REFINITIV

DELTA REPORT

10-K

TOST - TOAST, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	4661
CHANGES	271
DELETIONS	1490
ADDITIONS	2900

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022 December 31, 2023

OR

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

For the transition period from to

Commission file number: 001-40819

TOAST, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-4168768**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Park Drive Suite 801
Boston, Massachusetts 02215
(Address of Principal Executive Offices) (Zip Code)

(617) 297-1005
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value of $0.000001 per share	TOST	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” and filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared to issue its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant on June 30, 2022 June 30, 2023, the last day of its most recently completed second fiscal quarter, based on the closing price of $12.94 $22.57 for shares of the Registrant's Class A common stock as reported by the New York Stock Exchange, was approximately $5 $10 billion.
The registrant had outstanding 357,008,583 437 million shares of Class A common stock and 169,821,735 and111 million shares of Class B common stock as of February 21, 2022 February 21, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the 2023 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2022 December 31, 2023.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations, financial condition, business strategy, plans and objectives of management for future operations, our market opportunity and the potential growth of that market, our liquidity and capital needs and other similar matters, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would,” or the negative of these words or other similar terms or expressions. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks, and changes in circumstances that are difficult to predict. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements concerning the following:

- our future financial performance, including our revenue, costs of revenue or expenses, or other operating results;
- our ability to successfully execute our business and growth strategy;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to effectively manage our growth and future expenses;
- our anticipated investments in sales and marketing and research and development;
- our ability to maintain the security and availability of our platform;
- our ability to increase the number of customers using our platform;
- our ability to retain, and to sell additional products and services to, our existing customers;
- our ability to successfully expand in our existing markets and into new markets;
- our expectations concerning relationships with third parties;
- our estimated total addressable market;
- our ability to compete effectively with existing competitors and new market entrants;
- the sufficiency attraction and retention of qualified employees and key personnel and the impact of our cash, cash equivalents and investments to meet restructuring plan;
- the impact of our liquidity needs; share repurchase program;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to comply with modified or new laws and regulations applying to our business;
- the attraction and retention of qualified employees and key personnel;
- our anticipated investments in sales and marketing and research and development;
- our ability to successfully defend litigation brought against us;
- our ability to prevent and successfully remediate and prevent material weaknesses in internal controls over financial reporting;
- the increased expenses associated with being a public company;
- the impact of global financial, economic, political, and health events such as rising inflation, capital market disruptions, sanctions, or economic slowdowns or recessions, or the COVID-19 pandemic on our business and the restaurant industry;
- our ability to compete effectively with existing competitors and new market entrants; and
- our ability to source, finance, and integrate companies and assets that we have or may acquire. acquire; and
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 10-K. And while we believe such information provides a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

RISK FACTORS SUMMARY

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, and financial condition. Additional discussion of the risks included in this summary, and other risks that we face, can be found below and should be carefully considered, together with other information in this Annual Report on Form 10-K in its entirety before making investment decisions regarding our Class A common stock. This summary should not be relied upon as an exhaustive summary of the material risks facing our business.

- If we fail to manage our growth effectively and efficiently, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction, or adequately address competitive challenges.

- If we do not attract new customers, retain existing customers, and increase our customers' use of our platform, our business will suffer.
- We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- We depend on the experience and expertise of our management team and qualified personnel. Our ability to recruit, retain, and develop talent is critical to our success and growth, which may be impacted by our restructuring plan.
- We have a history of generating net losses, and if we are unable to achieve adequate revenue growth while our expenses increase, we may not achieve or maintain profitability in the future.
- Our operating results depend in significant part on our payment processing services, and the revenue and gross profit we derive from our payment processing activity in a particular period can vary due to a variety of factors.
- Unfavorable conditions in the restaurant industry or the global economy could limit our ability to grow our business and materially impact our financial performance.
- We depend upon third parties to manufacture our products and to supply key components necessary to manufacture our products. If We do not have long-term agreements with all of our manufacturers and suppliers, and if these manufacturers or suppliers become unwilling or unable to provide an adequate supply of components, we may not be able to find alternative sources in a timely manner and our business would be impacted.
- Our future revenue will depend in part on our ability to expand the financial technology services we offer to our customers and increase adoption of those services.
- We rely on third-party payment processors to facilitate payments made by guests, payments made to customers, and payments made on behalf of customers, and if we cannot manage risks related to our relationships with our current or future third-party payment processors, our business, financial condition, and results of operations could be adversely affected.
- The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.
- A majority of our customers are small- and medium-sized businesses, which can be more difficult and costly to retain than enterprise customers, and are subject to increased impacts of economic fluctuations, which may adversely affect our business and operations.
- We rely in part on revenue from subscription contracts, and because we recognize revenue from subscription contracts over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.
- We are responsible for transmitting a high volume of sensitive and personal information through our platform and our success depends upon the security of this platform. Any actual or perceived breach of our system that would result in disclosure of such information could materially impact our business.
- Our success depends upon our ability to continually enhance the performance, reliability, and features of our platform.

- Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.

- Our success depends upon our ability to continually enhance the performance, reliability, and features of our platform.
- We are subject to additional risks relating to the financial products we make available to our customers, including relationships with partners, the ability of our customers to generate revenue to pay their obligations under these products, general macroeconomic conditions and the risk of fraud.
- If we fail to adequately protect our intellectual property rights, our competitive position could be impaired and we may lose valuable assets or revenue and become subject to costly litigation to protect our rights.
- Our business is subject to a variety of U.S. and international laws and regulations, many of which are unsettled and still developing, and our or our customers' failure to comply with such laws and regulations could subject us to claims or otherwise adversely affect our business, financial condition, or results of operations.
- We cannot guarantee that any share repurchase program will be fully consummated or it will enhance stockholder value, and share repurchases could affect the price of our common stock.
- The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.
- The dual-class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our capital stock prior to our initial public offering, including our directors, executive officers and their respective affiliates. This ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transactions requiring stockholder approval, and that may adversely affect the trading price of our Class A common stock.
- Our principal stockholders will continue to have significant influence over the election of our board Board of directors Directors, or our Board, and approval of any significant corporate actions, including any sale of the company.
- We have previously identified a material weakness weaknesses in our internal controls over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

PART I

Item 1. Business

Our Mission

Our mission is to empower the restaurant community to delight their guests, do what they love, and thrive.

Overview

Toast, Inc., which we refer to as Toast, we, or the Company, is a cloud-based, all-in-one digital technology platform purpose-built for the entire restaurant community. Our platform provides We provide a comprehensive suite platform of software as a service, software-as-a-service, or SaaS, products and financial technology solutions, including integrated payment processing, restaurant-grade hardware, and a broad ecosystem of third-party partners. We serve as the restaurant operating system, connecting front of house and back of house operations across service models including dine-in, takeout, delivery, catering, and delivery channels. As of December 31, 2022, approximately 79,000 restaurant locations, processing over $92 billion of gross payment volume in the trailing 12 months, partnered with Toast to optimize operations, increase sales, engage guests, and maintain happy employees. retail.

Our Market

The approximat Rely 860,000 restau estaurant locations in the United States rants are highly diverse and complex. In general, restaurants complex and generally operate with low margins, high employee turnover, highly perishable products, and complex regulations. At the same time, the restaurant industry is undergoing foundational changes driven by heightened restaurants operate in a dynamic environment with changing food cost due to inflation, costs, labor constraints, evolving guest preferences, and the imperative to utilize technology and data to innovate. What was once primarily an on-site experience with antiquated solutions is now becoming an omnichannel experience with restaurants employing technology to enable a range of additional service models, including curbside pick-up, delivery, wholesale, catering, and catering. retail.

Consumer Over the last several years, consumer preference towards omnichannel dining options has continued to accelerate following the COVID-19 pandemic. accelerated. With restaurants operating in an increasingly dynamic environment, it is critical that we provide our customers with the tools they need to drive revenue and best serve their guests. As the diversity of grows in how guests order, where guests eat, and the means guests use to pay, continues to grow, restaurants must constantly adapt to support these trends. We have seen this pattern result in an increase in the number of restaurants expanding into new service models restaurants offer, in recent years, allowing guests to choose the type of service that best suits them.

We believe we are in the early stages of capturing our addressable market opportunity. As of December 31, 2022, the locations on our platform represented less than 10% of the approximately 860,000 restaurant locations in the United States. Similarly, our Annualized Recurring Run-Rate, or ARR, as of December 31, 2022 was only about 2% of our total U.S addressable market opportunity of approximately $55 billion. We and we see a significant opportunity to increase sales to both new and existing customers, expand the usage of our platform outside the United States, and address more of the diverse needs of new and existing restaurant industry stakeholders.

