administration of the terms and conditions of this Plan, the term "discretion" or "authority" means the sole and absolute discretion of the Board.

(2) In the Plan, words importing the singular shall include the plural and vice versa and words importing any gender include any other gender.

(3) Unless otherwise specified in the Participant's Grant Agreement, all references to money amounts are to United States currency.

(4) As used herein, the terms "Article" and "Section" mean and refer to the specified Article and Section of this Plan, respectively.

(5) The words "including" and "includes" mean "including (or includes) without limitation".

Article 2
GENERAL PROVISIONS

Section 2.1 **Administration.**

(6) The Board shall administer this Plan. Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or other compensation arrangements.

(7) Subject to the terms and conditions set forth herein, the Board has the authority: (i) to grant Restricted Share Units to RSU Participants; (ii) to grant Deferred Share Units to DSU Participants; (iii) to grant Performance Share Units to PSU Participants; (iv) to determine the terms, including the limitations, restrictions, vesting period, Performance Criteria and conditions (including any Performance Criteria), if any, of such grants; (v) to interpret this Plan and all agreements entered into hereunder; (vi) to adopt, amend and rescind such administrative guidelines and other rules relating to this Plan as it may from time to time deem advisable; and (vii) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board's guidelines, rules, interpretations, and determinations shall be conclusive and binding upon the Corporation, its subsidiaries, and all RSU Participants, DSU Participants, PSU Participants, Eligible Persons and their legal, personal representatives and beneficiaries.

(8) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee thereof. For greater certainty, any such delegation by the Board may be revoked at any time at the Board's sole discretion.

(9) No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board and each such person shall be entitled to indemnification by the Corporation with respect to any such action or determination.

(10) The Board may adopt such rules or regulations and vary the terms of this Plan and any grant hereunder as it considers necessary to address tax or other requirements of any applicable non-Canadian jurisdiction. Without limiting the generality of the foregoing, if any provision of this Plan contravenes Section 409A (" **Section 409A** ") of the U.S. Internal Revenue Code of 1986, as amended, the Board may, in its sole discretion and without the participant's consent, modify such provision to: (i) comply with, or avoid being subject to, Section 409A, or to avoid incurring taxes, interest or penalties under Section 409A, or otherwise; and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Corporation and contravening Section 409A.

(11) The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Shares or any other securities in the capital of the Corporation other than as specifically provided for in the Plan.

Section 2.2 **Grant of Units and Shares Reserved**

(1) Subject to the provisions of this Plan, the Board may grant Units to Participants upon the terms, conditions and limitations set forth herein and such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine, provided that:

(a) The maximum number of Shares reserved for issuance, in the aggregate, under this Plan and the Stock Option Plan shall initially be equal to 2,500,000 Shares plus the number of Shares equal to the number of Multiple Voting Shares subject to the Legacy Option Plan's available reserve as of the Effective Date. The number of Shares available for issuance, in the aggregate, under

this Plan and the Stock Option Plan will be automatically, and without any further action on the part of the Board or the Shareholders, increased on January 1 of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5 % of the aggregate number of outstanding Shares and Multiple Voting Shares on December 31 of the preceding calendar year. Notwithstanding the foregoing, the Board may act prior to January 1 st of a given year to provide that there will be no January 1 st increase in the maximum number of Shares reserved for issuance under this Plan and the Stock Option Plan for such fiscal year or that any increase in the Share reserve for such year will be a lesser number of Shares than would otherwise occur pursuant to the preceding sentence; and

(b) The number of Shares subject to any grants of Units (or portions thereof) that (i) Expire or are forfeited, surrendered, cancelled or otherwise terminated prior to the delivery of the Shares pursuant to a grant of Units or (ii) are settled in cash in lieu of settlement in Shares shall, in each case, automatically become available to be made and subject to new grants under this Plan. In addition, if an option under the Stock Option Plan or the Legacy Option Plan expires, is forfeited, or is cancelled for any reason, the Shares subject to that option or the number of Shares equal to the number of Multiple Voting Shares subject to that legacy option, as applicable, shall be available for grants under this Plan, subject to any required prior approval by the Stock Exchange.

Section 2.3 **Amendment and Termination.**

(1) The Board may, in its sole discretion, suspend or terminate the Plan at any time or from time to time and/or amend or revise the terms of the Plan or of any Unit granted under the Plan and any Grant Agreement relating thereto provided that such suspension, termination, amendment, or revision shall:

(a) not adversely alter or impair any Unit previously granted except as permitted by the terms of this Plan;

(b) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the Stock Exchange; and

(c) be subject to Shareholder approval, where required by law, the requirements of the Stock Exchange or this Plan.

(2) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force with respect to outstanding Units will continue in effect as long as any such Unit or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such interpretations and amendments to the Plan or the Units as they would have been entitled to make if the Plan were still in effect.

(3) Subject to Section 2.3(1), the Board may from time to time, in its discretion and without the approval of Shareholders or Participants, make changes to the Plan or any Unit that do not require the approval of Shareholders under Section 2.3(4), which may include but are not limited to:

(a) any amendment of a “housekeeping” nature, including without limitation those made to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;

(b) changes that alter, extend or accelerate the terms of vesting or settlement applicable to any Units;

(c) any amendment to the Plan respecting administration and eligibility for participation under the Plan; and

(d) an amendment of the Plan or a Unit as necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan, the Participants or the Shareholders.

(4) Shareholder approval is required for the following amendments to the Plan:

(a) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Units granted under the Plan (as set out in Section 2.2), other than an adjustment pursuant to Section 2.15.

(b) any amendment to Section 2.3(3) and this Section 2.3(4).

(5) No such amendment to the Plan shall cause the Plan in respect of Restricted Share Units or Performance Share Units to cease to be a plan described in section 7 of the ITA or any successor to such provision.

(6) No such amendment to the Plan shall cause the Plan in respect of Deferred Share Units to cease to be a plan described in regulation 6801(d) of the ITA or any successor to such provision.

Section 2.4 **Compliance with Legislation**

(1) The administration of the Plan (including any amendments thereto), the terms of the grant of any Unit under the Plan, the grant of Units, and the Corporation's obligation to issue Shares or deliver a Cash Equivalent shall be subject to all applicable federal, provincial, state and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and any other stock exchange on which the Shares are listed or posted for trading, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any Unit hereunder to issue Shares or deliver a Cash Equivalent in violation of such laws, rules and regulations or any condition of such approvals.

(2) No Unit shall be granted, and no Shares shall be issued hereunder, where such grant or issue would require registration of the Plan or of Shares under the securities laws of any foreign jurisdiction (other than the United States), and any purported grant of any Unit or purported issue of Shares hereunder in violation of this provision shall be void.

(3) The Corporation shall have no obligation to issue any Shares pursuant to this Plan unless upon official notice of issuance such Shares shall have been duly listed with the Stock Exchange (and any other stock exchange on which the Shares are listed or posted for trading). Shares issued to Participants pursuant to the settlement of Units may be subject to limitations on sale or resale under applicable securities laws.

(4) Should the Board, in its sole and absolute discretion and subject to Section 2.3(5) and Section 2.3(6), determine that it is not desirable or feasible to provide for the settlement of Restricted Share Units, Deferred Share Units or Performance Share Units, as applicable, including by reason of any such laws, regulations, rules, orders or requirements, it shall notify the Participants of such determination and on receipt of such notice each Participant shall have the option of electing that such settlement obligations

be satisfied by means of a cash payment by the Corporation equal to the Cash Equivalent of the Restricted Share Units, Deferred Share Units or Performance Share Units, as applicable. Each Participant shall comply with all such laws, regulations, rules, orders and requirements, and shall furnish the Corporation with any and all information and undertakings, as may be required to ensure compliance therewith.

Section 2.5 **Effective Date**

The Plan shall be effective upon the date (the " **Effective Date** ") of the closing of the initial public offering of the Shares.

Section 2.6 **Applicable Tax Withholdings and Deductions.**

(1) Notwithstanding any other provision contained herein, and together with Section 2.6(3) the Corporation or the relevant Affiliate, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amounts as may be necessary so as to ensure that the Corporation or the relevant Affiliate is in compliance with all applicable withholding tax or other source deduction liabilities relating to the settlement of such Units (the " **Applicable Withholding Taxes** ").

(2) It is the responsibility of the Participant to complete and file any tax returns which may be required within the periods specified in applicable laws as a result of the Participant's participation in the Plan. The Corporation shall not be held responsible for any tax consequences to a Participant as a result of the Participant's participation in the Plan and the Participant shall indemnify and save harmless the Corporation from and against any and all loss, liability, damage, penalty or expense (including legal expense), which may be asserted against the Corporation or which the Corporation may suffer or incur arising out of, resulting from, or relating in any manner whatsoever to any tax liability in connection therewith.

(3) For greater certainty, unless not required under the ITA or any other applicable law, no cash payment will be made nor will Shares be issued until:

(a) an amount sufficient to cover the Applicable Withholding Taxes payable on the settlement of Units has been received by the Corporation (or withheld by the Corporation from the Cash Equivalent and/or cash payment noted above if applicable);

(b) the Participant undertakes to arrange for such number of Shares to be sold as is necessary to raise an amount equal to the Applicable Withholding Taxes, and to cause the proceeds from the sale of such Shares to be delivered to the Corporation; or

(c) the Participant elects to settle for cash such number of Units as is necessary to raise funds sufficient to cover the Applicable Withholding Taxes with such amount being withheld by the Corporation.

Section 2.7 **No Interest.**

No interest or other amounts shall accrue to the Participant in respect of any amount payable by the Corporation to the Participant under this Plan or Unit.

Section 2.8 **Non-Transferability**

Except as set forth herein, Units are not transferable. Units may be settled only by:

(d) the Participant to whom the Units were granted;

(e) with the Corporation's prior written approval and subject to such conditions as the Corporation may stipulate, such Participant's family or any registered retirement savings plans or registered retirement income funds of which the Participant is and remains the annuitant;

(f) upon the Participant's death, by the legal representative of the Participant's estate; or

(g) upon the Participant's Incapacity, the legal representative having authority to deal with the property of the Participant;

provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to settle any Unit and this is in compliance with Section 2.3(6).

Section 2.9 **Participation in this Plan.**

(1) No Participant has any claim or right to be granted a Unit (including, without limitation, a Unit granted in substitution for any Unit that has expired pursuant to the terms of this Plan), and the granting of any Unit does not and is not to be construed as giving a Participant a right to continued employment or to remain a Consultant, director, officer or employee, as the case may be, of the Corporation or an Affiliate of the Corporation. Nothing contained in this Plan or in any Unit granted under this Plan shall interfere in any way with the rights of the Corporation or an Affiliate of the Corporation in connection with the employment, retention or termination of any such person.

(2) No Participant has any rights or privileges as a Shareholder of the Corporation in respect of Shares that are issuable upon the settlement of a Unit pursuant to the terms of this Plan until the allotment and issuance to the Participant of certificates representing such Shares or the entry of such Participant's name on the share register of the Corporation as the holder of Shares, and that person becomes the holder of record of those Shares. The Participant or the Participant's legal representative shall not, by reason of the grant of any Unit, be considered to be a Shareholder of the Corporation until a Unit has been duly settled and Shares have been issued in respect thereof.

(3) Units shall be credited to an unfunded notional bookkeeping account established and maintained by the Corporation in the name of each Participant. Notwithstanding any other provision of the Plan to the contrary, a Unit shall not be considered or construed as an actual investment in Shares. Participants shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Corporation or any Affiliate. No assets of the Corporation or any Affiliate shall be held in any way as collateral security for the fulfillment of the obligations of the Corporation or any Affiliate under this Plan. Any and all of the Corporation's or any Affiliate's assets shall be, and remain, the general unrestricted assets of the Corporation or Affiliate.

(4) The Corporation's or any of its Affiliate's obligation under this Plan shall be merely that of an unfunded and unsecured promise of the Corporation or such Affiliate to pay money in the future, and the rights of Participants shall be no greater than those of unsecured general creditors.

(5) The Corporation makes no representation or warranty as to the future Market Value of the Shares or with respect to any income tax matters affecting the Participant resulting from the grant or settlement of a Unit or transactions in the Shares. With respect to any fluctuations in the Market Value of Shares, neither the Corporation, nor any of its directors, officers, employees, Shareholders or agents shall be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Shares hereunder, or in any other manner related to the Plan. For greater certainty, no amount will be paid to, or in respect of, a Participant under

the Plan or pursuant to any other arrangement, and no additional Units will be granted to such Participant to compensate for a downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation does not assume responsibility for the income or other tax consequences resulting to the Participant and they are advised to consult with their own tax advisors.

Section 2.10 **Notice**

Any Notice required to be given pursuant to the Plan must be in writing. All notices to the Corporation must be delivered personally, by prepaid registered mail or by email and must be addressed to the secretary of the Corporation. All notices to the Participant will be addressed to the principal address of the Participant on file with the Corporation. Either the Corporation or the Participant may designate a different address by written notice to the other. Such notices are deemed to be received: (i) if delivered personally, on the date of delivery; (ii) if sent by prepaid, registered mail, on the fifth Business Day following the date of mailing; or (iii) if sent by email, when the sender receives an email from the recipient acknowledging receipt, provided that an automatic "read receipt" does not constitute acknowledgment of an email for purposes hereof. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

Section 2.11 **Right to Issue Other Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares or Multiple Voting Shares, repurchasing Shares or Multiple Voting Shares or varying or amending its share capital or corporate structure.

Section 2.12 **Quotation of Shares**

So long as the Shares are listed on a Stock Exchange, the Corporation must apply to the Stock Exchange for the listing or quotation, as applicable, of the Shares issued upon the settlement of all Units granted under the Plan, however, the Corporation cannot guarantee that such Shares will be listed or quoted on the Stock Exchange or any other stock exchange.

Section 2.13 **Conformity to Plan**

In the event that a Unit is granted or a Grant Agreement is executed which does not conform in all particulars with the provisions of this Plan, or purports to grant Units on terms different from those permitted under this Plan, the Unit, or the grant of such Unit shall not be in any way void or invalidated, but the Unit so granted will be adjusted to become, in all respects, in conformity with this Plan.

Section 2.14 **Dividend Equivalents.**

In the event a dividend becomes payable on the Shares, then on the payment date for such dividend, each Participant's notional account shall, unless otherwise determined by the Board in respect of any grant of Units, be credited with additional Units (including fractional Units) of the same kind as credited in such Participant's applicable notional account, the number of which shall be determined by dividing: (i) the amount determined by multiplying (a) the number of Units in such Participant's notional account (whether vested or unvested) on the record date for the payment of such dividend by (b) the dividend paid per Share, by (ii) the Market Value of a Share on the dividend payment date for such dividend, in each case, with fractions computed to two decimal places. Such additional Units (including fractional Units), if credited, shall vest on the same basis as the underlying Units.

Section 2.15 **Adjustments.**

Subject to any required approval by the Stock Exchange or regulatory authority, in the case of any merger, amalgamation, arrangement, rights offering, subdivision, consolidation, or reclassification of the Shares or other relevant change in the capitalization of the Corporation, or stock dividend or distribution (excluding dividends or distributions which may be paid in cash or in Shares at the option of the Shareholder), or exchange of the Shares for other securities or property, the Corporation shall make appropriate adjustments in the Shares issuable or amounts payable, as the case may be, as determined as appropriate by the Board, to preclude a dilution or enlargement of the benefits hereunder, and any such adjustment (or non-adjustment) by the Corporation shall be conclusive, final and binding upon the Participants. However, no amount will be paid to, or in respect of, the Participants under the Plan or pursuant to any other arrangement, and no additional Units will be granted to such Participant to compensation for a downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

Section 2.16 **Cancellation of Units.**

Upon payment in full of the value of the Units, the Units shall be cancelled and no further payments shall be made from the Plan in relation to such Units.

Section 2.17 **Governing Law**

The Plan shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Article 3
RESTRICTED SHARE UNITS

Section 3.1 **Grant of Restricted Share Units.**

(2) Subject to the provisions of this Plan, the Board may grant Restricted Share Units to any Eligible Person upon the terms, conditions and limitations set forth herein and such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine.

(3) The grant of a Restricted Share Unit shall be evidenced by a Grant Agreement, signed on behalf of the Corporation.

(4) The Corporation shall maintain a notional account for each RSU Participant, in which shall be recorded the number of vested and unvested Restricted Share Units granted or credited to such Participant.

(5) The grant of a Restricted Share Unit to an RSU Participant, or the settlement of a Restricted Share Unit, under the Plan shall neither entitle such RSU Participant to receive nor preclude such RSU Participant from receiving subsequently granted Restricted Share Units.

Section 3.2 **Equivalence.**

One (1) Restricted Share Unit is equivalent to one (1) Share. Fractional Restricted Share Units are permitted under the Plan.

Section 3.3 **Calculation.**

The number of Restricted Share Units (including fractional Restricted Share Units) granted at any particular time pursuant to this Plan will be calculated by dividing (i) the dollar amount of such grant by (ii) the Market Value of a Share on the Date of Grant.

Section 3.4 **Vesting.**

Except as otherwise provided in an RSU Participant's Grant Agreement or any other provision of this Plan:

(1) 1/3 of the Restricted Share Units granted pursuant to Section 3.1 shall vest on the first (1st) anniversary of the Date of Grant;

(2) 1/3 of the Restricted Share Units granted pursuant to Section 3.1 shall vest on the second (2nd) anniversary of the Date of Grant;

(3) 1/3 of the Restricted Share Units granted pursuant to Section 3.1 shall vest on the third (3rd) anniversary of the Date of Grant; and

(4) all Restricted Share Units credited pursuant to Section 2.14 shall vest simultaneously with the Restricted Share Units to which they relate, provided the Participant is continuously employed by or in service with the Corporation, or any of its Affiliates, from the Date of Grant until such Vesting Date,

provided, however, that in the event of any Change of Control, any unvested Restricted Share Units shall vest on the date which the Board determines in accordance with Article 8.

Section 3.5 **Authorized Leave.**

Notwithstanding any other provision of the Plan, unless otherwise approved by the Board, the vesting of any Restricted Share Units granted hereunder shall be suspended and postponed during any period of Authorized Leave and, upon an RSU Participant's return from such Authorized Leave, the vesting of such Restricted Share Units shall be extended by a period equivalent to such period of Authorized Leave. Notwithstanding the foregoing, upon an RSU Participant's return from an Authorized Leave that was a parental leave, the rate of vesting of such RSU Participant's Restricted Share Units shall be accelerated to twice the rate provided for in the Participant's Grant Agreement until such time as the RSU Participant holds vested Restricted Share Units in accordance with the original schedule of Vesting Dates provided for in the RSU Participant's Grant Agreement. For certainty, nothing contained herein shall limit the effect of Section 4.3 of the Plan upon the termination of any RSU Participant's employment or service as a Consultant, and the calculation of the number of Restricted Share Units vested as of a Participant's Termination Date for purposes thereof shall take into account any suspension, postponement or adjustment of the vesting schedule applicable to such Restricted Share Units contemplated by this Section 3.5.

Article 4
SETTLEMENT & EXPIRY

Section 4.1 **Settlement of Restricted Share Units.**

(7) Except as otherwise provided in an RSU Participant's Grant Agreement or any other provision of this Plan:

(a) all of the vested Restricted Share Units covered by a particular grant and the related Restricted Share Units credited pursuant to Section 3.3 may be settled on the first Business Day following their RSU Vesting Date (the " **RSU Settlement Date** ");

(b) an RSU Participant is entitled to deliver to the Corporation, on or before the RSU Settlement Date, an RSU Settlement Notice in respect of any or all vested Restricted Share Units held by the RSU Participant;

(c) in the RSU Settlement Notice, the RSU Participant will elect, in the RSU Participant's sole discretion, including with respect to any fractional RSUs, to settle vested Restricted Share Units for their Cash Equivalent (determined in accordance with Section 4.2(1)), Shares (determined in accordance with Section 4.2(2)) or a combination thereof.

(8) Subject to Section 4.1(3), settlement of Restricted Share Units shall take place promptly following the RSU Settlement Date and take the form set out in the RSU Settlement Notice through:

(a) in the case of settlement of Restricted Share Units for their Cash Equivalent, delivery of a cheque to the RSU Participant representing the Cash Equivalent;

(b) in the case of settlement of Restricted Share Units for Shares, delivery of a share certificate to the RSU Participant or the entry of the Participant's name on the share register for the Shares; or

(c) in the case of settlement of Restricted Share Units for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

(9) If an RSU Settlement Notice is not received by the Corporation on or before the RSU Settlement Date, settlement shall take the form of Shares issued from treasury as set out in Section 4.2(2).

(10) Notwithstanding any other provision of this Plan, in the event that an RSU Settlement Date falls during a black-out period or other trading restriction imposed by the Corporation and an RSU Participant has not delivered an RSU Settlement Notice, then such RSU Settlement Date shall be automatically extended to the tenth (10th) Business Day following the date that such black-out period or other trading restriction is lifted, terminated or removed.

Section 4.2 **Determination of Amounts.**

(5) **Cash Equivalent of Restricted Share Units** . For purposes of determining the Cash Equivalent of Restricted Share Units to be made pursuant to Section 4.1(2)(a) or Section 4.1(2)(c), such calculation will be made on the RSU Settlement Date based on the Market Value on the RSU Settlement Date multiplied by the number of vested Restricted Share Units in the Participant's Restricted Share Unit notional account which the Participant desires to settle in cash pursuant to the RSU Settlement Notice.

(6) **Payment in Shares ; Issuance of Shares from Treasury .** For the purposes of determining the number of Shares from treasury to be issued and delivered to an RSU Participant upon settlement of Restricted Share Units pursuant to Section 4.1(2)(b) or Section 4.1(2)(c), such calculation will be made on the RSU Settlement Date based on the whole number of Shares equal to the whole number of vested Restricted Share Units then recorded in the Participant's Restricted Share Unit notional account which the Participant desires to settle pursuant to the RSU Settlement Notice. Shares issued from treasury will be issued in consideration for the past services of the RSU Participant to the Corporation and the entitlement of the RSU Participant under this Plan shall be satisfied in full by such issuance of Shares. If applicable, the Corporation shall also make a cash payment to the RSU Participant with respect to the value of fractional Restricted Share Units standing to the RSU Participant's credit after the maximum number of whole

Shares have been issued by the Corporation, calculated by multiplying (i) the number of such fractional Restricted Share Units by (ii) the Market Value on the RSU Settlement Date.

Section 4.3 **Termination.**

(5) Except as the Board may otherwise determine or unless otherwise provided in the RSU Participant's Grant Agreement and regardless of any adverse or potentially adverse tax or other consequences resulting from the following:

(d) if an RSU Participant ceases to be an Eligible Person as a result of such RSU Participant's termination for cause or resignation without good reason, any unvested Restricted Share Units held by such RSU Participant shall Expire on the RSU Termination Date and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of RSUs; and

(e) if an RSU Participant ceases to be Eligible Person as a result of such RSU Participant's retirement with the concurrence of the Board, as a result of the Participant's dismissal without cause or resignation for good reason, or as a result of such RSU Participant's death or physical or psychological Incapacity, any unvested Restricted Share Units held by such RSU Participant shall vest on the RSU Termination Date.

Article 5
DEFERRED SHARE UNITS

Section 5.1 **Grant of Deferred Share Units.**

(7) Subject to this Article 5, the Board may recommend the grant of, from time to time, Deferred Share Units to a DSU Participant.

(8) The grant of a Deferred Share Unit shall be evidenced by a Grant Agreement, signed on behalf of the Corporation.

(9) The Corporation shall maintain a notional account for each DSU Participant, in which shall be recorded the number of Deferred Share Units granted or credited to such Participant.

(10) The grant of a Deferred Share Unit to a DSU Participant, or the settlement of a Deferred Share Unit, under the Plan shall neither entitle such DSU Participant to receive nor preclude such DSU Participant from receiving subsequently granted Deferred Share Units.

Section 5.2 **Equivalence.**

One (1) Deferred Share Unit is equivalent to one (1) Share. Fractional Deferred Share Units are permitted under the Plan.

Section 5.3 **Election Notice; Elected Amount.**

(4) Subject to Board approval, a DSU Participant may elect by filing an election notice in the form of Schedule "C" attached hereto (the " **Election Notice** "), once each Fiscal Year, to be paid up to one hundred percent (100%) of his or her Annual Board Retainer in the form of Deferred Share Units (the " **Elected Amount** "), with the balance being paid in cash in accordance with the Corporation's regular practices of paying such cash compensation. In the case of an existing DSU Participant, the election must be completed, signed

and delivered to the Corporation by the end of the Fiscal Year preceding the Fiscal Year to which such election is to apply. In the case of a new DSU Participant, the election must be completed, signed and delivered to the Corporation as soon as possible, and, in any event, no later than 30 days, after the director's appointment, with such election to be effective on the first day of the fiscal quarter of the Corporation next following the date of the Corporation's receipt of the election until the final day of such Fiscal Year. For the first year of the Plan, DSU Participants must make such election as soon as possible, and, in any event, no later than 30 days, after adoption of the Plan and the election shall be effective on the first day of the fiscal quarter of the Corporation next following the date of the Corporation's receipt of the election until the final day of such Fiscal Year. If no election is made in respect of a particular Fiscal Year, the new or existing DSU Participant will be paid in cash in accordance with the Corporation's regular practices of paying such cash compensation.

(5) The Election Notice shall, subject to any minimum amount that may be required by the Board, from time to time, designate the percentage of the Annual Board Retainer for the applicable Fiscal Year that is to be deferred into Deferred Share Units, with the remaining percentage to be paid in cash in accordance with the Corporation's regular practices of paying such cash compensation.

(6) In the absence of a designation to the contrary (including delivery of an Election Notice by a DSU Participant requesting that a greater or lesser percentage of his or her Annual Board Retainer be payable in the form of Deferred Share Units relative to the percentage previously elected by such DSU Participant), the DSU Participant's Election Notice shall remain in effect unless otherwise terminated.

Section 5.4 **Termination Right.**

(1) Each DSU Participant is entitled to terminate his or her participation in the Plan by filing with the Chief Financial Officer of the Corporation, or such other officer of the Corporation designated by the Board, a notice electing to terminate the receipt of additional Deferred Share Units in the form of Schedule "E" attached hereto (" **Termination Notice** ").

(2) Such Termination Notice shall be effective as of the date received by the Corporation.

(3) Thereafter, any portion of such DSU Participant's Annual Board Retainer payable, and subject to comply with Section 5.3, all subsequent Annual Board Retainers shall be paid in cash in accordance with the Corporation's regular practices of paying such cash compensation.

(4) For greater certainty, to the extent a DSU Participant terminates his or her participation in the Plan, he or she shall not be entitled to become a DSU Participant again until the Fiscal Year following the Fiscal Year in which the Termination Notice becomes effective.

Section 5.5 **Calculation.**

(2) The number of Deferred Share Units (including fractional Deferred Share Units) granted at any particular time pursuant to this Plan will be calculated by:

(f) in the case of an Elected Amount, by dividing (i) the dollar amount of the Elected Amount allocated to the DSU Participant by (ii) the Market Value of a Share on the applicable Award Date; or

(g) in the case of a grant of Deferred Share Units pursuant to Section 5.1, by dividing (i) the dollar amount of such grant by (ii) the Market Value of a Share on the Date of Grant.

Section 5.6 **Vesting.**

(6) All Deferred Share Units recorded in a DSU Participant's Deferred Share Unit notional account shall vest on the DSU Termination Date, unless otherwise determined by the Board at its sole discretion and in compliance with Section 2.3(6), subject to a determination of the Board made in accordance with Article 6.

(7) DSU Participants will not have any right to receive any benefit under the Plan in respect of a Deferred Share Unit until the DSU Termination Date.

Section 5.7 **Settlement in respect of Deferred Share Units.**

In respect of an award of Deferred Share Units granted to a DSU Participant, settlement shall be as soon as practicable following the DSU Termination Date and no later than the DSU Payment Date:

(1) Subject to Section 5.7(2), the DSU Participant (or where the DSU Participant has died, a dependant or relation of the DSU Participant or the legal representative of the DSU Participant) will deliver to the Corporation a DSU Settlement Notice, in the DSU Participant's sole discretion, to elect to settle all Deferred Share Units in such DSU Participant's notional account for their Cash Equivalent (determined in accordance with Section 5.8(1)), Shares (determined in accordance with Section 5.8(2)) or a combination thereof.

(2) If such DSU Settlement Notice is not received by the Corporation within 30 days prior to the DSU Payment Date, settlement shall take the form of the Cash Equivalent determined in accordance with Section 5.8(1), among other provisions of this Plan.

(3) Settlement of Deferred Share Units shall take place on the DSU Payment Date and in the form set out in the DSU Settlement Notice through:

(a) in the case of settlement of Deferred Share Units for their Cash Equivalent, delivery of a cheque to the Participant, a dependant or relation of the Participant or the Participant's duly authorized legal representative, as the case may be, representing the Cash Equivalent;

(b) in the case of settlement of Deferred Share Units for Shares, delivery of a share certificate to the Participant, a dependant or relation of the Participant or the Participant's duly authorized legal representative, as the case may, or the entry of the Participant's name on the share register for the Shares; or

(c) in the case of settlement of Deferred Share Units for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

Section 5.8 **Determination of Amounts.**

(1) **Cash Equivalent of Deferred Share Units** . For purposes of determining the Cash Equivalent of Deferred Share Units, such calculation will be made based on the Market Value on the DSU Termination Date multiplied by the number of Deferred Share Units in the Participant's Deferred Share Unit notional account as of the DSU Termination Date.

(2) **Payment in Shares ; Issuance of Shares from Treasury .** For the purposes of determining the number of Shares to be issued from treasury and delivered to a DSU Participant upon settlement of Deferred Share Units, such calculation will be made on the DSU Termination Date, or if the DSU Termination Date is not a Business Day, on the next such Business Day, based on the whole number of Shares equal to the whole number of Deferred Share Units then recorded in the Participant's Deferred Share Unit notional account. Shares issued from treasury will be issued in consideration for the past services of the DSU Participant to the Corporation and the entitlement of the DSU Participant under this Plan shall be satisfied in full by such issuance of Shares. If applicable, the Corporation shall also make a cash payment to the DSU Participant with respect to the value of fractional Deferred Share Units standing to the DSU Participant's credit after the maximum number of whole Shares have been issued by the Corporation, calculated by multiplying (i) the number of such fractional Deferred Share Units by (ii) the Market Value on the DSU Termination Date.

Article 6
PERFORMANCE SHARE UNITS

Section 6.1 **Grant of Performance Share Units**

(6) Subject to the provisions of this Plan, the Board may grant Performance Share Units to any Eligible Person upon the terms, conditions and limitations set forth herein and such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine.

(7) The grant of a Performance Share Unit shall be evidenced by a Grant Agreement, signed on behalf of the Corporation.

(8) The Corporation shall maintain a notional account for each PSU Participant, in which shall be recorded the number of vested and unvested Performance Share Units granted or credited to such Participant.

(9) The grant of a Performance Share Unit to a PSU Participant, or the settlement of a Performance Share Unit, under the Plan shall neither entitle such PSU Participant to receive nor preclude such PSU Participant from receiving subsequently granted Performance Share Units.

Section 6.2 **Equivalence**

One (1) Performance Share Unit is equivalent to one (1) Share. Fractional Performance Share Units are permitted under the Plan.

Section 6.3 **Calculation.**

The number of Performance Share Units (including fractional Performance Share Units) granted at any particular time pursuant to this Plan will be calculated by dividing (i) the dollar amount of such grant by (ii) the Market Value of a Share on the Date of Grant.