Our Products and Platform

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Toast's all-in-one platform powers the entire restaurant community. Our portfolio spans several product categories: restaurant operations & point of sale, digital ordering & delivery, marketing & loyalty, team management, supply chain & accounting, financial technology solutions, and platform & insights. Alongside this platform, our commitment to customer success drives a differentiated customer experience, powers operational innovation, and enables our and our restaurants' customers' long-term growth and success.

As restaurants adopt more of our platform, our solutions work better together to help drive even more success for them. For example, as restaurants adopt our digital ordering solutions such as Order & Pay and Online Ordering, they can use data they collect guest data that was previously not available through these solutions to them. This guest data can then fuel our their Toast marketing and loyalty solutions, programs, increasing the likelihood of a return visit to the restaurant, thus helping increase sales or drive visits, and even driving more guests to the restaurant's online ordering channel with Toast, eliminating a which, in turn, helps restaurants save on third-party commission commissions, ultimately driving incremental margin for the restaurant.

Restaurant Operations & Point of Sale

- *Software*. Our Android-based software has been custom built for the restaurant industry and is the foundation that powers each our single platform of our vertically integrated solutions. Our proprietary software enables seamless connectivity across restaurant operations, guests, and employees, and drives a differentiated dining experience.

- *Toast POS*: Our core software module integrates payment processing with point of sale functionality tailored for the needs of restaurants of all types and sizes. Our products help drive reduced wait times, time to take an order, optimize operations, and seamlessly handle payments. Toast POS is easy to use, leverages consumer technology, allows restaurant employees to quickly get up to speed on the software and seamlessly use it throughout their day. We provide color coded tables solutions designed to give restaurants the option to take orders at the counter or at the table, leveraging software feature sets that support speed and help meet hospitality needs. Additionally, through an integrated payment solution, we are able to offer key payments features from the POS. Our integrated solution helps to increase speed of checkout with a suite of products built for restaurant needs.

- *Toast Now:* Our proprietary mobile application is designed to allow restaurant owners and operators to manage their restaurants, get real-time reporting, and communicate with staff on their mobile devices. It allows owners and operators to view sales data across multiple locations, view which employees are currently working, manage employee breaks, and view menu items that have sold out. For example, if a kitchen is busy with in-restaurant dining, an operator can turn off first- and third-party digital ordering to support a manageable flow of orders to the kitchen.

- *Multi-Location Management*: Our Multi-Location Management tool allows our customers to manage their operations and easily configure menus across multiple locations and channels, including online ordering and delivery. Using the tool, customers can set standard menus and prices across their brand and locations, and can also set location-specific menus and prices. Multi-Location Management also allows customers to view their centralized data across all their locations for a single, clear view of business performance.

- *Kitchen Display System*: Our proprietary Kitchen Display System software seamlessly connects the front of the house with the kitchen staff. Our software fully integrates all ordering stations with the kitchen, automates cooking order by required preparation time, and instantaneously notifies servers when orders are ready. Additionally, the Kitchen Display System software provides kitchen tickets, mobile alerts, and guest text messaging to help keep restaurant staff on top of their organized for service. For example, when a dish is ready, kitchen staff can alert the server right on their Toast Go or send a text message directly to a guest for a pick-up order.

- *Toast Invoicing*: Our invoicing product allows restaurants to easily send invoices to customers and collect payment, streamlining operations and simplifying transactions for all types of orders and events.

- ◦ *Toast Mobile Order & Pay*: Our order and pay solutions allow guests to scan a QR code to browse the menu, order, and pay, all from their mobile device. devices. This allows restaurants to have additional flexibility in staffing while still providing a great restaurant experience, driving and is designed to help drive sales, capturing capture guest insights, and reducing reduce table turn times.

- ◦ *Kitchen Display System Toast Catering & Events:* : Our proprietary Kitchen Display System catering and events software seamlessly connects the front of the house integrates with the kitchen staff. Our software fully integrates all ordering stations with POS to allow restaurants to manage catering orders and streamline event planning. It allows restaurants to accept online inquiries and orders, keep track of event details, and automatically send catering orders to the kitchen automates firing by prep time, at the appropriate time. It also uses our invoicing solution to support guest billing and instantaneously notifies servers when orders are ready. payment, including the ability to accept deposits ahead of time.

- ◦ *Multi-Location Management Toast Invoicing*: Our Multi-Location Management tool invoicing product allows our customers restaurants to manage easily create and standardize their send digital invoices to guests and collect payment, streamlining operations and easily configure menus simplifying transactions for all types of orders and events.

- ◦ *Toast Tables:* Our reservation and waitlist management product simplifies guest seating and table management. It integrates directly with the POS and the broader Toast platform to provide hosts with the information they need to understand and meet guests' needs, such as real-time table status updates and personalized guest profiles.

- ◦ *Restaurant Retail:* Our retail offering enables restaurants to seamlessly manage their retail inventory (e.g., coffee beans, wine bottles, t-shirts) alongside their food service, directly in one unified POS. For example, restaurants can add new retail items by scanning the barcode, track and update inventory levels from their devices, and manage retail sales across multiple locations online and channels, including online ordering and delivery. Customers can set location-specific items and prices or keep them consistent across the brand, and centralize data across all locations for a single, clear view of business performance. in-store channels.

- *Hardware*. Our restaurant-grade hardware is custom built to withstand the rigors of a restaurant, combining durability and flexibility needed for the restaurant environment, with aesthetically pleasing designs and in-store branding, serving as the tool that helps deliver our end-to-end solutions.

- *Toast Flex*: Our proprietary hardware, Toast Flex, can be used for on-counter order and pay, but can also be used as a server station, guest kiosk, kitchen display system, or order fulfillment station, allowing the restaurant to “flex” our hardware to fit their specific needs. Toast Flex comes in different formats and sizes optimized for specific use cases and built to stand the real-world environment in a restaurant.

- *Toast Flex for Guest:* Our 8-inch guest-facing display is designed to help keep lines moving while improving order accuracy and allowing more transparency. Guests can view and track their orders by price and item and view their bills in real-time.

- *Toast Go 2*: Our fully-integrated, handheld POS device enhances the guest experience and improves table turn times through tableside ordering and payment acceptance. Toast Go 2 enables real-time menu updates, accelerated service, easy and accurate ordering, contactless payments, and contactless payments. with optimal system settings and usage can have an up to 24-hour battery life built to keep up with restaurants' needs.

- *Toast Tap*: Our proprietary card reader supports the acceptance of EMV-contactless payments for payment methods using Near Field Communication, or NFC, technology, EMV-dip payments for payment cards with an integrated chip, and magnetic stripe payments, creating a frictionless experience for our guests.

- *Kiosk:* Our proprietary and fully-integrated self ordering Kiosk puts guests in control of their dining experience, while freeing up staff to handle other duties. tasks. Our self-ordering kiosks come in a variety of sizes with stand options, customizable start screens, and other guest features designed to meet the needs of restaurants.

- *Delphi by Toast*: In 2023, we acquired Delphi Display Systems, Inc., or Delphi. Delphi provides indoor and outdoor digital menu boards that allows restaurants to dynamically adjust menu items and drive thru technology that is designed to increase order sizes and improve speed of service.

Digital Ordering & Delivery

- We provide software solutions that allow customers to take control of and consolidate digital ordering and delivery across Toast-provided solutions and third-party ordering channels:

- ◦ *Toast Online Ordering & Toast TakeOut*: Our commission-free, first-party online ordering product and consumer Toast TakeOut application simplifies simplify the digital ordering experience for guests, increases order accuracy, and allows restaurants to reduce reliance on third parties for driving online orders. By providing restaurants with a software-based platform to take off-premise orders directly, we our products help reduce phone orders, minimize double entry and other costly errors, and optimize the balance between dine-in and takeout.

- •◦ *First-Party Delivery, Toast Delivery Services*: Toast enables restaurants to offer delivery services in a variety of ways that can be tailored to their needs and operations. With If a restaurant has its own delivery drivers, it can use Toast's first-party delivery restaurants can solutions to manage their own fleet of deliveries, dispatch drivers, and customize delivery hours, zones, fees, and minimum ticket sizes. If a restaurant does not have its own drivers, it can use Toast Delivery Services enables restaurants to utilize a dispatch an on-demand driver from our partner network of delivery drivers so restaurants can offer delivery to guests without needing their own fleet. drivers.

- •◦ *Third-Party Delivery Integrations and Orders Hub:* Through Toast Delivery Partners, we provide POS integrations for restaurants using third-party delivery services to streamline order intake, eliminate the need for extra third-party tablets, and sync menus in real-time.

Marketing and Loyalty

- *Loyalty*: Toast has designed a suite of guest-focused products that are intended to enhance a restaurant's cash flow by driving further engagement with their guests. Our credit-card linked loyalty program automatically accrues points each time the guest swipes pays using their card and special offers can be customized by the restaurant to help drive repeat visits and increased spend over time.

- *Email Marketing*: Our data driven insights allow restaurants to easily create and send pre-built email campaigns based on POS data guest interactions across our product suite, such as visit frequency and spending patterns that are automatically built through daily guest interactions across our product suite. patterns.

- *Toast Gift Cards*: Toast allows customers to sell physical and electronic gift cards, on their website or designed to help customers increase sales and guest retention. Guests can redeem gift cards in store and online ordering site through Toast Online Ordering and through physical branded cards. Toast TakeOut.

Team Management

- *Payroll & Team Management*: Employee performance and satisfaction are is an important elements element of a restaurant's success. We have created a centralized hub that streamlines the entire employee onboarding, management, and payroll process. Integrated POS and payroll create a single employee record across systems, allowing for hours, tips, and employee data to synchronize seamlessly and - helping managers get valuable save time back. and improving the employee experience.

- *Sling for by Toast:* Employee management tools, such as Sling for by Toast provide provides streamlined scheduling and team communication. Through in-app messaging and multi-location team management, Sling for by Toast helps restaurants staff more efficiently, better manage labor costs, and increase employee job satisfaction.

- *Toast Pay Card & PayOut: PayOut[1]:* Toast Pay Card & PayOut allows customers to offer eligible workers employees instant access to a portion of their tips and wages as soon as after their shift ends, or in some cases, shift.

1 Toast Pay Cards are issued by Sutton Bank, Member FDIC, pursuant to license by Mastercard®. Mastercard and the next day.1circles design are registered trademarks of Mastercard International Incorporated.

- *Tips Manager:* Our Tips Manager product automates the tip-pooling process, allowing customers tip pooling calculations and sends pooled tips to manage tips in one place, with credit card and cash tips automatically pulled through to employee paychecks within Toast Payroll & Team Management.

- *Partner-Enabled Products (Insurance & Benefits)*: Through our partners, Toast offers workers workers' compensation insurance, business owner owners' policy or BOP, insurance, automated integrated 401k, as well as and restaurant-specific add-ons, such as liquor liability insurance, through our partners therefore simplifying which simplifies the procurement process for restaurants and providing provides much-requested benefits to their teams.

Supply Chain & Accounting

- xtraCHEF by Toast: xtraCHEF provides a suite of back-office tools for restaurants, including accounts payable automation, inventory management, ingredient price tracker, tracking, and recipe costing. xtraCHEF arms provides operators with insights designed to help them take control of rising changing inventory costs, automate accounts payable, and streamline back-office tasks to help proactively manage margins and increase overall profitability.

Financial Technology Solutions

- *Payment Processing*: Toast provides a fully-integrated platform that enables our customers to securely accept and process payments, while also providing valuable data-driven insights and driving our guest engagement programs. We maintain competitive and clear pricing, our systems are in compliance with PCI Security Council standards, and our hardware supports EMV and NFC payment technology.

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[1] *Toast Pay Cards are issued by Sutton Bank, Member FDIC, pursuant to license by Mastercard®.*

- *Toast Capital*: Toast Capital offers eligible restaurants access to fast and flexible funding via loans advanced issued by our bank partner that are and repaid along with fees generally through a daily holdback of credit payment card receipts. We are uniquely positioned to provide our restaurants with access to capital using patented systems for loan origination that incorporate data science models, historical point of sale POS data, and payment processing volume, and have created volume. Toast Capital provides applicants with a straightforward process that can deliver urgently needed funds as soon as the next business day. day after signing a credit agreement, allowing restaurateurs to focus on running and growing their businesses.

- *Purchase Financing Plans*: We also offer a number of ways for customers to finance reduce the upfront cost of Toast our products, often one of the largest barriers to switching to or purchasing a new POS system. Our Depending on customer type and eligibility, our programs include access to 0% interest financing and Toast Easy Pay for investments made in Toast products. Toast Easy Pay is a 180-day lease that allows customers to pay make daily payments for hardware, onboarding and implementation, shipping and handling, and taxes as through a percentage of sales with a 180-day lease. The flexibility we offer has had a measurable impact on our rapid location growth. sales.

Platform and Insights

- *Reporting and Analytics*: Our differentiated software and financial technology ecosystem underpins our data collection and analytics capabilities, providing insights and reporting on real-time sales, menu, and labor data, and allowing our customers to analyze their results and improve performance over time. Our cloud-based reporting enables products enable access to performance data regardless of physical location, and our automatic nightly email sends key business metrics directly to our customers, sharing the critical daily insights they need to successfully operate their business. We estimate that on any given day, approximately two-thirds of Toast locations engage with reporting in their restaurant dashboard.

- *Toast Shop*: Toast Shop is an e-commerce website available to Toast's pre-existing customers that allows customers to easily purchase additional hardware or software offerings from Toast.

- *Toast Partner Connect and APIs*: Toast's partner ecosystem allows our customers to customize their technology stack to meet their business needs, choosing from a curated portfolio of over 200 technology partners that deliver a broad spectrum of specialized solutions. Toast Partner Connect is a portal within Toast that allows customers to discover, select, and seamlessly connect their restaurant to our technology partners. Our suite of bi-directional application programming interfaces, or APIs, connects allows our technology partners to connect to our workflows and data, and also allows our customers to connect custom applications and software to our ecosystem.

Our Technology

We empower our customers to take control of their operations by utilizing our proprietary technology that spans across our products. Each of our products is built on Toast's shared platform infrastructure and services. This platform layer provides common capabilities and reusable components, allowing a streamlined, integrated customer experience to be built efficiently by our independent teams.

Our digital technology platform includes:

Software, cloud-based services, and partner ecosystem

- *Reliable cloud services.* Our highly scalable, services-based, multi-tenant architecture runs on Amazon Web Services.

- *Offline POS capabilities*. In the event of an internet or network disruption, Toast's offline POS capabilities provide essential continuity of operations. This capability allows customers to continue to place orders, print tickets and receipts, and take credit card payments. Many customers can also send orders to Kitchen Display Systems in offline mode. In this offline mode, all credit card information is securely encrypted and stored on the Toast device until it regains connection.

- *Partner APIs.* Toast has curated a portfolio of over 200 restaurant technology partners that utilize Toast APIs to deliver a broad range of specialized solutions.

Payments

Toast provides fast and secure, integrated payment processing through its POS devices, standalone contactless reader, or Toast Tap, and online ordering applications.

- *Security and compliance*. Toast is a PCI-DSS compliant Level 1 service provider and PA-DSS validated payments application. Service Provider. All of our card processing systems adhere products and services are assessed annually by an independent security organization that has been qualified by the PCI Security Standards Council to strict PCI security policies and procedures. validate an entity's adherence to PCI-DSS.

- *Reliability*. We leverage our extensive on-the-ground experience to provide a reliable payments experience that is resilient to issues with restaurants' networks or internet service providers as well as Toast's own cloud platform.

- *Flexible omni-channel capabilities*. Toast provides in-store, digital, and partner payment capabilities. In-store payments through the Toast integrated card reader and Toast Tap support card dipping, tapping, and swiping as well as Apple Pay, Google Pay, and Samsung Pay, with fraud detection capabilities to minimize transaction risks. Using Toast-provided payments across channels simplifies our customers' experience, providing them with a single daily deposit of funds and consolidated reporting for easier accounting.

Hardware

- *User-friendly, durable, and designed to last.* Our custom-designed hardware is pre-configured to enable self-installation with limited support and is created to be spill- and drop-proof with a long battery life to withstand the rigors of the restaurant environment.

- *Device management.* Our hardware utilizes the open-source Android mobile operating system which enables us to freely distribute the operating system to the Toast terminal and handheld devices. Proprietary management tools allow Toast to safely and efficiently upgrade POS software and device firmware as well as to monitor the health of devices across the fleet.

Our Growth Strategy

Our strategy is to continue to invest in areas that align with our customers' needs. We expect that both we and our customers will continue to realize the value of our platform as we scale, make enhancements to our technology, offer more products and services, and help restaurants increase revenue while saving time and money. Toast both drives and benefits from the success of our customers—when restaurants grow, Toast grows through higher payments volume and increased adoption of our full platform.