Section 6.4 **Vesting.**

Each PSU Participant's Grant Agreement shall describe the Performance Criteria established by the Board that must be achieved for Performance Share Units to vest to the PSU Participant, provided the PSU Participant is continuously employed by or in service with the Corporation, or any of its Affiliates, from the Date of Grant until such PSU Vesting Date, and provided further that in the event of any Change of Control, any unvested Performance Share Units shall vest on the date which the Board determines in accordance with Article 8.

Article 7
SETTLEMENT & EXPIRY

Section 7.1 **Settlement of Performance Share Units.**

(7) Except as otherwise provided in a PSU Participant's Grant Agreement or any other provision of this Plan:

(d) all of the vested Performance Share Units covered by a particular grant and the related Performance Share Units credited pursuant to Section 6.2 may be settled on the first Business Day following their PSU Vesting Date (the " **PSU Settlement Date** ");

(e) a PSU Participant shall become entitled to deliver to the Corporation, on or before the PSU Settlement Date, a PSU Settlement Notice in respect of any or all vested Performance Share Units held by the PSU Participant; and

(f) in the PSU Settlement Notice, the PSU Participant will elect, in the PSU Participant's sole discretion, including with respect to any fractional PSUs, to settle vested Performance Share Units for their Cash Equivalent (determined in accordance with Section 7.2(1)), Shares (determined in accordance with Section 7.2(2)) or a combination thereof.

(8) Subject to Section 7.1(3), settlement of Performance Share Units shall take the form set out in the PSU Settlement Notice through delivery of:

(a) in the case of settlement of Performance Share Units for their Cash Equivalent, a cheque to the PSU Participant representing the Cash Equivalent;

(b) in the case of settlement of Performance Share Units for Shares, delivery of a share certificate to the PSU Participant or the entry of the Participant's name on the share register for the Shares; or

(c) in the case of settlement of Performance Share Units for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

(9) If a PSU Settlement Notice is not received by the Corporation on or before the PSU Settlement Date, settlement shall take the form of Shares issued from treasury as set out in Section 7.2(2).

(10) Notwithstanding any other provision of this Plan, in the event that a PSU Settlement Date falls during a black-out period or other trading restriction imposed by the Corporation and a PSU Participant has not delivered a PSU Settlement Notice, then such PSU Settlement Date shall be automatically extended to the tenth (10th) Business Day following the date that such black-out period or other trading restriction is lifted, terminated or removed.

Section 7.2 **Determination of Amounts.**

(5) **Cash Equivalent of Performance Share Units** . For purposes of determining the Cash Equivalent of Performance Share Units to be made pursuant to Section 7.1(2)(a) or Section 7.1(2)(c), such calculation will be made on the PSU Settlement Date based on the Market Value on the PSU Settlement Date multiplied by the number of vested Performance Share Units in the Participant's Performance Share Unit notional account which the Participant desires to settle in cash pursuant to the PSU Settlement Notice.

(6) **Payment in Shares ; Issuance of Shares from Treasury .** For the purposes of determining the number of Shares from treasury to be issued and delivered to a PSU Participant upon settlement of Performance Share Units pursuant to Section 7.1(2)(b) or Section 7.1(2)(c), such calculation will be made on the PSU Settlement Date based on the whole number of Shares equal to the whole number of vested Performance Share Units then recorded in the Participant's Performance Share Unit notional account which the Participant desires to settle pursuant to the PSU Settlement Notice. Shares issued from treasury will be issued in consideration for the past services of the PSU Participant to the Corporation and the entitlement of the PSU Participant under this Plan shall be satisfied in full by such issuance of Shares. If applicable, the Corporation shall also make a cash payment to the PSU Participant with respect to the value of fractional Performance Share Units standing to the PSU Participant's credit after the maximum number of whole Shares have been issued by the Corporation, calculated by multiplying (i) the number of such fractional Performance Share Units by (ii) the Market Value on the PSU Settlement Date.

Section 7.3 **Termination.**

Except as the Board may otherwise determine or unless otherwise provided in the PSU Participant's Grant Agreement and regardless of any adverse or potentially adverse tax or other consequences resulting from the following, if a PSU Participant ceases to be an Eligible Person for any reason, any unvested Performance Share Units held by such PSU Participant shall Expire on the PSU Termination Date and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of PSUs.

Article 8
CHANGE OF CONTROL

Section 8.1 **Conversion or Exchange of Units.**

Notwithstanding anything else in this Plan or any Grant Agreement, the Board has the right to provide for the conversion or exchange of any outstanding Units into or for units, rights or other securities in any entity participating in or resulting from a Change of Control, provided that the value of previously granted Units and the rights of Participants are not materially adversely affected by any such changes.

Section 8.2 **Notice to Participants.**

Upon the Corporation entering into an agreement relating to a transaction which, if completed, would result in a Change of Control, or otherwise becoming aware of a pending Change of Control, the Corporation shall give written notice of the proposed Change of Control to Participants, together with a description of the effect of such Change of Control on outstanding Units, not less than seven (7) days prior to the closing of the transaction resulting in the Change of Control.

Section 8.3 **Acceleration of Vesting.**

The Board may, in its sole discretion, accelerate the vesting and/or the expiry date of any or all outstanding Units, including conditionally, to provide that, notwithstanding the vesting provisions of such Units or any Grant Agreement, such designated outstanding Units shall be vested upon (or prior to) the completion of the Change of Control. If, for any reason, the Change of Control does not occur within the contemplated time period, the acceleration of the vesting of the Units shall be retracted and vesting shall instead revert to the manner provided in the Grant Agreement.

SCHEDULE "A"
SHOPIFY INC.
RESTRICTED SHARE UNIT GRANT AGREEMENT

Restricted Share Unit agreement dated _____, 20___ between SHOPIFY INC., a company existing under the laws of Canada (the " **Corporation** ") and _____ , an individual residing in _____ (the " **Participant** ").

WHEREAS the Corporation has adopted a Long Term Incentive Plan (the " **Plan** ", as it may be amended from time to time), which Plan provides for the granting of Restricted Share Units to RSU Participants (as defined in the Plan), entitling RSU Participants, at their option, to receive on settlement of vested Restricted Share Units, a Cash Equivalent (as defined in the Plan), Shares in the capital of the Corporation or a combination thereof;

AND WHEREAS the Corporation desires to continue to receive the benefit of the services of the Participant and to more fully align his or her interest with the Corporation's and its Affiliates' future success;

AND WHEREAS the board of directors of the Corporation (the " **Board** ") approved the granting of Restricted Share Units to the Participant, upon the terms and conditions hereinafter provided;

AND WHEREAS the Corporation desires to grant to the Participant Restricted Share Units upon the terms and conditions hereinafter provided;

AND WHEREAS capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan.

NOW THEREFORE in consideration of the foregoing and the mutual agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

1. **Restricted Share Units .** The Corporation hereby grants to the Participant, as of _____, 20____, subject to the terms and conditions hereinafter set forth, _____ Restricted Share Units (the " **Restricted Share Units** "), vesting in accordance with the terms of this Grant Agreement and in accordance with the Plan.

2. **Vesting of the Restricted Share Units .** Subject to the vesting restrictions in Section 3 (if any), the Restricted Share Units shall vest according to the following table:

Date	% of Restricted Share Units Vested

3. **Subject to Plan .** This Restricted Share Units shall be subject in all respects to the provisions of the Plan, the terms and conditions of which are hereby expressly incorporated by reference, as same

may be amended from time to time in accordance therewith. A copy of the Plan shall be provided to the Participant upon his or her reasonable request from time to time.

4. **Shareholder Rights .** A Participant shall have no rights whatsoever as a shareholder in respect of any of the Restricted Share Units.

5. **Transfer of Restricted Share Unit .** The Restricted Share Units granted pursuant to this Agreement shall not be assignable or transferable by the Participant, except in accordance with the Plan.

6. **Notice .** Any notice required or permitted to be given hereunder shall be given in accordance with, and subject to, the provisions of the Plan.

7. **Governing Law .** This Agreement and the Restricted Share Units shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

8. **French Language .** The parties agree that this Agreement as well as all documents relating thereto be drawn up in the English language only. Les parties seront censes avoir requis que cette contrat de meme que tous les documents s'y rattachant soient rediges en anglais seulement.

IN WITNESS WHEREOF the parties have caused this Restricted Share Unit agreement to be executed as of the date hereof.

SHOPIFY INC.

Per: __

Authorized Signing Officer

NAME OF PARTICIPANT: _____

SIGNATURE OF PARTICIPANT: _____

Address: __

SCHEDULE "B"
SHOPIFY INC.
RSU SETTLEMENT NOTICE

I, _____, in respect of the (print name)

Restricted Share Units that were granted to me on _____ by Shopify Inc. (the " **Corporation** ") pursuant to the Corporation's Long Term Incentive Plan (the " **Plan** "), hereby elect upon settlement of the Restricted Share Units (including for any fractional Restricted Share Units) to receive (check one):

( ) (i) the Cash Equivalent, calculated in accordance with Section 4.2(1) of the Plan;

( ) (ii) Shares, calculated in accordance with Section 4.2(2) of the Plan; or

( ) (iii) the Cash Equivalent for _____ Restricted Share Units and Shares for _____ Restricted Share Units.

If I elect to receive the Cash Equivalent, I acknowledge that the Corporation will deduct applicable withholding taxes in accordance with the Plan.

If I elect to receive only Shares, I (check one):

( ) (i) enclose cash, a certified cheque, bank draft or money order payable to the Corporation in the amount of $_____ as full payment for the applicable withholding taxes;

( ) (ii) undertake to direct that such number of Shares are to be sold, and the proceeds of such Shares delivered to the Corporation, as is necessary to put the Corporation in funds equal to the amount that would have otherwise been required in (i) above; or

( ) (iii) elect to settle for cash such number of Restricted Share Units as is necessary to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Corporation.

Date

Participant's Signature

(Print name)

SCHEDULE "C"
SHOPIFY INC.
DSU ELECTION NOTICE

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Pursuant to the Long Term Incentive Plan of Shopify Inc. (the " **Plan** "), I hereby elect to receive_____% of my Annual Board Retainer in the form of Deferred Share Units in lieu of cash.

I confirm that:

(a) I have received and reviewed a copy of the terms of the Plan and have reviewed, considered and agreed to be bound by the terms of this Election Notice and the Plan.

(b) I have requested and am satisfied that the Plan and the foregoing be drawn up in the English language. *Le soussigné reconnaît qu'il a exigé que le Régime et ce qui précède soient rédigés et exécutés en anglais et s'en déclare satisfait.*

(c) I recognize that when Deferred Share Units are settled in accordance with the terms of the Plan, income tax and other withholdings as required will arise at that time. Upon settlement of the Deferred Share Units, the Corporation will make or arrange with me to make all appropriate withholdings as required by law at that time.

(d) The value of Deferred Share Units is based on the value of the Shares of the Corporation and therefore is not guaranteed.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan.

Date: ___ __

(Name of Participant)

__

(Signature of Participant)

SCHEDULE "D"
SHOPIFY INC.
DEFERRED SHARE UNIT GRANT AGREEMENT

Name: _____

Award Date _____

Shopify Inc. (the " **Corporation** ") has adopted a Long Term Incentive Plan (the " **Plan** "). Your award is governed in all respects by the terms of the Plan, and the provisions of the Plan are hereby incorporated by reference. Capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan. If there is a conflict between the terms of this Grant Agreement and the Plan, the terms of the Plan shall govern.

Your Award The Corporation hereby grants to you _____ Deferred Share Units.

PLEASE SIGN AND RETURN A COPY OF THIS GRANT AGREEMENT TO THE CORPORATION.

By your signature below, you acknowledge that you have received a copy of the Plan and have reviewed, considered and agreed to the terms of this Grant Agreement and the Plan.

Signature: _____ Date: _____

On behalf of the Corporation:

_____

Name:

Title:

SCHEDULE "E"
SHOPIFY INC.
ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DEFERRED SHARE UNITS

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Notwithstanding my previous election on the DSU Election Notice dated _____, I hereby elect to terminate my participation in the Plan effective as of the date this Termination Notice is received by Shopify Inc.

I understand that the Deferred Share Units already granted under the Plan cannot be settled until the DSU Termination Date.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to continue to be bound by the Plan.

Date: __ __

(Name of Participant)

__

(Signature of Participant)

Schedule "F"
SHOPIFY INC.
DSU SETTLEMENT NOTICE

I, _____, in respect of the (print name)

Deferred Share Units that were granted to me on _____ by Shopify Inc. (the " **Corporation** ") pursuant to the Corporation's Long Term Incentive Plan (the " **Plan** "), hereby elect upon settlement of the Deferred Share Units (including for any fractional Deferred Share Units to receive (check one):

( ) (i) the Cash Equivalent, calculated in accordance with Section 5.8(1) of the Plan;

( ) (ii) Shares, calculated in accordance with Section 5.8(2) of the Plan; or

( ) (iii) the Cash Equivalent for _____ Deferred Share Units and Shares for _____ Deferred Share Units.

If I elect to receive the Cash Equivalent or a portion of my Deferred Share Units as a Cash Equivalent, I acknowledge that the Corporation will deduct applicable withholding taxes in accordance with the Plan.

If I elect to receive only Shares, I (check one):

( ) (i) enclose cash, a certified cheque, bank draft or money order payable to the Corporation in the amount of $_____ as full payment for the applicable withholding taxes;

( ) (ii) undertake to direct that such number of Shares are to be sold, and the proceeds of such Shares delivered to the Corporation, as is necessary to put the Corporation in funds equal to the amount that would have otherwise been required in (i) above; or

( ) (iii) elect to settle for cash such number of Deferred Share Units as is necessary raise funds sufficient to cover such withholding taxes with such amount being withheld by the Corporation.

Date

Participant's Signature

(Print name)

SCHEDULE "G"
SHOPIFY INC.
PERFORMANCE SHARE UNIT GRANT AGREEMENT

Performance Share Unit agreement dated _____, 20___ between SHOPIFY INC., a Company existing under the laws of Canada (the " **Corporation** ") and _____ , an individual residing in _____ (the " **Participant** ").

WHEREAS the Corporation has adopted a Long Term Incentive Plan (the " **Plan** ", as it may be amended from time to time), which Plan provides for the granting of Performance Share Units to PSU Participants (as defined in the Plan), entitling PSU Participants to receive on settlement of vested Performance Share Units, a Cash Equivalent (as defined in the Plan), Shares in the capital of the Corporation or a combination thereof;

AND WHEREAS the Corporation desires to continue to receive the benefit of the services of the Participant and to more fully align his or her interest with the Corporation's and its Affiliates' future success;

AND WHEREAS the board of directors of the Corporation (the " **Board** ") approved the granting of Performance Share Units to the Participant, upon the terms and conditions hereinafter provided;

AND WHEREAS the Corporation desires to grant to the Participant Performance Share Units upon the terms and conditions hereinafter provided;

AND WHEREAS capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan.

NOW THEREFORE in consideration of the foregoing and the mutual agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

1. **Performance Share Units .** The Corporation hereby grants to the Participant, as of _____, 20____, subject to the terms and conditions hereinafter set forth, _____ Performance Share Units (the " **Performance Share Units** "), exercisable in accordance with the terms of this Grant Agreement and in accordance with the Plan.

2. **Vesting of the Performance Share Units .** Vesting of Performance Share Units is subject to the following Performance Criteria:

   _____

   _____

   _____

3. **Subject to Plan .** This Performance Share Units shall be subject in all respects to the provisions of the Plan, the terms and conditions of which are hereby expressly incorporated by reference, as same

may be amended from time to time in accordance therewith. A copy of the Plan shall be provided to the Participant upon his or her reasonable request from time to time.

4. **Shareholder Rights .** A Participant shall have no rights whatsoever as a shareholder in respect of any of the Performance Share Units.