- **Fuel efficient location growth with both new and existing customers.** Despite our rapid growth and scale, we estimate that our current locations account for less than just above 10% of restaurant locations in the United States. We expect the restaurant industry to continue to shift toward innovative, digital, cloud-based solutions as restaurants seek to leverage technology to drive more growth and operate more efficiently. We therefore believe there is a substantial opportunity to grow our location footprint. To that end, we intend to invest in our field-based go-to-market engine, customer success through a combination of tailored onboarding services, customer support, and intuitive product design, as well as research and development of new products to serve the evolving needs of restaurants and provide solutions that cater to all segments of the restaurant industry. We also expect to see continued location growth among our existing customers, both as they open new locations and as we continue to roll out the Toast platform to more of our customers' existing locations.

- **Increase adoption of our full suite of products.** We believe that we are well-positioned to sell additional products to our existing customers through a combination of sales and marketing efforts and product-led growth. We believe our all-in-one, integrated platform approach is well-suited to a customer base that has historically struggled to adopt technology at the same pace as other industries due to a lack of dedicated information technology resources.

- **Invest in and expand our product platform.** We intend to further invest in research and development to expand the functionality of our current platform and to broaden the subscription services and financial technology solutions we offer. We believe our proven track record and continued strategy to build products that directly address key pain points for our stakeholders will differentiate us and help grow our addressable market. We also believe we have an opportunity to expand the ways in which we leverage the data on our platform to help our customers succeed.

- **Further develop our partner ecosystem.** Toast's integrated platform currently connects customers to over 200 partners, providing our customers with the tools and features they need to run their business. Today, we have partnerships in place across a spectrum of solutions that include employee management, reservations, inventory, accounting, security, analytics, marketing and customer relationship management, loyalty, mobile pay, gift cards, online ordering, and digital signage. We intend to continue expanding our technology and channel partnerships to deliver even more value to our customers and increase the strategic nature of our platform.

- **Selectively pursue inorganic growth.** We intend to selectively explore inorganic product and technology growth opportunities to build out our portfolio and strengthen our ecosystem advantage. We believe that the scale of our partner ecosystem provides additional visibility into what products would be most valuable to our customers. For example, in July 2022, we announced the acquisition of Sling Inc., or Sling, to empower our customers to simplify scheduling and communication across their team, control their labor costs, and help increase employee satisfaction.

- **Expand internationally.** We believe there is a significant opportunity to expand usage of our platform outside of the United States. This growth strategy is in the early stages and is a long-term initiative. We are in the process of building an have a small and growing international sales team and are investing in targeted research and development efforts to address this market opportunity.

14

Customer Success

Our customer success team supports our customers through their entire lifecycle beginning with onboarding and extending to ongoing customer care, including product enablement and education around industry best practices. We invest in scalable and efficient onboarding solutions that offer a differentiated customer experience. We currently offer on-site, remote, and self-guided implementation options to our customers. To better serve the growing sophistication of our customers and improve the upfront cost burden, we launched a remote onboarding offering in 2019.

We offer multi-channel customer support 24 hours per day, 7 days a week, 365 days per year via chat, phone, or web. We built our entire platform to be cloud-based, so our customer success team can provide seamless support remotely. Due to the all-in-one nature of our platform, we offer restaurants a single point of contact for any issues across their entire technology stack. We invest significantly in customer support and consider these investments to be a key competitive differentiator.

Sales and Marketing

The restaurant industry is a local industry. Restaurant operators purchase everything from food and alcohol to equipment and table linens from individuals that they know and trust. Our sales and marketing motion is designed from the ground up to integrate into this dynamic by combining a high-volume marketing engine with a localized and consultative sales force.

We start with in-market sales teams that are deeply familiar with, and trusted by, the local community. This deep knowledge of the local food and beverage scene provides us with a competitive advantage. Our sales team is organized by three main functional areas: an acquisition team that is focused on new location growth and organized by restaurant size (i.e., number of locations per customer), an upsell team that focuses on expansion into the install base, and a growth team focused on sales enablement and operations.

To generate and capture demand we invest heavily in the primary discovery channels for restaurant operators. We combine our demand generation efforts with pricing and packaging that is designed to increase platform adoption and simplify the buying process for restaurants. This approach provides multiple entry points into the Toast platform ranging from a single terminal point of sale to a multi-product setup for a complex restaurant.

As Toast continues to grow, so does the importance of brand recognition and our investments into strengthening it. This brand recognition will help continue to drive growth in the restaurant community and increase referrals.

Research and Development

Our product development strategy is based on typical inputs such as market and user research, strategy planning, and iterative financial analysis, but it is first and foremost based around our customer obsession and mission of empowering the restaurant community to delight guests, do what they love, and thrive. We believe strongly that this customer obsession and innovation on their behalf is the best long-term product strategy to help our customers outperform, and this strategy drives both the products we build and the partnerships we create within the restaurant ecosystem.

We organize our team with a full-stack development model, integrating product management, engineering, analytics, data science, and design. Our research and development teams are located in the United States, Europe, and India. Each location has a combination of product management, user experience design, software engineering, and quality assurance personnel.

Restructuring Plan

In February 2024, we announced a restructuring plan, or the Restructuring Plan, designed to promote overall operating expense efficiency. The Restructuring Plan includes a reduction in force and certain other actions to reorganize our facilities and operations. We expect to complete the Restructuring Plan by the end of fiscal year 2024. See Note 18, “Subsequent Events (unaudited)” in “Notes to Consolidated Financial Statements” of this Annual Report on Form 10-K for additional information regarding the Restructuring Plan.

Competition

The market is competitive and evolving rapidly. Our platform combines functionality from numerous product categories, and we therefore compete with a range of providers, including cloud-based point of sale platforms, legacy point of sale platform payments solutions, and point technology providers with products addressing specific front of house or back of house operations. We compete on the basis of a number of factors including:

- the ability to provide an all-in-one software and financial technology platform specifically designed to meet the existing and future technology needs of prospective customers, including comprehensive partner ecosystem integrations;
- product performance, flexibility, durability, ease of use, security, scalability, and reliability;
- brand recognition, reputation, and customer satisfaction;
- the availability and quality of support and other professional services, including the ability to onboard prospective customers in a timely and cost-efficient manner;
- the ability to operate and support all geographic markets specified by the prospective customer; and
- the ability to integrate systems seamlessly and at low costs to provide important data insights.

We believe that we compete favorably with respect to these factors. Furthermore, we expect that our industry will continue to attract new market entrants, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets.

Seasonality

We experience Information regarding seasonality is provided in our financial technology solutions revenue, which is largely driven by this Annual Report on Form 10-K in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the level of gross payment volume, or GPV, processed through our platform. For example, customers typically have greater sales during the warmer months, though this effect varies regionally. As a result, our financial technology solutions revenue per location has historically been stronger in the second and third quarters. We believe that financial technology solutions revenue from both existing and potential future products will continue to represent a significant proportion of our overall revenue mix, and seasonality will continue to impact our results of operations. heading “Seasonality.”

Human Capital Resources

As of December 31, 2022 December 31, 2023, we had approximately 4,500 5,500 employees worldwide. We also engage consultants as needed to support our business and operations from time to time. In February 2024, we announced the Restructuring Plan, impacting approximately 550 employees.

Core to our success is our passionate and diverse team of Toasters, led by a skilled and experienced leadership team with a proven track record of scaling leading platforms and organizations. With approximately two-thirds of our employees having previous work experience in the restaurant industry, we are truly driven by a love for amazing food, a love for delightful experiences and a love for the diverse community that restaurants represent. Our Toast values guide our culture, and support a sense of belonging among Toasters. We have not experienced any work stoppages and consider our employee relations to be strong. We continue to maintain high employee engagement and satisfaction, as assessed by our annual internal culture and independent surveys.

Compensation, Well-being and Safety

Toast is committed to supporting employee safety and well-being. We offer competitive compensation and benefits that support our employees' overall well-being, including healthcare, mental health support programs, and parental and family leave, as well as equity compensation, retirement savings, and company 401k match.

Diversity, Equity & Inclusion

At Toast, we power successful restaurants of all sizes. The restaurant industry is one of the most diverse industries and - we embrace that diversity by encouraging it and encourage inclusivity and equity for all within our company. We believe that the success of our business comes only with the success of all our employees.

We bake inclusive principles into our design, build cultural competence and equity in into our practices, and ensure opportunities for growth and rewards by investing in developing our managers through manager and employees through employee development via a number of live, in-person, and self-directed programs.

We offer a number of specialized Diversity, Equity and Inclusion, or DEI, programs and initiatives to equip Toasters with the tools necessary to develop and promote an environment of inclusion and respect, that which leads to better engagement, productivity, and innovation. These include individual and peer DEI coaching focused on targeted conversations and specific development; DEI programs that build awareness and mitigate bias offered live and as e-learning modules; and specific development for our managers and leaders designed to enable them to build more meaningful and authentic relationships with their teams and create a more inclusive workplace environment.