5. **Transfer of Performance Share Unit .** The Performance Share Units granted pursuant to this Agreement shall not be assignable or transferable by the Participant, except in accordance with the Plan.

6. **Notice .** Any notice required or permitted to be given hereunder shall be given in accordance with, and subject to, the provisions of the Plan.

7. **Governing Law .** This Agreement and the Performance Share Units shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

8. **French Language .** The parties agree that this Agreement as well as all documents relating thereto be drawn up in the English language only. *Les parties seront censes avoir requis que cette contrat de meme que tous les documents s'y rattachant soient rediges en anglais seulement.*

IN WITNESS WHEREOF the parties have caused this Grant Agreement to be executed as of the date hereof.

SHOPIFY INC.

Per: __

Authorized Signing Officer

NAME OF PARTICIPANT: _____

SIGNATURE OF PARTICIPANT: _____

Address: __

SCHEDULE "H"
SHOPIFY INC.
PSU SETTLEMENT NOTICE

I, _____, in respect of the (print name)

Performance Share Units that were granted to me on _____ by Shopify Inc. (the " **Corporation** ") pursuant to the Corporation's Long Term Incentive Plan (the " **Plan** "), hereby elect upon settlement of the Performance Share Units (including for any fractional Performance Share Units) to receive (check one):

( ) (i) the Cash Equivalent, calculated in accordance with Section 7.2(1) of the Plan;

( ) (ii) Shares, calculated in accordance with Section 7.2(2) of the Plan; or

( ) (iii) the Cash Equivalent for _____ Performance Share Units and Shares for _____ Performance Share Units.

If I elect to receive the Cash Equivalent, I acknowledge that the Corporation will deduct applicable withholding taxes in accordance with the Plan.

If I elect to receive only Shares, I (check one):

( ) (i) enclose cash, a certified cheque, bank draft or money order payable to the Corporation in the amount of $_____ as full payment for the applicable withholding taxes;

( ) (ii) undertake to direct that such number of Shares are to be sold, and the proceeds of such Shares delivered to the Corporation, as is necessary to put the Corporation in funds equal to the amount that would have otherwise been required in (i) above; or

( ) (iii) elect to settle for cash such number of Performance Share Units as is necessary to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Corporation.

Date

Participant's Signature

(Print name)

EXHIBIT 12.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tobias Lütke, certify that:

1. I have reviewed this annual report on Form 20-F of Shopify Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 16, 2016

/s/ *Tobias Lütke*
Signature

Chief Executive Officer
Title

EXHIBIT 12.2

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell Jones, certify that:

1. I have reviewed this annual report on Form 20-F of Shopify Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 16, 2016

/s/ *Russell Jones*
Signature

Chief Financial Officer
Title

EXHIBIT 13.1

SECTION 906 CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Annual Report on Form 20-F of Shopify Inc. for the annual period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shopify Inc.

/s/ *Tobias Lütke*
Name: Tobias Lütke
Title: Chief Executive Officer
Date: February 16, 2016

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

EXHIBIT 13.1

SECTION 906 CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Annual Report on Form 20-F of Shopify Inc. for the annual period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shopify Inc.

/s/ *Russell Jones*
Name: Russell Jones
Title: Chief Financial Officer
Date: February 16, 2016

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

EXHIBIT 15.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 16, 2016

In this Management's Discussion and Analysis (MD&A), "we", "Shopify" and "the Company" refer to Shopify Inc. and its consolidated subsidiaries. In this MD&A, we explain Shopify's results of operations and cash flows for the fourth quarter and the fiscal year ending December 31, 2015 , 2014 and 2013 , and our financial position as of December 31, 2015 . You should read this MD&A together with our audited consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2015 . Additional information regarding Shopify, including our annual report on Form 20-F, is available on our website at www.shopify.com, or at www.sedar.com and www.sec.gov.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S GAAP"). All amounts are in U.S. dollars except where otherwise indicated. See "Presentation of Financial Information."

Our MD&A is intended to enable readers to gain an understanding of Shopify's results of operations, cash flows and financial position. To do so, we provide information and analysis comparing our results of operations, cash flows and financial position for the year with the preceding fiscal year. We also provide analysis and commentary that we believe will help investors assess our future prospects. In addition, we provide "forward-looking statements" that are not historical facts, but that are based on our current estimates, beliefs and assumptions and which are subject to known and unknown important risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from current expectations. Forward-looking statements are intended to assist readers in understanding managements' expectations as of the date of this MD&A and may not be suitable for other purposes. See "Forward-looking statements" below.

In this MD&A, references to our "solutions" means the combination of products and services that we offer to merchants, and references to "our merchants" as of a particular date means the total number of unique shops that are paying for a subscription to our platform. Unless the context requires otherwise, references in this MD&A to "Shopify", "we", "us", "our", or "the Company" include Shopify and all of its subsidiaries.

Forward-looking statements

This MD&A contains forward-looking statements under the provisions of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, and forward-looking information within the meaning of applicable Canadian securities legislation. These forward looking statements are based on our management's perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Although we believe that the plans, intentions, expectations, assumptions and strategies reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue" or the negative of these terms or other comparable terminology. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, forward-looking statements in this MD&A include, but are not limited to, statements about:

- the size of our addressable markets and our ability to serve those markets;
- the achievement of advances in and expansion of our platform and our solutions;
- our ability to predict future commerce trends and technology;

- the intended growth of our business and making investments to drive future growth;
- our ability to reach economies of scale;
- the growth of our merchants' revenues;
- the growth of our third-party ecosystem, including formation of strategic partnerships;
- potential selective acquisitions and investments;
- the expansion of our platform into new markets;
- fluctuations in our future gross margin percentages; and
- our expectations on future incurred costs.

Although the forward-looking statements contained in this MD&A are based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Certain assumptions made in preparing the forward-looking statements include:

- our ability to generate revenue while controlling our costs and expenses;
- our ability to manage our growth effectively;
- the absence of material adverse changes in our industry or the global economy;
- trends in our industry and markets;
- our ability to maintain good business relationships with our merchants, vendors and partners;
- our ability to develop solutions that keep pace with the changes in technology, evolving industry standards, changes to the regulatory environment, new product introductions by competitors and changing merchant preferences and requirements;
- our ability to protect our intellectual property rights;
- our continued compliance with third-party license terms and the non-infringement of third-party intellectual property rights;
- our ability to manage and integrate acquisitions;
- our ability to retain key personnel; and
- our ability to raise sufficient debt or equity financing to support our continued growth.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include:

- our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants;
- our business could be harmed if we fail to manage our growth effectively;
- we have a history of losses and we may be unable to achieve profitability;
- our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful;
- if we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business may be adversely affected;
- a denial of service attack or security breach could delay or interrupt service to our merchants and their customers, harm our reputation or subject us to significant liability;
- payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business;
- we rely on a single supplier to provide the technology we offer through Shopify Payments;

- if the security of personally identifiable information we store relating to merchants and their customers is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability;
- if our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our merchants;
- exchange rate fluctuations may negatively affect our results of operations;
- we may be unable to achieve or maintain data transmission capacity;
- our growth depends in part on the success of our strategic relationships with third parties;
- if we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed;
- we use a limited number of data centers and any disruption of service at our data facilities could harm our business;
- if our solutions do not operate as effectively when accessed through mobile devices, our merchants and their customers may not be satisfied with our solutions;
- changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers could adversely impact the process by which merchants and customers interface with our platform;
- the impact of worldwide economic conditions, including the resulting effect on spending by SMBs, may adversely affect our business, operating results and financial condition;
- we may be subject to claims by third-parties of intellectual property infringement;
- we may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology;
- our use of "open source" software could negatively affect our ability to sell our solutions and subject us to possible litigation;
- if we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new merchants may be impaired and if our merchants are not able to generate traffic to their shops through search engines and social networking sites, their ability to attract consumers may be impaired;
- if we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed;
- if we are unable to hire, retain and motivate qualified personnel, our business will suffer;
- we are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition;
- activities of merchants or the content of their shops could damage our brand, subject us to liability and harm our business and financial results;
- our operating results are subject to seasonal fluctuations;
- our business is susceptible to risks associated with international sales and the use of our platform in various countries;
- if third-party apps and themes change such that we do not or cannot maintain the compatibility of our platform with these apps and themes, or if we fail to provide third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline;
- we rely on computer hardware, purchased or leased, and software licensed from and services rendered by third-parties in order to provide our solutions and run our business, sometimes by a single-source supplier;
- we may not be able to compete successfully against current and future competitors;

- we do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new merchants and retain existing merchants;
- we have in the past made and in the future may make acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position;
- provisions of our debt instruments may restrict our ability to pursue our business strategies;
- we may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms;
- unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition;
- new tax laws could be enacted or existing laws could be applied to us or our merchants, which could increase the costs of our solutions and adversely impact our business;
- if we are required to collect state and local business taxes and sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales;
- we may not be able to use a significant portion of our tax carryforwards which could adversely affect our profitability;
- we are dependent upon consumers' and merchants' willingness to use the internet for commerce;
- we may face challenges in expanding into new geographic regions; and
- our reported financial results may be materially and adversely affected by changes in accounting priciniples generally accepted in the United States.

These risks are described in further detail in the section entitled "Risk Factors" of our Annual Report on Form 20-F for the year ended December 31, 2015, and elsewhere in this MD&A. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future results. You should read this MD&A and the documents that we reference in this MD&A completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements in this MD&A represent our views as of the date of this MD&A. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this MD&A.

Overview

Shopify provides the leading cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. Merchants use our software to run their business across all of their sales channels, including web and mobile storefronts, social media storefronts, and physical retail locations. As the number of channels over which merchants transact continues to expand, the importance of a multi-channel platform that is both fully integrated and easy to use increases. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, ship orders, build customer relationships and leverage analytics and reporting all from one integrated back office. Merchants can also use Shopify Mobile, our iPhone and Android application, to track and manage their business on the go. The Shopify platform has been engineered to enterprise-level standards and functionality while being designed for simplicity and ease-of-use. We have also designed our platform with a robust technical infrastructure able to manage large spikes in traffic and an application ecosystem to integrate additional functionality. We are constantly innovating and enhancing our platform, with our continuously deployed, multi-tenant architecture ensuring all of our merchants are always using the latest technology.

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. With over 8,500 active partners referring merchants in 2015 , we have built a strong, symbiotic relationship with our partners that continues to grow. We believe this ecosystem has grown in part due to the platform's functionality, which is highly extensible and can be expanded through our application program interface ("API") and the more than 1,200 apps available in the Shopify App Store. This ecosystem helps drive the growth of our merchant base, which in turn further accelerates growth of the ecosystem.

Our mission is to make commerce better for everyone, and we believe we can help merchants of nearly all sizes and retail verticals realize their potential. While our platform can scale to meet the needs of larger merchants, we focus on selling to small and medium-sized businesses ("SMBs"). As of December 31, 2015 , we had more than 243,000 merchants from approximately 150 countries using our platform, representing growth of 68.3% in the number of merchants using our platform relative to December 31, 2014 . In 2015 , our platform processed Gross Merchandise Volume ("GMV") of $ 7.7 billion , representing an increase of 104.8% from the year ended December 31, 2014 .

Our business has experienced rapid growth. Our total revenue increased from $ 50.3 million in 2013 , to $ 105.0 million in 2014 , and to $ 205.2 million in 2015 , representing year-over-year increases of 109.0% and 95.4% , respectively. We had net losses of $4.8 million in 2013 , $ 22.3 million in 2014 , and $ 18.8 million in 2015 . Our business model has two revenue streams: a recurring subscription component coupled with a merchant success-based component.

We generate the majority of our revenues through the sale of subscriptions to our platform. In 2015 , subscription solutions revenues accounted for 54.6% of our total revenues (63.5% in the year ended December 31, 2014). We offer a range of plans that increase in price depending on additional features and economic considerations. We also offer Shopify Plus, which caters to merchants with higher-volume sales and additional functionality, scalability and support requirements. Redbull, P&G, Tesla, RadioShack and the New York Stock Exchange are among the more than 1,000 Shopify Plus merchants seeking a reliable, cost-effective and scalable commerce solution. The flexibility of our pricing plans is designed to help our merchants grow in a cost-effective manner and to provide more advanced features and support as their business needs evolve.

Revenue from subscription solutions is generated through the sale of subscriptions to our platform as well as from the sale of themes, apps and registration of domain names. Our merchants typically enter into monthly subscription plans, so we do not believe deferred revenue is an accurate indicator of future revenue. Instead, we believe Monthly Recurring Revenue ("MRR") is most closely correlated with the long-term value of our merchant relationships. Subscription solutions revenues increased from $ 66.7 million in the year ended December 31, 2014 to $ 112.0 million in the year ended December 31, 2015 , representing an increase of 68.0% . As of December 31, 2015 , MRR totaled $11.3 million, representing an increase of 72.8% relative to MRR at December 31, 2014 .

We also offer a variety of merchant solutions that are intended to add value to our merchants and augment our subscription solutions. During the year ended December 31, 2015 , merchant solutions revenues accounted for 45.4% of total revenues (36.5% in the year ended December 31, 2014). We principally generate merchant solutions revenues from payment processing fees from Shopify Payments, which has been adopted by approximately 83% of our merchants in North America, 67% of our merchants in the United Kingdom and 18% of our merchants in Australia. Shopify Payments is a fully integrated payment processing service that allows our merchants to accept and process payment cards online and offline. As a result of the launch of Shopify Payments starting in August 2013, we have seen significant growth in the revenues generated from our merchant solutions. In addition to payment processing fees from Shopify Payments, we also generate merchant solutions revenue from transaction fees, Shopify Shipping, referral fees from partners, and sales of point-of-sale ("POS") hardware. Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Merchant solutions revenues increased from $ 38.4 million in the year ended December 31, 2014 , to $ 93.3 million in the year ended December 31, 2015 , representing an increase of 143.2% .

Our business model is driven by our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants. The total number of merchants using our platform grew from 84,073 as of December 31, 2013 to 144,670 as of December 31, 2014 , and to 243,468 as of December 31, 2015 . Our merchants

represent a wide array of retail verticals and business sizes and no single merchant represented more than one percent of our total revenues in 2013 , 2014 or 2015 . We believe that our future success is dependent on many factors, including our ability to expand our merchant base, retain merchants as they grow their businesses on our platform, offer more sales channels that can connect to the platform, develop new solutions to extend the functionality of our platform, enhance our ecosystem and partner programs, provide a high level of merchant service and support, and hire, retain and motivate qualified personnel. As of December 31, 2015 , Shopify had 1,048 employees and consultants, up from 535 employees and consultants as of December 31, 2014.

As of December 31, 2015 , approximately 58.1% of our merchants were located in the United States. In 2015 , we generated 70.5% of our total revenues from merchants located in the United States, up from 68.7% in 2014 . Such increase is primarily due to the introduction of Shopify Plus and the continued growth of Shopify Payments in the United States. Although a significant portion of our merchants are in the United States, we currently have merchants from approximately 150 countries using our platform.

We have focused on rapidly growing our business and plan to continue making investments to drive future growth. We believe that our investments will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our merchants. If we are unable to achieve our revenue growth objectives, we may not be able to achieve profitability.

Key Performance Indicators

Key performance indicators that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include Monthly Recurring Revenue, Gross Merchandise Volume and Monthly Billings Retention Rate. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

The following table sets forth the key performance indicators that we use to evaluate our business for the years ended December 31, 2015 , 2014 and 2013 .

	Year ended December 31,		
	2015	**2014**	**2013**
	(in thousands, except percentages)		
Monthly Recurring Revenue	$ 11,335	$ 6,573	$ 3,819
Gross Merchandise Volume	$ 7,706,661	$ 3,763,838	$ 1,616,301
Monthly Billing Retention Rate	over 100.0%	over 100.0%	over 100.0%

Monthly Recurring Revenue

We calculate MRR at the end of each period by multiplying the number of merchants who have subscription plans with us at the period end date by the average monthly subscription plan fee revenue in effect on the last day of that period, assuming they maintain their subscription plans the following month. MRR allows us to average our various pricing plans and billing periods into a single, consistent number that we can track over time. We also analyze the factors that make up MRR, specifically the number of paying merchants using our platform and changes in our average revenue earned from subscription plan fees per paying merchant. In addition, we use MRR to forecast monthly, quarterly and annual subscription solutions revenue. We had $ 11.3 million of MRR as at December 31, 2015 .