Our Toasters are directly involved in maintaining an inclusive and equitable culture through our Toast Communities and our Council of Advocates for Equity, which leverage their combined perspectives to advocate for an equitable experience for all, across our business strategy and company culture.

Social Impact and Environmental Sustainability

Social Commitment

At Toast, we are committed to supporting causes that solve critical food issues and enrich enriching the food experience for all. all and harnessing the full strength of our business - our people, our products, and our philanthropy - to maximize our positive impact on the world.

Driven by our commitment to local communities, positioning our business as a force for good in the world, in 2019, we launched a philanthropic branch, our social impact arm, Toast.org, which is dedicated to solving critical issues in the food issues ecosystem that impact communities across and the United States. planet. In furtherance of Toast's values and these goals, we have joined the Pledge 1% movement. , a global movement that encourages and empowers companies of all sizes and stages to donate 1% of their staff time, product, profit, and/or equity to the philanthropic pursuits of their choosing. As a part of this initiative, in each of 2021, 2022, and 2022, 2023, we transferred 546,889 0.5 million shares of Class A common stock, which represent our first two three annual installments of the total 5,468,890 5.5 million shares reserved by our Board of Directors as bona fide gifts to a charitable organization to fund our social impact initiatives through Toast.org.

In 2023, we committed to address food waste with new innovation and philanthropic investments. We launched food waste reduction, a set of features within our POS system available to all Toast customers at no additional cost. These features are designed to help restaurants measure and manage food waste in their operations—and to save money while doing so.

Toast.org also bolstered its commitment to creating a more sustainable food ecosystem with a $1 million partnership with ReFED, a national nonprofit dedicated to ending food loss and waste, to facilitate the development and adoption of food waste solutions for restaurants. In addition, Toast announced more than $1 million in grants from Toast.org to nonprofit organizations striving to create a food ecosystem that has a positive impact on the climate and environment.

Toast.org furthered its work to position restaurants as community changemakers by expanding the toast fundraising feature throughout Toast POS which enables Toast's customers to invite their guests to contribute to a charity or cause.

Environmental, Social, and Governance

Environmental, Social, and Governance, or ESG, matters including diversity, social and climate-related matters, are guided by our multi-year ESG roadmap, and are overseen by our ESG leadership Team and the Nominating and Corporate Governance Committee of our Board.

Environmental Sustainability

We are also committed to minimizing both our environmental footprint use of natural resources and waste production and to working toward net-zero emissions in an effort to mitigate climate change change. Our environmental efforts span our operations, platform, and began products — including our efforts by conducting workplaces, the full life cycle of our hardware and disclosing how we can help our first customers and their guests reduce their impacts.

In 2023, we shared our full fiscal year 2022 greenhouse gas (GHG) inventory in 2022.

Compensation, Well-being inclusive of Scope 1, Scope 2, and Safety

relevant Scope 3 categories. Toast is committed set a net-zero goal for Scope 2 emissions for fiscal year 2022 and conducted an assessment of climate-related risks and integrated these into our ESG risk review and enterprise risk management. Toast's ESG strategy has been influenced by climate-related risks and opportunities. ESG and climate updates are provided to supporting employee safety the Nominating and well-being. We offer competitive compensation Corporate Governance and benefits that support our employees' overall well-being, including healthcare, mental health support programs, and parental and family leave, as well as retirement savings and company match.

During the COVID-19 pandemic, we implemented changes to our operations and business practices to prioritize the safety Audit Committees of our Toasters and their families and to continue to deliver Board on our mission to help the restaurant industry thrive, including hybrid and remote working schedule accommodations, enhanced safety measures, and other tools and resources. a quarterly basis.

Intellectual Property

We rely on a combination of patent, trade secret, copyright, and trademark laws, a variety of contractual arrangements, such as license agreements, assignment agreements, confidentiality and non-disclosure agreements, and confidentiality procedures and technical measures to gain rights to and protect the intellectual property used in our business.

We have also developed a patent program and a strategy to identify, apply for, and secure patents for innovative aspects of our platform and technology. As of December 31, 2022 December 31, 2023, we have 50 62 U.S. patent applications allowed/granted, and in addition we have 17 6 U.S. patent applications pending. Our issued patents are estimated to expire between 2036 2034 and 2039. 2042. Such expiration dates may vary based on a variety of factors, including benefit claims, term adjustments, and/or extensions as well as the timely payment of maintenance fees. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines, and logos in the United States and other countries to the extent we determine appropriate and cost effective. We also have common law rights in some trademarks and numerous pending trademark applications in U.S. jurisdictions. In addition, we have registered domain names for websites that we use in our business, such as www.toasttab.com and other variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged. See the sections titled “Risk Factors,” including the section(s) titled “Risk Factors—Risks Related to Our Intellectual Property” for a description of the risks related to our intellectual property.

Government Regulation

Various aspects of our business and service areas are subject to U.S. federal, state, and local regulation, as well as regulation outside the United States. As more fully described below, certain of our services also are, or may be in the future, subject to the laws, rules, and regulations that are related to acceptance of credit cards and debit cards, payments services (such as payment processing and settlement services), including laws concerning consumer financial protection, anti-money laundering and escheatment. From time to time, we may launch pilot programs or early-stage products, which may subject us to additional state or federal laws or regulations. We also are, or may be in the future, subject to rules promulgated and enforced by multiple authorities and governing bodies in the United States, including federal, state and local agencies, payment card networks and other authorities, and internationally. These descriptions are not exhaustive, and these laws, regulations, and rules frequently change and are increasing in number.

BSA and FinCEN Regulation

Certain of our payment technology solutions are or may become subject to anti-money laundering laws and regulations under the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, or the BSA. The BSA requires certain financial institutions, including banks and money services business, or MSBs (such as money transmitters), to register with the Treasury Department’s Financial Crimes Enforcement Network, or FinCEN, as MSBs and to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity, and maintain transaction records, among other things.

Our subsidiary, Toast Processing Services LLC, or TPS, is registered as an MSB with FinCEN in its capacity as a money transmitter. As an MSB, we are required to maintain a written anti-money laundering program, or AML Program, that meets the standards set forth in the FinCEN regulations implementing the BSA. In addition, our AML Program is designed to address and comply with the Money Laundering Control Act and other U.S. laws and regulations regarding anti-money laundering and countering the financing of terrorism, which we refer to as AML/CFT, and to control for the AML/CFT risks inherent to our business. The AML Program is also designed to prevent our platform from being used to facilitate business with certain individuals, entities, countries, and territories that are targets of economic or trade sanctions, including those imposed by the Treasury Department's Office of Foreign Assets Control.

State Licensing Requirements

Certain of our payment technology solutions are or may become subject to state money transmitter or payroll processor laws and regulations. TPS is licensed as a money transmitter in most states and is seeking licenses to operate as a money transmitter in connection with its payroll processing activities in certain other states. Federal and state money transmitter laws and regulations impose a variety of requirements and restrictions on us, including anti-money laundering program requirements; record-keeping requirements; disclosure requirements; examination requirements; annual or biennial activity reporting and license renewal requirements; notification and approval requirements for changes in our officers, directors, stock ownership or corporate control; permissible investment requirements; capital or minimum net worth requirements; bonding; restrictions on marketing and advertising; qualified individual requirements; anti-money laundering and compliance program requirements; data security and privacy requirements; and review requirements for customer-facing documents.

Additionally, states impose a variety of licensing requirements on entities engaged in certain insurance related activities. Our subsidiary, Toast Insurance Services, Inc., has obtained certain insurance related licenses from a majority of the 50 states plus Washington, D.C. As a result, we are currently subject to a variety of, and may in the future become subject to additional or newly enacted, state insurance laws and regulations in various jurisdictions.

Card Network and NACHA Rules

We rely on our relationships with financial institutions and third-party payment processors to access the payment card networks, such as Visa and Mastercard, which enable our acceptance of credit cards and debit cards, and our ability to explore and offer certain other products. We pay fees to such financial institutions and third-party payment processors for such services. We are required by these third-party payment processors to register with Visa, Mastercard, and other card networks and to comply with the rules and the requirements of these card networks' self-regulatory organizations. The payment networks and their member financial institutions routinely update, generally expand, and modify requirements applicable to our customers, including rules regulating data integrity, third-party relationships, merchant chargeback standards and compliance with the Payment Card Industry Data Security Standard, or PCI DSS. PCI DSS is a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data.

We are also subject to the operating rules of the National Automated Clearing House Association, or NACHA. NACHA is a self-regulatory organization which administers and facilitates private-sector operating rules for ACH payments and defines the roles and responsibilities of financial institutions and other ACH network participants. The NACHA Rules and Operating Guidelines impose obligations on us and our partner financial institutions, such as audit and oversight by the financial institutions and the imposition of mandatory corrective action, including termination, for serious violations.