Gross Merchandise Volume

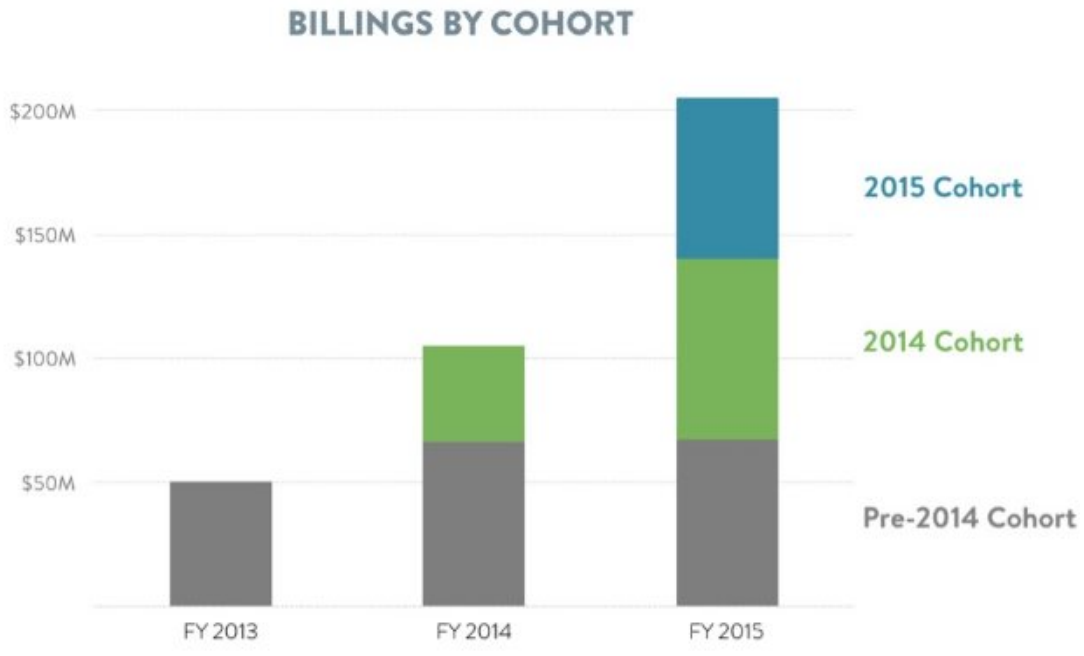
GMV is the total dollar value of orders processed through our platform in the period, net of refunds, and inclusive of shipping and handling, duty and value-added taxes. GMV does not represent revenue earned by us. However, the volume of GMV processed through our platform is an indicator of the success of our merchants and the strength of our platform.

Our merchant solutions revenues are also directionally correlated with the level of GMV processed through our platform. For the year ended December 31, 2015 we processed GMV of $ 7.7 billion .

Monthly Billings Retention Rate

Monthly Billings Retention Rate ("MBRR") is calculated as of the end of each month by considering the cohort of merchants on the Shopify platform as of the beginning of the month and dividing total billings attributable to this cohort in the then-current month by total billings attributable to this cohort in the immediately preceding month. Billings include billings from subscriptions, recurring apps (net of referral fees), Shopify Payments fees, transaction fees, and Shopify Shipping fees (net of shipping costs). For annual fiscal periods, we report the average MBRR over the preceding 12 months. We use MBRR to evaluate our ability to maintain and expand our relationships with merchants.

To provide a deeper understanding of our merchant economics, the chart below displays the annual billings for merchant cohorts that joined the Shopify platform at different times in our history: from 2007 to 2013 (or the Pre-2014 cohort), as well as in 2014 and 2015. Although our focus on SMBs results in merchant retention rates that we believe are consistent with what we would associate with early stage businesses, the chart below demonstrates that any merchant decline within a cohort has been largely offset by increased billings from remaining merchants within that cohort. This shows what we believe to be one of the most powerful drivers of our business model: as our merchants have grown their businesses and become more successful, they have consumed more of our merchant solutions and upgraded to higher subscription plans.



Factors Affecting the Comparability of our Results

Change in Revenue Mix

Within our merchant solutions offerings, we introduced Shopify Payments in the United States in August 2013, in Canada in September 2013, in the United Kingdom in November 2014 and in Australia in November 2015. As a result

of introducing Shopify Payments, our revenues from merchant solutions and associated costs have increased significantly. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. Gross profit margins on merchant solutions are typically lower than on subscription solutions due to the associated third-party costs of providing these solutions. As a result, the introduction of Shopify Payments and the resultant shift in the mix of revenue sources has affected our overall gross margin percentage. More specifically, while our total revenues have increased in recent periods, principally as a result of introducing Shopify Payments, our overall gross margin percentage has decreased in these periods. Although Shopify Payments is an inherently lower gross margin solution, we view this revenue stream as beneficial to operating margins as Shopify Payments require significantly less marketing and research and development expense than Shopify's core subscription business, while also likely driving higher retention among merchant subscribers.

Seasonality

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants typically process additional GMV during the holiday season. As a result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. As a result of the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future and that historical patterns in our business may not be a reliable indicator of our future performance.

Foreign Currency Fluctuations

While most of our revenues are denominated in U.S. dollars, a significant portion of our operating expenses are incurred in Canadian dollars. As a result, our results of operations will be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar. In addition, a portion of Shopify Payments revenue is based on the local currency of the country in which the applicable merchant is located and these transactions expose us to currency fluctuations to the extent non-U.S. dollar based payment processing and other merchant solutions revenues increase.

Key Components of Results of Operations

Revenues

We derive revenues from subscription solutions and merchant solutions.

Subscription Solutions

We principally generate subscription solutions revenues through the sale of subscriptions to our platform. We also generate associated subscription solutions revenues from the sale of themes, apps and registration of domain names.

We offer subscription plans with various price points, from entry level plans to Shopify Plus, a plan for merchants with higher-volume sales and additional functionality, scalability and support requirements. Our subscription plans typically have a one-month term, although a small number of our merchants have annual or multi-year subscription terms. Subscription terms automatically renew unless notice of cancellation is provided in advance. Most merchants purchase subscription plans directly from us, although a small number of subscription plans are purchased through third-parties with whom we have reseller agreements in place. Where we contract directly with the merchant, subscription fees are paid to us at the start of the applicable subscription period, regardless of the length of the subscription period. As subscription fees are received in advance of providing the related services, we record deferred revenue on our consolidated balance sheet for the unearned revenue and recognize revenue ratably over the related subscription period. These subscription fees are non-refundable. Where we have reseller agreements in place, we bill the reseller for eligible merchants on a monthly basis and do not record deferred revenues on our consolidated balance sheet in connection with these subscriptions.

We also generate additional subscription solutions revenues from merchants that have subscription plans with us through the sale of themes, apps and the registration of domain names. Revenues from the sale of themes and apps are recognized at the time of the transaction. The right to use domain names is sold separately and is recognized on a ratable basis over the contractual term, which is generally an annual term. Revenues from the sale of apps are recognized net of amounts attributable to the third-party app developers, while revenues from the sale of themes and domains are recognized on a gross basis. Revenues from the sale of themes, apps and the registration of domain names have been classified within subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscription arrangement or because they are charged on a recurring basis.

Merchant Solutions

We generate merchant solutions revenues from payment processing fees from Shopify Payments, transaction fees, Shopify Shipping, referral fees from partners and sales of POS hardware.

The majority of merchant solutions revenues are generated from Shopify Payments. Revenue from processing payments is recognized at the time of the transaction. For Shopify Payments transactions, fees are determined based in part on a percentage of the dollar amount processed plus a per transaction fee, where applicable.

For subscription plans where the merchant does not sign up for Shopify Payments, we typically charge a transaction fee based on a percentage of GMV processed. We bill our merchants for transaction fees at the end of a 30-day billing cycle and any fees that have not been billed are accrued as an unbilled receivable at the end of the reporting period.

Shopify Shipping was launched in the United States in September 2015 and allows merchants to buy and print discounted shipping labels and track orders directly within the Shopify platform. We bill our merchants when they have purchased shipping labels surpassing predetermined billing thresholds, and any charges that have not been billed are accrued as unbilled receivables at the end of the reporting period. For Shopify Shipping, fees are determined based on the type of labels purchased. We recognize revenue from Shopify Shipping net of shipping costs, as it has been determined that we are the agent in the arrangement with merchants.

We also generate merchant solutions revenues in the form of referral fees from partners to whom we direct business. Pursuant to terms of the agreements with our partners, these revenues can be recurring or non-recurring. Where the agreement provides for recurring payments to us, we typically earn revenues so long as the merchant that we have referred to the partner continues to use the services of the partner. Non-recurring revenues generally take the form of one-time payments that we receive when we initially refer the merchant to the partner. In either case, we recognize referral revenues when we are entitled to receive payment from the partner pursuant to the terms of the underlying agreement.

In connection with Shopify POS, a mobile application that lets merchants sell their products in a physical or retail setting, we sell compatible hardware products which are sourced from third-party vendors. We recognize revenues from the sale of POS hardware when title passes to the merchant in accordance with the shipping terms of the sale.

For a discussion of how we expect seasonal factors to affect our merchant solutions revenue, see "—Factors Affecting the Comparability of our Results—Seasonality."

Cost of Revenues

Cost of Subscription Solutions

Cost of subscription solutions consists primarily of costs associated with hosting infrastructure, billing processing fees, operations and merchant support expenses. Operations and merchant support expenses include costs associated with our data and network infrastructure and personnel-related costs directly associated with operations and merchant support, including salaries, benefits and stock-based compensation, as well as allocated overhead. Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount. We expect that cost of subscription solutions will increase in absolute dollars as we continue to invest

in growing our business. Over time, we expect that our subscription solutions gross margin percentage will fluctuate modestly based on the mix of subscription plans that our merchants select and the timing of infrastructure expansion projects.

Additionally, cost of subscription solutions includes costs we are required to pay to third-party developers in connection with sales of themes. Our paid themes are primarily designed by third-party developers who earn fees for each theme sold by us. The amount paid to the third-party developer varies depending on whether the developer has agreed to provide ongoing support to the merchant in connection with the merchant's use of the theme.

Also included as cost of subscription solutions are domain registration fees and amortization of internal use software relating to the capitalized costs associated with the development of the platform and data infrastructure.

We expect that the cost of subscription solutions will increase in absolute dollars in future periods as the number of merchants utilizing the platform increases along with the costs of supporting those merchants. The gross margin percentage on subscription solutions is expected to remain stable.

Cost of Merchant Solutions

Cost of merchant solutions primarily consists of costs that we incur when transactions are processed using Shopify Payments, such as credit card interchange and network fees (charged by credit card providers such as Visa, Mastercard and American Express) as well as third-party processing fees. In August 2013, we launched Shopify Payments in the United States and have since released Shopify Payments in other jurisdictions. As a result of introducing Shopify Payments, our cost of merchant solutions has increased significantly. Cost of merchant solutions also consists of costs associated with hosting infrastructure and operations and merchant support expenses, including personnel-related costs directly associated with merchant solutions such as salaries, benefits and stock-based compensation, as well as allocated overhead. Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount.

Cost of merchant solutions also includes costs associated with POS hardware, such as the cost of acquiring the hardware inventory, including hardware purchase price, expenses associated with a third-party fulfillment company, shipping and handling and inventory adjustments. Also included within cost of merchant solutions is amortization of internal use software relating to capitalized costs associated with the development of merchant solutions.

We expect that the cost of merchant solutions will increase in absolute dollars in future periods as the number of merchants utilizing these solutions increases and the volume processed also grows. The gross margin percentage on merchant solutions is expected to stabilize in the short term. In the longer term, we believe that we may see increases in our gross margin percentage of merchant solutions as additional higher-margin merchant solutions offerings, such as Shopify Shipping, are launched.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of marketing programs, partner referral payments related to merchant acquisitions, employee-related expenses for marketing, business development and sales, as well as the portion of merchant support required for the onboarding of prospective new merchants. Other costs within sales and marketing include commissions, travel-related expenses and corporate overhead allocations. Costs to acquire merchants are expensed as incurred. We plan to continue to expand sales and marketing efforts to attract new merchants, retain existing merchants and increase revenues from both new and existing merchants. This growth will include adding outbound sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. Over time, we expect sales and marketing expenses will decline as a percentage of total revenues.

Research and Development

Research and development expenses consist primarily of employee-related expenses for product management, product development and product design, contractor and consultant fees and corporate overhead allocations. We continue to focus our research and development efforts on adding new features and solutions, and increasing the functionality and enhancing the ease of use of our platform. In the past, these expenses have been reduced by Canadian federal Scientific Research and Experimental Development Program ("SR&ED") tax credits. As a public company, we still are able claim SR&ED activity for non-refundable tax credits, however, we are no longer able to reduce our research and development expenses through refundable SR&ED credits. While we expect research and development expenses to increase in absolute dollars as we continue to increase the functionality of our platform, over the long term we expect our research and development expenses will decline as a percentage of total revenues.

General and Administrative

General and administrative expenses consist of employee-related expenses for finance and accounting, legal, data analytics, administrative, human resources and IT personnel, legal costs, professional fees, other corporate expenses and corporate overhead allocations. We expect that general and administrative expenses will increase on an absolute dollar basis but decrease as a percentage of total revenues as we focus on processes, systems and controls to enable our internal support functions to scale with the growth of our business. We also anticipate continued increases to general and administrative expenses as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses.

Other Income (Expenses)

Other income (expenses) consists primarily of transaction gains or losses on foreign currency, interest income net of interest expense and gains or losses on asset disposals.

Results of Operations

The following table sets forth our consolidated statement of operations for the years ended December 31, 2015 , 2014 , and 2013 .

	Years ended December 31,		
	2015	2014	2013
	(in thousands, except share and per share data)		
Revenues:			
Subscription solutions	$ 111,979	$ 66,668	$ 38,339
Merchant solutions	93,254	38,350	11,913
	205,233	105,018	50,252
Cost of revenues [(1)] :			
Subscription solutions	24,531	16,790	8,504
Merchant solutions	69,631	26,433	5,009
	94,162	43,223	13,513
Gross profit	111,071	61,795	36,739
Operating expenses:			
Sales and marketing [(1)]	70,374	45,929	23,351
Research and development [(1)(2)]	39,722	25,915	13,682
General and administrative [(1)(3)]	18,731	11,566	3,975
	128,827	83,410	41,008
Loss from operations	(17,756)	(21,615)	(4,269)
Other income (expense)	(1,034)	(696)	(568)
Net loss and comprehensive loss	$ (18,790)	$ (22,311)	$ (4,837)
Net loss per share—basic and diluted [(4)]	$ (0.30)	$ (0.57)	$ (0.13)
Weighted average shares used to compute net loss per share attributable to shareholders	61,716,065	38,940,252	37,248,710

(1) Includes stock-based compensation expense and related payroll taxes as follows:

	Years ended December 31,		
	2015	2014	2013
	(in thousands)		
Cost of revenues	$ 345	$ 259	$ 113
Sales and marketing	1,351	696	354
Research and development	6,373	2,776	1,152
General and administrative	2,419	712	147
	$ 10,488	$ 4,443	$ 1,766

(2) Net of refundable tax credits ($ 1,058 , $ 1,295 and $891 for the years ended December 31, 2015 , 2014 , and 2013 respectively).

(3) Includes sales and use taxes of $566 , $2,182 , and nil for the years ended December 31, 2015, 2014 and 2013, respectively.

(4) For the periods preceding our initial public offering, does not give effect to the conversion of Series A, Series B and Series C convertible preferred shares, which occurred upon the consummation of our initial public offering on May 27, 2015.

The following table sets forth our consolidated statement of operations as a percentage of total revenues for the years ended December 31, 2015 , 2014 , and 2013 :

	Years ended December 31,		
	2015	2014	2013
Revenues			
Subscription solutions	54.6 %	63.5 %	76.3 %
Merchant solutions	45.4 %	36.5 %	23.7 %
	100.0 %	100.0 %	100.0 %
Cost of revenues			
Subscription solutions	12.0 %	16.0 %	16.9 %
Merchant solutions	33.9 %	25.2 %	10.0 %
	45.9 %	41.2 %	26.9 %
Gross profit	54.1 %	58.8 %	73.1 %
Operating expenses			
Sales and marketing	34.3 %	43.7 %	46.5 %
Research and development	19.4 %	24.7 %	27.2 %
General and administrative	9.1 %	11.0 %	7.9 %
Total operating expenses	62.8 %	79.4 %	81.6 %
Loss from operations	(8.7)%	(20.6)%	(8.5)%
Other income (expenses)	(0.5)%	(0.7)%	(1.1)%
Net loss and comprehensive loss	(9.2)%	(21.2)%	(9.6)%

The following table sets forth our consolidated revenues by geographic location for the years ended December 31, 2015 , 2014 , and 2013 :

	Years ended December 31,		
	2015	2014	2013
	(in thousands)		
Revenues:			
Canada	$ 14,691	$ 7,729	$ 4,101
United States	144,748	72,149	31,743
United Kingdom	15,436	7,912	4,517
Australia	10,531	6,420	3,807
Rest of World	19,827	10,808	6,084
Total Revenues	$ 205,233	$ 105,018	$ 50,252

The following table sets forth our consolidated revenues by geographic location as a percentage of total revenues for the years ended December 31, 2015 , 2014 , and 2013 :

	Years ended December 31,		
	2015	2014	2013
Revenues:			
Canada	7.2%	7.4%	8.2%
United States	70.5%	68.7%	63.2%
United Kingdom	7.5%	7.5%	9.0%
Australia	5.1%	6.1%	7.6%
Rest of World	9.7%	10.3%	12.0%
Total Revenues	100.0%	100.0%	100.0%

Results of Operations for the years ended December 31, 2015 , 2014 , and 2013 :

Revenues

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Revenues:					
Subscription solutions	$ 111,979	$ 66,668	$ 38,339	68.0%	73.9%
Merchant solutions	93,254	38,350	11,913	143.2%	221.9%
	$ 205,233	$ 105,018	$ 50,252	95.4 %	109.0 %
Percentage of revenues:					
Subscription solutions	54.6 %	63.5 %	76.3 %		
Merchant solutions	45.4 %	36.5 %	23.7 %		
Total revenues	100.0 %	100.0 %	100.0 %		

Subscription Solutions

Subscription solutions revenues increased $ 45.3 million , or 68.0% , for the year ended December 31, 2015 compared to the same period in 2014 . Subscription solutions revenues increased $ 28.3 million , or 73.9% , for the year ended December 31, 2014 compared to the same period in 2013 . The increase in both years was primarily a result of growth in the number of merchants using our platform.

Merchant Solutions

Merchant solutions revenues increased $ 54.9 million , or 143.2% , for the year ended December 31, 2015 compared to the same period in 2014 . The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue growing by $46.8 million in 2015 compared to the same period in 2014 . This increase was a result of merchant growth and an increase in adoption of Shopify Payments by our merchants, which drove additional GMV that was processed using Shopify Payments. Additionally, revenue from transaction fees and referral fees from partners increased by $4.3 million and $2.3 million , respectively, during the year ended December 31, 2015 as a result of the increase in GMV processed through our platform compared to the same period in 2014 . Merchant solutions also includes the sale of POS hardware, which increased by $1.3 million in the year ended December 31, 2015 as a result of increased demand for our POS solution compared to the same period in 2014 .

Merchant solutions revenues increased $26.4 million , or 221.9% , for the year ended December 31, 2014 compared to the same period in 2013 . The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue growing by $23.5 million compared to the same period in 2013 . Additionally, revenue from transaction fees increased by $1.9 million during the year ended December 31, 2014 as a result of the increase in GMV processed through our platform compared to the same period in 2013. Merchant solutions revenues from the sale of POS hardware

increased by $1.1 million in the year ended December 31, 2014 as a result of increased demand for our POS solution compared to the same period in 2013 .

Cost of Revenues

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Cost of revenues:					
Cost of subscription solutions	$ 24,531	$ 16,790	$ 8,504	46.1 %	97.4 %
Cost of merchant solutions	69,631	26,433	5,009	163.4 %	427.7 %
Total cost of revenues	$ 94,162	$ 43,223	$ 13,513	117.9 %	219.9 %
Percentage of revenues:					
Cost of subscription solutions	12.0 %	16.0 %	16.9 %		
Cost of merchant solutions	33.9 %	25.2 %	10.0 %		
	45.9 %	41.2 %	26.9 %		

Cost of Subscription Solutions

Cost of subscription solutions increased $7.7 million , or 46.1% , for the year ended December 31, 2015 compared to the same period in 2014 . The increase was primarily due to an increase in the costs necessary to support a greater number of merchants using our platform, resulting in a $1.3 million increase in employee-related costs, a $1.2 million increase in payments to third-party theme developers and domain registration providers, a $1.9 million increase in amortization from our investment in software and hardware relating to our data centers, a $1.4 million increase in credit card fees for processing merchant billings and a $2.0 million increase in third-party infrastructure costs. Although cost of subscription solutions increased in terms of dollars, it decreased as a percentage of revenues from 16% in 2014 to 12% in 2015. The decrease was principally a result of a decrease in lower-margin theme revenue as a percentage of total subscription solutions revenue. Additionally, cost of subscription solutions as a percentage of revenue decreased due to a decrease in overall support costs which decreased as a percentage of revenue in 2015 as we shifted our support team to more of a remote-based model and from operational efficiencies gained after building out our second data center in 2014.

Cost of subscription solutions increased $8.3 million , or 97.4% , for the year ended December 31, 2014 compared to the same period in 2013. The increase was primarily due to an increase in the costs necessary to support a greater number of merchants using our platform, resulting in a $3.8 million increase in employee-related costs, a $1.5 million increase in payments to third-party theme developers and domain registration providers, a $1.2 million increase in amortization from our investment in software and hardware relating to our data centers, a $0.9 million increase in credit card fees for processing merchant billings and a $0.7 million increase in third-party server costs.

Cost of Merchant Solutions

Cost of merchant solutions increased $43.2 million , or 163.4% , for the year ended December 31, 2015 compared to the same period in 2014 . The increase was primarily due to the increase in GMV processed through Shopify Payments, which resulted in payment processing fees, including interchange fees, increasing for the year ended December 31, 2015 as compared to the same period in 2014 . Cost of sales associated with POS hardware also increased by $1.3 million for the year ended December 31, 2015 .

Cost of merchant solutions increased $21.4 million , or 427.7% , for the year ended December 31, 2014 compared to the same period in 2013. The increase was primarily due to the increase in GMV processed through Shopify Payments, which resulted in payment processing fees increasing for the year ended December 31, 2014 as compared to the same period in 2013 . Cost of sales associated with POS hardware also increased by $1.0 million for the year ended December 31, 2014 .

Gross Profit

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Gross profit	$ 111,071	$ 61,795	$ 36,739	79.7 %	68.2 %
Percentage of total revenues	54.1 %	58.8 %	73.1 %		

Gross profit increased $49.3 million , or 79.7% , for the year ended December 31, 2015 compared to the same period in 2014 . As a percentage of total revenues, gross profit decreased from 58.8% in the year ended December 31, 2014 to 54.1% in the year ended December 31, 2015 , principally due to the faster growth of merchant solutions revenue compared to subscription solutions revenue. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. The lower gross margin percentage on merchant solutions is primarily due to third-party costs associated with providing payment-processing services such as credit card interchange and network fees charged by credit card providers such as Visa, Mastercard and American Express, as well as third-party processing fees.

Gross profit increased $25.1 million , or 68.2% , for the year ended December 31, 2014 compared to the same period in 2013 . As a percentage of total revenues, gross profit decreased from 73.1% in the year ended December 31, 2013 to 58.8% in the year ended December 31, 2014 , principally due to the faster growth of merchant solutions revenue compared to subscription solutions revenue after the introduction of Shopify Payments at the end of 2013.

Operating Expenses

Sales and Marketing

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Sales and marketing	$ 70,374	$ 45,929	$ 23,351	53.2 %	96.7 %
Percentage of total revenues	34.3 %	43.7 %	46.5 %		

Sales and marketing expenses increased $24.4 million , or 53.2% , for the year ended December 31, 2015 compared to the same period in 2014 , primarily due to an increase of $15.0 million in marketing programs, such as advertisements on search engines and social media, to support the growth of our business. We believe the strong investment we are making in external marketing programs and internal ones, such as our Build a Business contest and the Shopify Blog, continue to be effective in growing the number of merchants using our platform. During the year ended December 31, 2015 the total number of merchants increased 68.3% to more than 243,000 . In addition to external marketing spending, employee-related costs, including facilities expense, increased by $8.4 million in the year ended December 31, 2015 , primarily resulting from total sales and marketing headcount growth of 132%. Software license costs also increased by $0.8 million as a result of supporting both the growth in our headcount and the growth of our business as we continue to use new software tools to effectively scale our operations as we enter into various new business activities. Sales and marketing expenses as a percentage of revenue have decreased year over year as revenue from Shopify Payments requires significantly less marketing expense than Shopify's core subscription business.

Sales and marketing expenses increased $22.6 million , or 96.7% , for the year ended December 31, 2014 compared to the same period in 2013 , primarily due to an increase of $18.0 million in marketing programs and advertisements on social media, to support the growth of our business. In addition, employee-related costs increased $2.8 million in the year ended December 31, 2014 resulting from an increase in sales and marketing headcount. Facilities expenses increased $1.5 million in the year ended December 31, 2014 relative to the year ended December 31, 2013 as a result of the facilities expansion required to support the growth in our employee base. Sales and marketing expenses as a percentage

of revenue have decreased year over year as revenue from Shopify Payments requires significantly less marketing expense than Shopify's core subscription business.

Research and Development

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Research and development	$ 39,722	$ 25,915	$ 13,682	53.3 %	89.4 %
Percentage of total revenues	19.4 %	24.7 %	27.2 %		

Research and development expenses increased $13.8 million , or 53.3% , for the year ended December 31, 2015 compared to the same period in 2014 , due to an increase of $12.4 million in employee-related costs resulting from the growth in research and development headcount by 50%. Included in the $12.4 million is $1.7 million related to stock-based compensation, which is 62.4% higher than in 2014 . Also included in employee-related costs is $1.9 million related to payroll taxes on options exercised within 2015 . In the province of Ontario, employers are required to remit Employer Health Taxes, which are based on annual taxable benefits, which includes the taxable benefit recognized by option holders when they exercise their stock options. During the fourth quarter of fiscal 2015 , we had a high volume of options exercised. Allocated facilities expenses also increased $1.4 million in the year ended December 31, 2015 relative to the year ended December 31, 2014 as a result of the facilities expansion in all of our locations to support the growth in our employee base. Software license costs increased by $0.4 million as a result of the growth of both our business and headcount. These increases were offset by increased capitalization of $1.0 million in software development costs versus 2014 . Research and development expenses as a percentage of revenue have decreased year over year as revenue from Shopify Payments requires significantly less research and development expense than Shopify's core subscription business.

Research and development expenses increased $12.2 million , or 89.4% , for the year ended December 31, 2014 compared to the same period in 2013 , primarily due to an increase of $9.3 million in employee-related costs resulting from an increase in research and development headcount in 2014. Facilities expenses increased $3.4 million in the year ended December 31, 2014 compared to the year ended December 31, 2013 as a result of the facilities expansion required to support the growth in our employee base. Research and development expenses as a percentage of revenue have decreased year over year as revenue from Shopify Payments requires significantly less research and development expense than Shopify's core subscription business.

General and Administrative

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
General and administrative	$ 18,731	$ 11,566	$ 3,975	61.9 %	191.0 %
Percentage of total revenues	9.1 %	11.0 %	7.9 %		

General and administrative expenses increased $7.2 million , or 61.9% , for the year ended December 31, 2015 compared to the same period in 2014 , due to an increase of $5.3 million in employee-related costs, $0.8 million in allocated facilities expense, $0.7 million in software license costs, $1.0 million in insurance costs and $1.3 million in professional service fees, offset by a decrease of $1.9 million in sales tax expenses. The increase in employee-related costs was associated with higher general and administrative headcount, which, along with the increase in allocated facilities expense and software license costs, was a result of the growth of our business. As a result of being a public company it has become more expensive to obtain director and officer liability insurance, which resulted in increased insurance costs. The increase in professional fees was attributable to higher fees for legal, accounting and tax services, resulting from the increased compliance obligations of being a public company. In 2014 , we determined that we owed amounts

related to sales and use taxes in various U.S. states and local jurisdictions. During the year ended December 31, 2015 we registered in applicable states, filed voluntary disclosure agreements and began charging sales taxes to our merchants. In the year ended December 31, 2015 , prior to filing voluntary disclosure agreements we recognized sales taxes of $0.3 million within general and administrative expenses compared to $2.2 million for the year ended December 31, 2014 . General and administrative expenses as a percentage of revenue decreased year over year as a result of the lower sales and use tax expense that was recognized in 2015 as compared to the prior year.

General and administrative expenses increased $7.6 million , or 191.0% , for the year ended December 31, 2014 compared to the same period in 2013 , primarily due to an increase of $3.3 million in employee-related costs resulting from an 83.8% increase in headcount in 2014 . Also contributing to the increase in general and administrative expenses was a $0.9 million increase in facilities expense, a $0.9 million increase in professional service fees and a $0.2 million increase in amortization of software as a result of the growth of our business, including the need for additional software licenses to support our larger employee base. General and administrative expenses also increased by $2.2 million in year ended December 31, 2014 as a result of an accrual for sales and use tax in the fourth quarter of 2014 . General and administrative expenses as a percentage of revenue increased year over year as a result of the sales and use tax expense that was recognized in 2014 as compared to the prior year.

Other Income (Expenses)

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except percentages)				
Other income (expenses), net	$ (1,034)	$ (696)	$ (568)	*	*

* Not a meaningful comparison

Other expenses increased by $ 0.3 million in the year ended December 31, 2015 compared to the same period in 2014 . The increase was primarily a result of recognizing $1.2 million of foreign exchange losses due to fluctuations in foreign exchange rates in the year ended December 31, 2015, as compared to $0.8 million in the year ended December 31, 2014.

Profit (Loss)

	Years ended December 31,			2015 vs 2014	2014 vs 2013
	2015	2014	2013	% Change	% Change
	(in thousands, except share and per share data)				
Net loss and comprehensive loss	$ (18,790)	$ (22,311)	$ (4,837)	*	*
Basic and diluted net loss per share attributable to common shareholders	$ (0.30)	$ (0.57)	$ (0.13)		
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	61,716,065	38,940,252	37,248,710		

* Not a meaningful comparison

The basic and diluted net loss per share attributable to shareholders for the year ended December 31, 2015 , is not necessarily comparable with the same periods in 2014 as a result of our Initial Public Offering (“IPO”) of Class A subordinate voting shares and the conversion of all issued and outstanding convertible preferred shares into Class B multiple voting shares, both of which occurred in May 2015 .

Quarterly Results of Operations

The following table sets forth our results of operations for the three months ended December 31, 2015 and 2014 .