State Loan Disclosure Requirements and Other Substantive Lending Regulations

Loans facilitated by Toast Capital are subject to state laws and regulations that impose requirements related to commercial loans, including loan disclosures and terms, credit discrimination, and credit reporting. State advertising, loan brokering, loan servicing, and debt collection laws may apply to the marketing and loan administration services we provide to our bank partner that makes the loans facilitated by Toast Capital.

FTC Act and Unfair and Deceptive Acts and Practices

Section 5 of the Federal Trade Commission Act, or FTC Act, prohibits unfair or deceptive acts or practices. The Federal Trade Commission, or FTC, enforces Section 5 of the FTC Act against non-banks and has a history of pursuing enforcement actions for alleged unfair or deceptive acts or practices in connection with the marketing or servicing of financial products and services that are marketed to consumers or small businesses. The FTC has jurisdiction over us and our business practices.

Payroll Card and On-Demand Pay Regulations

Together with our bank partner, we offer a payroll card, which allows the restaurant’s employees to receive wages, tips, and other compensation from their employers. These debit cards are subject to federal and state financial services laws, as well as the payment card network rules and NACHA rules. The Durbin Amendment to the Dodd-Frank Act and its implementing regulation, Regulation II, limit the amount of interchange revenue that the bank partner may receive, and share with us, on transactions made using these cards.

Payroll cards are subject to additional consumer financial regulation under federal law and state law. For example, the Electronic Fund Transfer Act, and its implementing regulation, Regulation E, impose requirements on payroll cards, including requirements related to consumers’ rights and liabilities, treatment of funds on lost or stolen cards, error resolution and investigation, upfront fee disclosures, and access to account information. Additionally, state employment and payroll regulations impose regulations on the use of payroll cards to disburse wages and other compensation.

Further, proposals to adopt or change the statutes or regulations affecting on-demand pay services, such as PayOut, or the issuance of agency guidance related thereto, may periodically be promulgated by federal or state legislatures and government agencies. If enacted or adopted, those proposals or issuances could affect PayOut's operating environment in substantial and unpredictable ways. These proposals or issuances may impact our ability to offer PayOut in a particular jurisdiction, or at all.

Stored Value Services

Stored value cards, gift cards and electronic gift certificates may trigger various federal and state laws and regulations. The customers who utilize our gift card processing products and services may be subject to these laws and regulations, which may include the Credit Card Accountability Responsibility and Disclosure Act of 2009.

Privacy and Consumer Information Security

In the ordinary course of our business, we access, collect, store, use, transmit and otherwise process certain types of data, including personal information, which subjects us to certain federal and state privacy and information security laws, rules, industry standards and regulations designed to regulate consumer information and data privacy, security and protection, and mitigate identity theft. These laws, some of which are discussed below, impose obligations with respect to the collection, processing, storage, disposal, use, transfer, retention and disclosure of personal information, and, with limited exceptions, give consumers the right to prevent use of their personal information and disclosure of it to third parties. Such laws and regulations are subject to ongoing changes, and a number of new proposed or recently-passed laws or regulations in this area are expected to be applicable to our business.

In addition, under these laws and regulations, including the federal Gramm-Leach-Bliley Act, or GLBA, and Regulation P promulgated thereunder, we must disclose our privacy policy and practices, including those policies relating to the sharing of nonpublic personal information with third parties. The GLBA may restrict the purposes for which we may use personal information obtained from consumers and third parties. We may also be required to provide an opt-out from certain sharing.

Since the California Consumer Privacy Act, or the CCPA, took effect on January 1, 2020, our California business operations have been directly impacted in addition to an indirect impact on our operations nationwide. Subsequently, on January 1, 2023, the California Privacy Rights Act of 2020, an amendment to the CCPA, took effect along with the Virginia

Consumer Data Protection Act, or the VCDPA. Additional US state-specific consumer privacy laws, such as those in Colorado, Connecticut and Utah, will also have become effective since 2023 and more such laws will come into effect in 2023. 2024 and after. While personal information that we process that is subject to the GLBA is exempt from the CCPA and many of these other state laws, the CCPA the VCDPA and these additional state laws will regulate other personal information that we collect and process and impose new consumer rights and limitations around personal information. Legislators and regulators at the state and federal level are continuing to propose new requirements that may, if passed, deviate from or exceed the requirements of the laws and regulations that already apply to our business.

Additionally, as we grow our business internationally, international privacy legislation such as the European Union General Data Protection Regulation, or the GDPR, the United Kingdom GDPR (and other local legislation) and Canada's Personal Information Protection and Electronic Documents Act along with provincial legislation will similarly impact our operations.

Channels for Disclosure of Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, on our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission, or the SEC. These reports may be accessed through our website's investor relations page at investors.toasttab.com. Further, the SEC's website, www.sec.gov, contains reports and other information regarding our filings.

Investors, the media, and others should note that we announce material information to the public through filings with the SEC, the investor relations page on our website, press releases and public conference calls and webcasts. The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and to review the information disclosed through such channels. Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Corporate Information

We were incorporated under the laws of Delaware in December 2011 under the name Opti Systems, Inc. We changed our name to Toast, Inc. in May 2012. Our principal executive offices are located at 401 Park Drive, Suite 801 Boston, Massachusetts 02215 and our telephone number is (617) 297-1005. Our website address is www.toasttab.com. We do not incorporate the information on or accessible through our website into this Annual Report on Form 10-K, and you should not consider any information on, or that can be accessed through, our website to be part of this Annual Report on Form 10-K. We have included our website address in this Annual Report on Form 10-K solely as an inactive textual reference.

"Toast," our logo, and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Toast, Inc. Other trademarks and trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline.

Risks Related to Our Business and Business Development

If we fail to manage our growth effectively and efficiently, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction, or adequately address competitive challenges.

We have experienced significant growth in recent periods, which puts a strain on our business, operations, and employees. We anticipate that our operations will continue to rapidly expand. To manage our current and anticipated future growth effectively, we must continue to maintain, enhance and enhance scale our finance and accounting systems and controls, as well as our information technology, or IT, and security infrastructure. For example, we expect we will need to continue to invest in and seek to enhance our IT systems and capabilities, infrastructure, including with respect to internal information sharing and interconnectivity between various systems within our infrastructure. infrastructure and other business systems. Failure to maintain and improve our technologies may hinder our growth potential and adversely impact our operations and overall financial performance.

We must also attract, train, and retain qualified sales and marketing personnel, client support personnel, professional services personnel, software engineers, technical personnel, and management personnel, without undermining our corporate culture of rapid innovation, teamwork, and attention to customer success that has been central to our growth.

Failure to effectively manage our growth could also lead us to over-invest or under-invest in development and operations, result in weaknesses in our infrastructure, systems, or controls, give rise to operational mistakes, financial losses, loss of productivity or business opportunities, and result in loss of employees and reduced productivity of remaining employees. To support our growth, we expect to continue to invest in sales and marketing activities to increase sales of our platform and increase awareness of our brand and continue to invest in research and development to increase the functionality of our platform and to introduce additional related products and services. A significant portion of our investments in our sales and marketing and research and development activities will precede the benefits from such investments, and we cannot be sure that we will receive an adequate return on our investments. If Failure to manage growth effectively, could lead us to over-invest or under-invest in development and operations, resulting in weaknesses in our management is unable infrastructure, systems, or controls, giving rise to effectively operational mistakes, financial losses, loss of productivity or business opportunities, reduce customer satisfaction, limit our ability to respond to competitive pressures, and efficiently manage our growth, could result in loss of employees and reduced productivity of remaining employees. In addition, our expenses may increase more than expected, our revenue may not increase or may grow more slowly than expected, and we may be unable to implement our business strategy.

If we do not attract new customers, retain existing customers, and increase our customers’ use of our platform, our business will suffer.

We derive, and expect to continue to derive, a majority of our revenue and cash inflows from our integrated cloud-based restaurant management platform, which encompasses software, financial technology, and hardware components. As such, our ability to attract new customers, retain existing customers, and increase use of the platform by existing customers is critical to our success.

Our future revenue will depend in large part on our success in attracting additional customers to our platform. Our ability to attract additional customers will depend on a number of factors, including the effectiveness of our sales team, the success of our marketing efforts, our levels of investment in expanding our sales and marketing teams, referrals by existing customers, and the availability of competitive restaurant technology platforms. We may not experience the same levels of success with respect to our customer acquisition strategies as seen in prior periods, and if the costs associated with acquiring new customers materially rises in the future, our expenses may rise significantly.