	Three months ended December 31,	
	2015	**2014**
	(in thousands, except share and per share data)	
Revenues:		
Subscription solutions	$ 34,608	$ 20,358
Merchant solutions	35,565	14,824
	70,173	35,182
Cost of revenues [(1)] :		
Subscription solutions	7,662	5,049
Merchant solutions	27,001	10,520
	34,663	15,569
Gross profit	35,510	19,613
Operating expenses:		
Sales and marketing [(1)]	22,527	12,209
Research and development [(1)(2)]	13,541	6,619
General and administrative [(1)(3)]	5,961	5,280
	42,029	24,108
Loss from operations	(6,519)	(4,495)
Other income (expense)	212	(303)
Net loss and comprehensive loss	$ (6,307)	$ (4,798)
Net loss per share—basic and diluted [(4)]	$ (0.08)	$ (0.12)
Weighted average shares used to compute net loss per share attributable to shareholders	77,996,629	39,207,199

(1) Includes stock-based compensation expense and related payroll taxes as follows:

	Three months ended December 31,	
	2015	**2014**
	(in thousands)	
Cost of revenues	$ 147	$ 100
Sales and marketing	670	245
Research and development	3,520	766
General and administrative	872	365
	$ 5,209	$ 1,476

(2) Net of refundable tax credits of $ 535 and $ 575 and for the three months ended December 31, 2015 and 2014 , respectively.

(3) Includes sales and use taxes of nil , $2,182 , and nil for the three months ended December 31, 2015 and 2014 and respectively.

(4) For the periods preceding our initial public offering, does not give effect to the conversion of Series A, Series B and Series C convertible preferred shares, which occurred upon the consummation of our initial public offering on May 27, 2015.

Revenues

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Revenues:			
Subscription solutions	$ 34,608	$ 20,358	70.0%
Merchant solutions	35,565	14,824	139.9%
	$ 70,173	$ 35,182	99.5 %
Percentage of revenues:			
Subscription solutions	49.3 %	57.9 %	
Merchant solutions	50.7 %	42.1 %	
Total revenues	100.0 %	100.0 %	

Subscription Solutions

Subscription solutions revenues increased $ 14.3 million , or 70.0% , for the three months ended December 31, 2015 compared to the same period in 2014 . The quarter over quarter increase was primarily a result of growth in the number of merchants using our platform.

Merchant Solutions

Merchant solutions revenues increased $ 20.7 million , or 139.9% , for the three months ended December 31, 2015 compared to the same period in 2014 . The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue growing in the fourth quarter of 2015 compared to the same period in 2014 . This increase was a result of merchant growth and an increase in the adoption of Shopify Payments by our merchants, which drove additional GMV that was processed using Shopify Payments. As referenced in our discussion on seasonality, our merchants typically process additional GMV during the holiday season, and as a result we have historically generated higher merchant solutions revenues, as a percentage of total revenues in our fourth quarter than in other quarters.

In addition to the increase in revenue from Shopify Payments, revenue from transaction fees and referral fees from partners increased during the three months ended December 31, 2015 compared to the same period in 2014 , as a result of the increase in GMV processed through our platform compared to the same period in 2014 . Merchant solutions also includes the sale of POS hardware, which increased in the three months ended December 31, 2015 compared to the same period in 2014 as a result of increased demand for our POS solution and the release of our new Tap, Chip and Swipe reader which began shipping in December 2015.

Cost of Revenues

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Cost of revenues:			
Cost of subscription solutions	$ 7,662	$ 5,049	51.8 %
Cost of merchant solutions	27,001	10,520	156.7 %
Total cost of revenues	$ 34,663	$ 15,569	122.6 %
Percentage of revenues:			
Cost of subscription solutions	10.9 %	14.4 %	
Cost of merchant solutions	38.5 %	29.9 %	
	49.4 %	44.3 %	

Cost of Subscription Solutions

Cost of subscription solutions increased $2.6 million , or 51.8% , for the three months ended December 31, 2015 compared to the same period in 2014 . The increase was primarily due to an increase in the costs necessary to support a greater number of merchants using our platform, resulting in an increase in: employee-related costs, payments to third-party theme developers and domain registration providers, amortization from our investment in software and hardware relating to our data centers, credit card fees for processing merchant billings and third-party infrastructure costs. Although cost of subscription solutions increased in terms of dollars, it decreased as a percentage of revenues from 14.4% in Q4 2014 to 10.9% in Q4 2015. The decrease was principally a result of a decrease in lower-margin theme revenue as a percentage of total subscription solutions revenue. Additionally, cost of subscription solutions as a percentage of revenue decreased due to a decrease in overall support costs, which decreased as a percentage of revenue in 2015 as we shifted our support team to more of a remote-based model and from operational efficiencies gained after building out our second data center in 2014.

Cost of Merchant Solutions

Cost of merchant solutions increased $16.5 million , or 156.7% , for the three months ended December 31, 2015 compared to the same period in 2014 . The increase was primarily due to the increase in GMV processed through Shopify Payments, which resulted in payment processing fees, including interchange fees, increasing for the three months ended December 31, 2015 as compared to the same period in 2014 .

Gross Profit

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Gross profit	$ 35,510	$ 19,613	81.1 %
Percentage of total revenues	50.6 %	55.7 %	

Gross profit increased $15.9 million , or 81.1% , for the three months ended December 31, 2015 compared to the same period in 2014 . As a percentage of total revenues, gross profit decreased from 55.7% in the three months ended December 31, 2014 to 50.6% in the three months ended December 31, 2015 , principally due to the faster growth of merchant solutions revenue compared to subscription solutions revenue. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. The

lower gross margin percentage on merchant solutions is primarily due to third-party costs associated with providing payment-processing services such as credit card interchange and network fees charged by credit card providers as well as third-party processing fees.

Operating Expenses

Sales and Marketing

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Sales and marketing	$ 22,527	$ 12,209	84.5 %
Percentage of total revenues	32.1 %	34.7 %	

Sales and marketing expenses increased $10.3 million , or 84.5% , for the three months ended December 31, 2015 compared to the same period in 2014 , primarily due to an increase of $6.2 million in marketing programs, such as advertisements on search engines and social media, to support the growth of our business. In addition to external marketing spending, employee-related costs, including facilities expense, increased quarter over quarter by $3.7 million ($0.5 million of which related to stock-based compensation) and software license costs increased by $0.3 million quarter over quarter.

Research and Development

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Research and development	$ 13,541	$ 6,619	104.6 %
Percentage of total revenues	19.3 %	18.8 %	

Research and development expenses increased $6.9 million , or 104.6% , for the three months ended December 31, 2015 compared to the same period in 2014 , due to an increase of $6.6 million in employee-related costs, $0.9 million of which related to stock-based compensation, and $1.9 million of which related to payroll taxes on options exercised within the three months ended December 31, 2015 . In the province of Ontario, employers are required to remit Employer Health Taxes which are based on annual taxable benefits, which includes the taxable benefit recognized by option holders when they exercise their stock options. During the fourth quarter of fiscal 2015 , we had a high volume of options exercised due to the expiration of the lock-up period following our initial public offering. In addition to the increase in employee-related costs, allocated facilities expenses also increased $0.3 million in the three months ended December 31, 2015 relative to the three months ended December 31, 2014 as a result of the facilities expansion in all of our locations to support the growth in our employee base.

General and Administrative

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
General and administrative	$ 5,961	$ 5,280	12.9 %
Percentage of total revenues	8.5 %	15.0 %	

General and administrative expenses increased $0.7 million , or 12.9% , for the three months ended December 31, 2015 compared to the same period in 2014 , due to an increase of $1.9 million in employee-related costs ($0.5 million of which related to stock-based compensation), $0.3 million in allocated facilities expense, $0.3 million in software license costs, $0.3 million in insurance costs, and $0.1 million in professional service fees. Those increased costs were offset by a decrease of $2.2 million in sales tax expenses. In 2014 , we determined that we owed amounts related to sales and use taxes in various U.S. states and local jurisdictions and as a result we recorded a sales tax liability which was included in general and administrative expense in the three months ended December 31, 2014 . During the year ended December 31, 2015 we registered in applicable states, filed voluntary disclosure agreements and began charging sales taxes to our merchants.

Other Income (Expenses)

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except percentages)		
Other income (expenses), net	$ 212	$ (303)	*

* Not a meaningful comparison

In the three months ended December 31, 2015 we had other income of $0.2 million , compared to other expenses of $0.3 million in the same period in 2014 , a positive change of $0.5 million . The difference was due to a $0.3 million difference in foreign exchange impact, $0.1 million of interest income in the three months ended December 31, 2015 , and as a result of recognizing a $0.1 million loss on asset disposal in the three months ended December 31, 2014 .

Profit (Loss)

	Three months ended December 31,		2015 vs 2014
	2015	2014	% Change
	(in thousands, except share and per share data)		
Net loss and comprehensive loss	$ (6,307)	$ (4,798)	*
Basic and diluted net loss per share attributable to common shareholders	$ (0.08)	$ (0.12)	
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	77,996,629	39,207,199	

* Not a meaningful comparison

The basic and diluted net loss per share attributable to shareholders for the three months ended December 31, 2015 , is not necessarily comparable with the same period in 2014 as a result of our Initial Public Offering (“IPO”) of Class A subordinate voting shares and the conversion of convertible preferred shares into Class B multiple voting shares, both of which occurred in May 2015 .

Summary of Quarterly Results

The following table sets forth selected quarterly results of operations data for each of the eight quarters ended December 31, 2015 . The information for each of these quarters has been derived from unaudited interim financial statements that were prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflects all adjustments, which includes only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with U.S. GAAP. This data should be read in conjunction with our interim unaudited financial statements and audited consolidated financial statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in thousands, except per share data)							
Revenues:								
Subscription solutions	$ 34,608	$ 29,560	$ 25,459	$ 22,352	$ 20,358	$ 17,690	$ 15,567	$ 13,053
Merchant solutions	35,565	23,226	19,467	14,996	14,824	9,656	8,113	5,757
	70,173	52,786	44,926	37,348	35,182	27,346	23,680	18,810
Cost of revenues: [1]								
Subscription solutions	7,662	6,414	5,422	5,033	5,049	4,615	3,842	3,284
Merchant solutions	27,001	17,629	14,252	10,749	10,520	6,492	5,523	3,898
	34,663	24,043	19,674	15,782	15,569	11,107	9,365	7,182
Gross profit	35,510	28,743	25,252	21,566	19,613	16,239	14,315	11,628
Operating expenses:								
Sales and marketing [1]	22,527	18,216	16,091	13,540	12,209	11,433	12,569	9,718
Research and development [1][2]	13,541	10,068	8,800	7,313	6,619	6,563	6,647	6,086
General and administrative [1][3]	5,961	4,759	3,822	4,189	5,280	2,352	2,138	1,796
	42,029	33,043	28,713	25,042	24,108	20,348	21,354	17,600
Loss from operations	(6,519)	(4,300)	(3,461)	(3,476)	(4,495)	(4,109)	(7,039)	(5,972)
Other income (expense)	212	(357)	165	(1,054)	(303)	(159)	159	(393)
Net loss and comprehensive loss	$ (6,307)	$ (4,657)	$ (3,296)	$ (4,530)	$ (4,798)	$ (4,268)	$ (6,880)	$ (6,365)
Net loss per share—basic and diluted [4]	$ (0.08)	$ (0.06)	$ (0.06)	$ (0.12)	$ (0.12)	$ (0.11)	$ (0.18)	$ (0.16)

(1) Includes stock-based compensation expense and related payroll taxes as follows:

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in thousands)							
Cost of revenues	$ 147	$ 67	$ 72	$ 59	$ 100	$ 54	$ 65	$ 40
Sales and marketing	670	325	182	174	245	161	157	133
Research and development	3,520	1,248	826	779	767	512	628	869
General and administrative	872	628	491	428	365	156	118	73
	$ 5,209	$ 2,268	$ 1,571	$ 1,440	$ 1,477	$ 883	$ 968	$ 1,115

(2) Includes refundable tax credits as follows:

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in thousands)							
Refundable tax credits	$ 535	$ 223	$ —	$ 300	$ 575	$ 240	$ 240	$ 240

(3) Includes non-recurring sales and use tax expense as follows:

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in thousands)							
Sales and use tax expense	$ —	$ —	$ —	$ 566	$ 2,182	$ —	$ —	$ —

(4) For periods preceding our initial public offering, does not give effect to the conversion of our Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which occurred upon the consummation of our IPO on May 27, 2015.

The following table sets forth selected unaudited quarterly statements of operations data as a percentage of total revenues for each of the eight quarters ended December 31, 2015 .

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenues								
Subscription solutions	49.3 %	56.0 %	56.7 %	59.8 %	57.9 %	64.7 %	65.7 %	69.4 %
Merchant solutions	50.7 %	44.0 %	43.3 %	40.2 %	42.1 %	35.3 %	34.3 %	30.6 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues								
Subscription solutions	10.9 %	12.2 %	12.1 %	13.5 %	14.4 %	16.9 %	16.2 %	17.5 %
Merchant solutions	38.5 %	33.4 %	31.7 %	28.8 %	29.9 %	23.7 %	23.3 %	20.7 %
	49.4 %	45.5 %	43.8 %	42.3 %	44.3 %	40.6 %	39.5 %	38.2 %
Gross profit	50.6 %	54.5 %	56.2 %	57.7 %	55.7 %	59.4 %	60.5 %	61.8 %
Operating expenses:								
Sales and marketing	32.1 %	34.5 %	35.8 %	36.3 %	34.7 %	41.8 %	53.1 %	51.7 %
Research and development	19.3 %	19.1 %	19.6 %	19.6 %	18.8 %	24.0 %	28.1 %	32.4 %
General and administrative	8.5 %	9.0 %	8.5 %	11.2 %	15.0 %	8.6 %	9.0 %	9.5 %
	59.9 %	62.6 %	63.9 %	67.1 %	68.5 %	74.4 %	90.2 %	93.6 %
Loss from operations	(9.3)%	(8.1)%	(7.7)%	(9.3)%	(12.8)%	(15.0)%	(29.7)%	(31.7)%
Other income (expense)	0.3 %	(0.7)%	0.4 %	(2.8)%	(0.9)%	(0.6)%	0.7 %	(2.1)%
Net loss and comprehensive loss	(9.0)%	(8.8)%	(7.3)%	(12.1)%	(13.6)%	(15.6)%	(29.1)%	(33.8)%

We believe that year-over-year comparisons are more meaningful than our sequential results due to seasonality in our business. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants typically process additional GMV during the holiday season. As a result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. As a result of the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future, and that historical patterns in our business may not be a reliable indicator of our future performance.

Quarterly Revenue and Gross Margin Trends

Our quarterly revenue increased sequentially for each period presented, primarily due to sales of new subscriptions to our platform as well as the introduction and growth of merchant solutions. We cannot assure you that this pattern of sequential growth in revenue will continue.

Our gross margin percentage has declined over the past eight quarters primarily due to the impact of Shopify Payments. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. As a result, while our total revenues have increased in recent periods as a result of offering Shopify Payments, our cost of revenues has correspondingly increased in these periods. Although merchant solutions generally have a lower gross margin than subscription solutions, we believe that our merchant solutions make it easier for our merchants to start a business and grow on our platform.

Quarterly Operating Expenses Trends

Total operating expenses generally increased sequentially for each period presented primarily due to the addition of personnel in connection with the expansion of our business as well as additional marketing initiatives to attract potential merchants.

Key Balance Sheet Information

	Years ended		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
	(in thousands)		
Cash, cash equivalents and marketable securities	$ 190,173	$ 59,662	$ 83,529
Total assets	243,712	95,193	95,788
Total liabilities	48,395	27,461	10,407

Total assets increased $148.5 million, or 156.0%, as at December 31, 2015 compared to December 31, 2014 , principally due to an increase of $ 130.5 million of cash, cash equivalents, and marketable securities as a result of the proceeds from the IPO and cash provided by operating activities, offset by cash used in investing activities. Additionally, property, equipment and intangible assets increased by $14.4 million as at December 31, 2015 compared to December 31, 2014, due to the expansion and leasehold improvements related to our facilities in Ottawa, Toronto, Waterloo and Montreal as well as capitalized software development costs associated with internal use software and software to support the growth of the business.

Total assets decreased $0.6 million, or 0.6%, as at December 31, 2014 , compared to December 31, 2013, principally due to a decrease of $23.8 million of cash, cash equivalents, and marketable securities that was primarily used to purchase $22.7 million of property, equipment and intangible assets resulting from the expansion and leasehold improvements related to our facilities in Ottawa, Toronto, and Montreal as well as capitalized software development costs associated with software to support the growth of the business.

Liquidity and Capital Resources

To date, we have financed our operations primarily through the sale of equity securities, raising approximately $228 million, net of issuance costs, from investors to date.

In 2011, we entered into a revolving credit facility with a Canadian chartered bank that is renewable annually for borrowing of up to $1.5 million CAD. This credit facility is collateralized by cash and cash equivalents and its interest rate is tied to the Bank of Canada prime lending rate plus 0.3% . As at the date of this filing, no amounts were drawn on this credit facility and $1 million CAD under the facility was pledged as collateral for letters of credit.

In March 2015, we entered into a credit facility with Silicon Valley Bank, which provides for a $ 25 million revolving line of credit bearing interest at the U.S. prime rate, as established by the Wall Street Journal plus or minus 25 basis

points per annum. As at December 31, 2015 the effective rate was 3.25% . The credit facility is collateralized by substantially all of our assets, including the stock of our subsidiaries, but excluding our intellectual property, which is subject to a negative pledge, and has a maturity date of March 11, 2016. As at the date of this filing, no amounts were drawn under this credit facility and we are in compliance with all of the covenants contained therein.

Our principal cash requirements are for working capital and capital expenditures. Excluding current deferred revenue, working capital at December 31, 2015 was $ 178.0 million . Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our current and planned financial obligations. Our future financing requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform and the expansion of sales and marketing activities. Although we currently are not a party to any agreement and do not have any understanding with any third-parties with respect to potential investments in, or acquisitions of, businesses or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents, and marketable securities increased by $ 130.5 million to $ 190.2 million as at December 31, 2015 from $ 59.7 million as at December 31, 2014 , as a result of the proceeds from our initial public offering and cash provided by operating activities, offset by cash used in investing activities.

Current marketable securities include money market funds, U.S. term deposits, U.S federal bonds and corporate bonds, all maturing within the next year from the date of the annual consolidated balance sheet.

The following table summarizes our total cash, cash equivalents and marketable securities as at December 31, 2015 , 2014 and 2013 as well as our operating, investing and financing activities for the years ended December 31, 2015 , 2014 and 2013 :

	Twelve Months Ended December 31,		
	2015	**2014**	**2013**
Cash, cash equivalents and marketable securities (end of period)	$ 190,173	$ 59,662	$ 83,529
Net cash provided by (used in):			
Operating activities	$ 15,756	$ (801)	$ 1,396
Investing activities	(83,840)	(40,366)	(5,332)
Financing activities	137,855	140	70,053
Effect of foreign exchange on cash and cash equivalents	(1,654)	(549)	(243)
Net increase (decrease) in cash and cash equivalents	68,117	(41,576)	65,874
Change in marketable securities	62,394	17,709	—
Net increase (decrease) in cash, cash equivalents and marketable securities	$ 130,511	$ (23,867)	$ 65,874

Cash Flows From Operating Activities

Our largest source of operating cash is from subscription solutions. These payments are typically paid to us at the beginning of the applicable agreement’s term. We also generate significant cash flows from our Shopify Payments processing fee arrangements, which are received on a daily basis as transactions are processed. Our primary uses of cash from operating activities are for employee-related expenditures, marketing programs and leased facilities.

Net cash flows from operating activities for the year ended December 31, 2015 as compared to the same period of 2014 improved by $ 16.6 million primarily as a result of our lower net loss, which was mainly driven by decreases in selling and marketing and research and development expenses as a percentage of revenue as compared to the same period in the prior fiscal year. The Company's net loss included non-cash charges of $ 7.2 million of amortization and depreciation,

$ 7.8 million of stock-based compensation expense, and $ 0.4 million from the vesting of restricted shares. The changes in our operating assets and liabilities resulted in a net source of cash of $ 17.3 million as compared to $ 11.8 million in the same period of 2014 , primarily attributable to an increase of $ 11.2 million in accounts payable and accrued liabilities due to an increase in payment processing costs, marketing costs and third-party partner commissions; a $ 6.2 million increase in deferred revenue due to the growth in sales of our subscription solutions; and a $ 3.5 million increase of lease incentives related to our facilities in Ottawa, Toronto, and Montreal, offset by a $ 4.7 million increase in other current assets driven primarily by an increase in prepaid expenses.

Net cash from operating activities for the year ended December 31, 2014 as compared to the same period of 2013 decreased by $2.2 million primarily as a result of the Company's larger net loss, which was mainly driven by lower gross margin and increased general and administrative expenses as a percentage of revenue as compared to the same period in the prior fiscal year. The Company's net loss included non-cash charges of $4.4 million in stock-based compensation and $4.7 million in amortization of property, equipment and intangible assets. The changes in our operating assets and liabilities resulted in a net source of cash of $ 11.8 million as compared to $2.6 million in the same period of 2013 , primarily attributed to a $2.8 million increase in deferred revenue resulting from growth in our subscription sales, a $6.0 million increase in accounts payable and accruals attributable to increased expenses associated with the growth of the business as well as a sales tax accrual and a $7.3 million increase in lease incentives relating to initial rent-free periods and leasehold incentives on our new office leasing arrangements. This was partially offset by a $3.9 million increase in trade and other receivables attributable to the growth of refundable tax credits and a $0.4 million increase in other current assets caused by timing of prepaid contract renewals and deposits on purchases.

Cash Flows From Investing Activities

To date, cash flows used in investing activities have primarily related to the purchase and sale of marketable securities, purchases of computer and hosting equipment, leasehold improvements and furniture and fixtures to support our expanding infrastructure and workforce as well as software development costs eligible for capitalization.

Net cash used in investing activities in the year ended December 31, 2015 was $ 83.8 million , reflecting net purchases of $ 62.4 million in marketable securities. Cash used in investing activities also included $ 16.5 million used to purchase property and equipment, which primarily consists of expenditures on leasehold improvements, equipment used in our data centers to support our expanding merchant base and equipment to support our growing workforce. Additionally, $ 2.0 million was spent on capitalized software development costs associated with internal use software and software to support the growth of the business, while a further $ 1.9 million was used to purchase intangible assets to complement our platform.

Net cash used in investing activities in the year ended December 31, 2014 was $ 40.4 million , reflecting net purchases of $17.8 million in marketable securities. Cash used in investing activities also included $20.6 million used to purchase property and equipment, which primarily consists of expenditures on leasehold improvements, equipment used in our data centers to support our expanding customer base and equipment to support our growing workforce. Additionally, $1.2 million was spent on software development costs which were eligible for capitalization associated with internal use software and software to support the growth of the business, while a further $0.9 million was used to purchase intangible assets to complement our platform.

Net cash used in investing activities in the year ended December 31, 2013 was $5.3 million, reflecting $3.5 million for the acquisition of equipment used in our data centers, equipment to support our growing workforce and expenditures on leasehold improvements, $0.7 million was spent on capitalized software development costs associated with internal use software, $0.3 million was spent on software to support the growth of the business and $0.8 million was used in connection with the acquisition of Jet Cooper Ltd. and Atatomic Inc.

Cash Flows From Financing Activities

To date, cash flows from financing activities have related to proceeds from private placements, our initial public offering and exercises of stock options.

Net cash provided by financing activities in the year ended December 31, 2015 was $ 137.9 million , reflecting $ 136.3 million in proceeds from our initial public offering, net of issuance costs, and $ 1.6 million in proceeds from the issuance of Class B multiple voting shares as a result of stock option exercises.

Net cash provided by financing activities in the year ended December 31, 2014 was $ 0.1 million , reflecting $0.1 million in proceeds from the issuance of Class B multiple voting shares as a result of stock option exercises.

Net cash provided by financing activities in the year ended December 31, 2013 was $70.1 million, reflecting $69.8 million in net proceeds from the issuance of Series C convertible preferred shares and $0.3 million in proceeds from the issuance of common shares as a result of stock option exercises.

Contractual Obligations and Contingencies

Our principal commitments consist of obligations under our credit facility and operating leases for equipment and office space. The following table summarizes our contractual obligations as of December 31, 2015 :

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Bank indebtedness	$ —	$ —	$ —	$ —	$ —
Operating lease obligations [1]	5,804	15,716	16,028	42,594	80,142
Total contractual obligations	$ 5,804	$ 15,716	$ 16,028	$ 42,594	$ 80,142

(1) Consists of payment obligations under our office leases in Ottawa, Toronto, Montreal and Kitchener-Waterloo.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements, other than operating leases (which have been disclosed under “Contractual Obligations and Contingencies”).

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of risks, including foreign currency exchange fluctuations, changes in interest rates and concentration of credit. We regularly assess currency, interest rate and inflation risks to minimize any adverse effects on our business as a result of those factors.

Foreign Currency Exchange Risk

While most of our revenues are denominated in U.S. dollars, a significant portion of our operating expenses are incurred in Canadian dollars. As a result, our results of operations will be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar. In addition, a portion of Shopify Payments revenue is based on the local currency of the country in which the applicable merchant is located and these transactions expose us to currency fluctuations to the extent non-U.S. dollar based payment processing and other merchant solutions revenues increase.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities totaling $ 190.2 million as of December 31, 2015 , of which $103.8 million was invested in money market funds and corporate bonds. The cash and cash equivalents are held for

operations and working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as "held to maturity," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other than temporary.

Concentration of Credit Risk

The Company's cash and cash equivalents, marketable securities, trade and other receivables, and foreign exchange forward contracts subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange forward contracts only with large Canadian, Irish, Australian and United States banks and financial institutions that are considered to be highly credit worthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Controls and Procedures

In accordance with teh Canadian Securities Administrators National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), the Company has filed interim certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and design of internal control over financial reporting. With regards to the annual certification requirements of NI 52-109, the Company is relying on the statutory exemption contained in section 1.8 of NI 52-109, which allows it to file with the Canadian securities regulatory authorities the certificates required under the Sarbanes-Oxley Act of 2002 at the same tie such certificates are required to be filed with the United States Securities and Exchange Commission.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The Chief Executive Officer and Chief Financial Officer have evaluated the design of the Company's disclosure controls and procedures as at December 31, 2015 and based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effectively designed as at December 31, 2015.

Internal Controls Over Financial Reporting

This MD&A does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

During the year ended December 31, 2015 there were no changes to our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. In the preparation of these consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we re-evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss below.

Revenue Recognition

Our sources of revenue consist of subscription solutions and merchant solutions. Arrangements with merchants do not provide the merchant with the right to take possession of the software supporting our platform at any time and are therefore accounted for as service contracts. Our subscription solutions contracts do not provide for refunds or any other rights of return to merchants in the event of cancellations.

We recognize revenue when all of the following criteria are met:

- there is persuasive evidence of an arrangement;
- the services have been or are being provided to the merchant;
- the amount of fees to be paid by the customer is fixed or determinable; and
- collection is reasonable assured.

We follow the guidance provided in ASC 605-45, Principal Agent Considerations for determining whether we should recognize revenue based on the gross amount billed to a merchant or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement. We recognize revenue from Shopify Shipping and the sales of apps on a net basis as it has been determined that we are the agent in the arrangement with merchants. All other revenue is reported on a gross basis, as we have determined we are the principal in the arrangement, in that we are the primary obligor for providing services and assume the risk of any loss or changes in costs.

Software Development Costs

Research and development costs are generally expensed as incurred. These costs primarily consist of personnel and related expenses, contractor and consultant fees, stock-based compensation and corporate overhead allocations, including depreciation.

We capitalize certain development costs incurred in connection with our internal use software. These capitalized costs are related to the development of our software platform that we host and which is accessed by our merchants on a subscription basis as well as material internal infrastructure software. Costs incurred in the preliminary stages of development are expensed as incurred. We capitalize all direct and incremental costs incurred during the application phase, until such time as the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing.

We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Maintenance costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life of three years.

Stock-Based Compensation

We have granted stock-based awards, including stock options and restricted shares, to our employees, certain consultants and members of our board of directors. Stock-based compensation is measured based on the fair value of the awards on the grant date and recognized in our Consolidated Statement of Operations and Comprehensive Loss over the period during which the recipient is required to perform services in exchange for the award, generally the vesting period. We estimate the fair value of stock options granted using the Black-Scholes option-pricing model, single option approach. Our option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying shares, the expected term of the awards, the expected volatility of the price of our shares, risk-free interest rates and the dividend rate. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

The following weighted-average assumptions were used to determine stock-based compensation expense in the periods presented below:

	Year Ended December 31,		
	2015	**2014**	**2013**
Volatility	64.3%	62.4%	73.9%
Risk-free rate	1.62%	1.82%	1.67%
Dividend yield	Nil	Nil	Nil
Average expected life	5.26	5.73	6.06

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* Prior to our initial public offering in May 2015, our board of directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant. Valuations of our stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountant Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Since our initial public offering, we have used the Volume Weighted Average Price for our common stock as reported on the New York Stock Exchange.

- *Expected Term.* We determine the expected term based on the average period the stock options are expected to remain outstanding. We base the expected term assumptions on our historical stock behavior combined with estimates of post-vesting holding period.

- *Expected Volatility.* We determine the price volatility factor based on the historical volatility of publicly traded industry peers. To determine our peer group of companies, we consider public companies in the technology industry and select those that are similar to us in size, stage of life cycle, and financial leverage. We intend to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

- *Risk-Free Interest Rate.* We base the risk-free interest rate used in the Black-Scholes valuation model on the yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the stock options for each stock option group.

- *Expected Dividend.* We have not paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero in the option pricing model.

- *Forfeiture* . We estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly.

Recently Issued Accounting Standards not yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-9 "Revenue from Contracts with Customers." The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015 the Financial Accounting Standards Board issued ASU No. 2015-14, which deferred the effective date for all entities by one year. The standard becomes effective for reporting periods beginning after December 15, 2017, with early adoption permitted. We are currently assessing the impact of these standards.

In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02 "Consolidations (Topic 810)—Amendments to the Consolidation Analysis". The new standard makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity ("VIE") unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015. We are currently assessing the impact of this new standard.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. We are currently assessing the impact of this new standard.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)", which amends ASC 820, Fair Value Measurement. The standard removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. The standard will be effective for our fiscal year beginning January 1, 2016. We are currently assessing the impact of this new standard.

In November 2015, the Financial Accounting Standards Board issued ASU 2015-17, "Income Taxes (Topic 740)", which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The standard will be effective for the Company's fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

Shares Outstanding

Shopify is a publicly traded company listed on the New York Stock Exchange (NYSE: SHOP) and on the Toronto Stock Exchange (TSX: SH). As of February 9, 2016 there were 57,338,837 Class A subordinate voting shares issued and outstanding, and 23,002,175 Class B multiple voting shares issued and outstanding.

As of February 9, 2016 there were 10,244,090 options outstanding under the Company's Legacy Option Plan, 6,952,868 of which were vested as of such date. Each such option is or will become exercisable for one Class B multiple voting share. As of February 9, 2016 there were 654,125 options outstanding under the Company's new Stock Option Plan, 1,458 of which were vested as of such date. Each such option is or will become exercisable for one Class A subordinate voting share.

As of February 9, 2016 there were 428,566 RSUs outstanding under the Company's Long Term Incentive Plan.

EXHIBIT 23.1

Consent of Independent Auditor

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-204568) of Shopify Inc. of our report dated February 16, 2016 relating to the consolidated financial statements, which appears in this Annual Report on Form 20-F.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario, Canada

February 16, 2016