In addition, while a majority of our current customer base consists of small- and medium-sized businesses, or SMBs, we continue to pursue customer growth within the enterprise and mid-market segments of the restaurant market, as well as among SMBs. Each of those segments of the overall market poses different sales and marketing challenges, and has different requirements, and we cannot be sure that we will achieve the same success in those market segments as we have achieved to date in sales to SMBs.

Our business also depends on retaining our existing customers. Our business is subscription-based, and contract terms for our SaaS products generally range from 12 to 36 months. Customers are not obligated to, and may not, renew their subscriptions after their existing subscriptions expire. As a result, even though the number of customers using our platform has grown rapidly steadily in recent years, there can be no assurance that we will be able to retain these customers or any new customers that may enter into subscriptions. Renewals of subscriptions may decline or fluctuate as a result of a number of factors, including dissatisfaction the level of satisfaction with our platform or support, support; the perception that a competitive platform, product or service presents a better or less expensive option, option; changes in our customers' spending levels; changes in consumer behavior; or our failure to successfully deploy sales and marketing efforts towards existing customers as they approach the expiration of their subscription term. In addition, we may terminate our relationships with customers for various reasons, such as heightened credit risk, excessive card chargebacks, unacceptable business practices, or contract breaches.

Further, if customers on our platform were to cease operations, temporarily or permanently, or face financial distress or other business disruption, our ability to retain customers would suffer. This risk is particularly pronounced with restaurants, as each year a meaningful percentage of restaurants go out of business, and this risk has become particularly acute as a result of the COVID-19 pandemic, rising can be impacted by inflation and interest rates, rate changes, and other recent global financial, economic, political, and health events that have impacted consumer behaviors and the restaurant industry. events.

In addition to attracting new customers and retaining existing customers, we seek to expand usage of our platform by broadening adoption by our customers of the various products included within our platform. Although we have seen the average number of modules adopted by our customers increase in recent periods, new customers have increasingly adopted our full suite of products, we cannot be certain that new customers such trend will continue to adopt our full suite of products at existing rates or that we will be successful in increasing adoption of additional products by our existing customers. continue. Further, while many of our customers deploy our platform to all of their restaurant locations, some of our customers initially deploy our platform to a subset of locations. We also accommodate select enterprise customers by entering into certain arrangements that do not contain a minimum location commitment. For those customers, we seek to expand use of our platform to additional locations over time. Our ability to increase adoption of our products by our customers and to increase penetration of our existing customers' locations will depend on a number of factors, including our customers' satisfaction with our platform, competition, pricing, and our ability to demonstrate the value proposition of our products.

Our costs associated with renewals and generating sales of additional products to existing customers are substantially lower than our costs associated with entering into subscriptions with new customers. Accordingly, our business model relies to a significant extent on our ability to renew subscriptions and sell additional products to existing customers, and, if we are unable to retain revenue from existing customers or to increase revenue from existing customers, our operating results would be adversely impacted even if such lost revenue were offset by an increase in revenue from new customers.

We may not be able to sustain our recent revenue growth in future periods.

We have grown rapidly steadily over the last several years, and our recent revenue growth rate and financial performance should not be considered indicative of our future performance. In years. For example, in the years ended December 31, 2022 December 31, 2023 and 2021, 2022, our revenue was $2,731 million $3,865 million and $1,705 million $2,731 million, respectively, representing a 60% 42% growth rate. You should not rely on our revenue or key business metrics for any previous quarterly or annual period as indicative of our revenue, revenue growth, key business metrics, or key business metrics growth in future periods. In particular, our revenue growth rate has fluctuated in prior periods. We expect our revenue growth rate to continue to fluctuate over the short and long term. We may experience declines in our revenue growth rate as a result of a number of factors, including slowing demand for our platform, insufficient growth in the number of customers and their guests that utilize our platform, increasing competition, changing customer and guest behaviors, a decrease in the growth of our overall market, our failure to continue to capitalize on growth opportunities, the impact of regulatory requirements, the maturation of our business, and macroeconomic conditions, among others. In addition, SMBs comprise the majority of our customer base. If the demand for restaurant management platforms by SMBs does not continue to grow, or if we are unable to maintain our category share with SMBs, our revenue and other growth rates could be adversely affected.

We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We launched our operations in 2013, have grown significantly in recent periods, and have a limited operating history, particularly at our current scale. In addition, we operate in an evolving industry and have frequently expanded our platform features and services and changed our pricing methodologies. This limited operating history and our evolving business make it difficult to evaluate our future prospects and the risks and challenges we may encounter. These risks and challenges include, but are not limited to, our ability to:

- accurately forecast our revenue and plan our operating expenses;
- increase the number of and retain existing customers and their guests using our platform;
- successfully compete with current and future competitors;
- successfully expand our business in existing markets and enter new markets and geographies;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- comply with regulatory requirements in highly regulated markets;
- adapt to rapidly evolving trends in the ways customers and their guests interact with technology;
- avoid interruptions or disruptions in our service;

- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle significant surges of usage by our customers and their guests as compared to historic levels and increased usage generally, as well as the deployment of new features and services;

- maintain, scale, and effectively manage our internal infrastructure systems, such as information strategy and sharing and interconnectivity between systems;

- hire, integrate, and retain talented technology, sales, customer service, and other personnel;

- effectively manage rapid growth in our personnel and operations; and

- effectively manage our costs.

Further, because we have limited historical financial data relevant to our current scale and operations and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition, and results of operations could be adversely affected.

Our platform includes our payment services, and our ability to attract new customers and retain existing customers depends in part on our ability to offer payment processing services with the desired functionality at an attractive price.

We generally sell subscriptions to our platform together with our payment services, and services. Except for a small number of enterprise brands, customers are unable to subscribe to our platform without also subscribing to our payment services. While we believe that offering a complete all-in-one platform that includes payment processing functionality along with all the other functionality of our platform offers our customers significant advantages over separate point of sale solutions, some potential or existing customers may not desire to use our payment processing services or to switch from their existing payment processing vendors. Some of our potential customers for our platform may not be willing to switch payment processing vendors for a variety of reasons, such as transition costs, business disruption, and loss of accustomed functionality. There can be no assurance that our efforts to overcome these factors will be successful, and this resistance may adversely affect our growth.

The attractiveness of our payment processing services also depends on our ability to integrate emerging payment technologies, including crypto currencies, other emerging or alternative payment methods, and credit card systems that we or our processing partners may not adequately support or for which we or they do not provide adequate processing rates. In the event such methods become popular among consumers, any failure to timely integrate emerging payment methods into our software, anticipate consumer behavior changes, or contract with processing partners that support such emerging payment technologies could reduce the attractiveness of our payment processing services and of our platform, and adversely affect our operating results.

Our operating results depend in significant part on our payment processing services, and the revenue and gross profit we derive from our payment processing activity in a particular period can vary due to a variety of factors.

Even if we succeed in increasing subscriptions to our platform and retaining subscription customers, the revenue we derive from payment processing services may vary from period to period depending on a variety of factors, many of which are beyond our control and difficult to predict. Our revenue from payment processing services is generally calculated as a percentage of payment volume plus a per-transaction fee and, accordingly, varies depending on the total dollar amount processed through the Toast platform across all of our customers' restaurant locations in a particular period. This amount may vary, depending on, among other things, the success of our customers' restaurant locations, the proportion of our customers' payment volumes processed through our platform, ticket size, consumer spending levels in general, and overall economic conditions. In addition, the revenue and gross profit derived from our payment processing services varies depending on the particular type of payment processed on our platform. For example, card-not-present transactions, which are transactions for which the credit card is not physically present at the merchant location at the time of the transaction, are generally associated with higher payment processing revenue and gross profit compared to card-present transactions, and debit card transactions are generally also associated with higher gross profit compared to credit card transactions. The ratio of card-not-present and debit card transactions as a proportion of the total payment transactions processed through our platform can fluctuate from time to time and may be impacted by global events, such as the recent COVID-19 pandemic, which may lead leading to corresponding fluctuations in our revenue and gross profit.

A majority of our customers are SMBs, which can be more difficult and costly to retain than enterprise customers and are subject to increased impacts of economic fluctuations, which may adversely affect our business and operations.

A majority of our customers are SMBs and we expect they will continue to comprise a large portion of our customer base for the foreseeable future. We define SMBs in the context of our customer base as customers that have between one and ten restaurant locations. Selling to and retaining SMBs can be more difficult than retaining enterprise customers, as SMBs often have higher rates of business failure and more limited resources, may have decisions related to the choice of payment processor dictated by their affiliated parent entity and are more readily able to change their payment processors than larger organizations.

SMBs are also typically more susceptible to the adverse effects of economic fluctuations, including those caused by the recent COVID-19 pandemic, rising fluctuating inflation levels and interest rates, and economic downturns. rates. Adverse changes in the economic environment or business failures of our SMB customers may have a greater impact on us than on our competitors who do not focus on SMBs to the extent that we do.

We rely in part on revenue from subscription contracts, and because we recognize revenue from subscription contracts over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.

Subscription services revenue accounts for a significant portion of our total revenue. Sales of new or renewal subscription contracts may decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with our platform, the prices of our subscriptions, the prices of subscriptions offered by our competitors, reductions in our customers' spending levels, or other changes in consumer behavior. If our sales of new or renewal subscription contracts decline, our revenue and revenue growth may decline. We recognize subscription revenue ratably over the term of the relevant subscription period, which generally ranges from 12 to 36 months in duration. As a result, much of the subscription revenue we report each quarter is derived from subscription contracts that we sold in prior periods.

Consequently, a decline in new or renewed subscription contracts in any one quarter will not be fully reflected in revenue in that quarter, but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in new or renewal sales of our subscriptions is not reflected in full in our results of operations in a given period. Also, it is difficult for us to rapidly increase our subscription revenue through additional sales in any period, as revenue from new and renewal subscription contracts must be recognized ratably over the applicable subscription period. Furthermore, any increases in the average term of subscription contracts would result in revenue for those subscription contracts being recognized over longer periods of time.

Our future revenue will depend in part on our ability to expand the financial technology services we offer to our customers and increase adoption of those services.

We offer our customers a variety of financial technology products and services, and we intend to make available additional financial technology products and services to our customers in the future. A number of these services require that we enter into arrangements with financial institutions or other third parties. For example, one of our bank partners, which is a Utah-chartered and Federal Deposit Insurance Corporation, or the FDIC,-insured industrial bank, offers qualified customers working capital loans, which we service. In order to provide these and future financial technology products and services, we may need to establish additional partnerships with third parties, comply with a variety of regulatory requirements, and introduce internal processes and procedures to comply with applicable law and the requirements of our partners, all of which may involve significant cost, require substantial management attention, and expose us to new business and compliance risks. We cannot be sure that our current or future financial technology services will be widely adopted by our customers or that the revenue we derive from such services will justify our investments in developing and introducing these services.

Failure to maintain and enhance our brand recognition in a cost-effective manner could harm our business, financial condition, and results of operations.

We believe that maintaining and enhancing our brand identity and reputation is critical to our relationships with, and ability to attract, new customers, partners and employees. Accordingly, we have invested, and expect to continue to invest, increasing amounts of money in and greater resources to branding and other marketing initiatives, which may not be successful or cost effective. If we do not successfully maintain and enhance our brand and reputation in a cost-effective manner, our business may not grow, we may have reduced pricing power relative to competitors with stronger brands or reputations, and we could lose customers or partners, all of which would harm our business, financial condition, and results of operations.

In addition, any negative publicity about our company or our management, including about the quality, pricing and fee arrangement, stability, and reliability of our platform or services, changes to our products and services, our privacy and security practices, litigation, regulatory enforcement, and other actions involving us, as well as the perception of us and our products by our customers and their guests, even if inaccurate, could cause a loss of confidence in us and adversely affect our brand.

We depend on the experience and expertise of our senior management team and key technical employees, and the loss of any key employee could harm our business, financial condition, and results of operations.

Our success depends upon the continued service of our senior management team and key technical employees. Each of these employees could terminate his or her relationship with us at any time. Further, our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms, or at all.

The loss of any member of our senior management team or key technical employees might significantly delay or prevent the achievement of our business objectives and could harm our business and our customer relationships.

qualified personnel. Our ability to recruit, retain, and develop qualified personnel talent is critical to our success and growth. growth, which may be impacted by our restructuring plan.

All our businesses function Our business functions at the intersection of rapidly changing technological, social, economic, and regulatory environments that require a wide range of expertise and intellectual capital. Our success depends on the continued service of our management team and qualified personnel.

For us to successfully compete and grow, we must recruit, retain, and develop personnel who can provide the necessary expertise across a broad spectrum of disciplines. In addition, we must develop, maintain and, as necessary, implement appropriate succession plans to ensure we have the necessary human resources capable of maintaining continuity in our business. The loss of management team members and other qualified personnel may significantly delay or prevent the achievement of our business objectives and could harm our business and our customer relationships.

The market for qualified personnel is competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. The trading price of our Class A common stock employment, which has been and may continue to be volatile, could be subject to fluctuations in response from time to various factors and may not appreciate. time. If the perceived value of our equity awards declines, for these or other reasons, it may adversely affect our ability to attract and retain highly qualified employees. Certain of our employees have received significant proceeds from sales of our equity in previous transactions and many of our employees may receive significant proceeds from sales of our equity in future transactions, which may reduce their motivation to continue to work for us.

We are also substantially dependent on our direct sales force to obtain new customers and increase sales to existing customers. There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining a sufficient number of sales personnel to support our growth. If we are unable to hire, train, and retain a sufficient number of qualified and successful sales personnel, our business, financial condition, and results of operations could be harmed.

In February 2024, we announced a restructuring plan, or the Restructuring Plan, with a reduction in force component, impacting approximately 550 employees of our global workforce. We adopted this Restructuring Plan to improve operational efficiencies and to better align our workforce with the current needs of our business. However, implementation of the Restructuring Plan may yield unintended consequences and costs, such as the loss of institutional knowledge and expertise, employee attrition beyond our intended reduction in force, a reduction in morale among our remaining employees, diversion of our management's and employees' attention from other business priorities. The Restructuring Plan can also lead to disruptions in our operations and business, including delays or other challenges in our product roadmap, declines in product and platform quality or customer satisfaction, difficulties in introducing new products and services or enhancing existing products and services, reputational harm, loss of customers, or operational difficulties in executing sales strategies and our general and administrative activities any of which could adversely affect our business performance and operating results. We may also not realize, in full or in part, the anticipated benefits and savings from the Restructuring Plan due to inaccurate estimates and forecasts, changing market conditions, unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings from the Restructuring Plan, our operating results and financial condition could be adversely affected.

From time to time, we are subject to various legal proceedings that could adversely affect our business, financial condition, or results of operations.

From time to time, we are or may become involved in claims, lawsuits (whether class actions or individual lawsuits), arbitration proceedings, government investigations, and other legal or regulatory proceedings involving commercial, corporate and securities matters; privacy, marketing and communications practices; labor and employment matters; alleged infringement of third-party patents and other intellectual property rights; and other matters. The results of any such claims, lawsuits, arbitration proceedings, government investigations, or other legal or regulatory proceedings cannot be predicted with any degree of certainty. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, require significant management attention, and divert significant resources. Determining reserves for our pending litigation is a complex and fact-intensive process that requires significant subjective judgment and speculation. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines, and penalties. These proceedings could also result in harm to our reputation and brand, sanctions, consent decrees, injunctions, or other orders requiring a change in our business practices. Any of these consequences could adversely affect our business, financial condition, and results of operations. Further, under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses on behalf of our business, customers, and commercial partners and current and former directors and officers. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and adversely impact our ability to attract directors and officers.

Notwithstanding the terms of our agreements with our customers, it is possible that a default on such obligations by one or more of our customers could breach their obligations, which in the aggregate, could adversely affect our business, financial condition, or results of operations. For example, if a customer defaults on its obligations under a customer agreement or terminates a customer agreement prior to the contractual termination date, we may be required to assert a claim to acquire the amount in full due under the customer agreement, which we may choose not to pursue. However, if we choose to pursue any such claim, we may incur substantial costs to resolve claims or enter into litigation or arbitration, and even if we were to prevail in the event of claims, litigation or arbitration, such claims, litigation, or arbitration could be costly and time-consuming and divert the attention of our management and other employees from our business operations.

We also include arbitration and class action waiver provisions in our terms of service with the customers that utilize our platform and certain agreements with our employees. These provisions are intended to streamline the litigation process for all parties involved, as they can in some cases be faster and less costly than litigating disputes in state or federal court. However, arbitration can nevertheless be costly and burdensome, and the use of arbitration and class action waiver provisions subjects us to certain risks to our reputation and brand, as these provisions have been the subject of increasing public scrutiny. In order to minimize these risks to our reputation and brand, we may limit our use of arbitration and class action waiver provisions, or we may be required to do so in any particular legal or regulatory proceeding, either of which could cause an increase in our litigation costs and exposure. Additionally, we permit certain customers and other users of our platform to opt out of such provisions, which could cause an increase in our litigation costs and exposure.

Further, with the potential for conflicting rules regarding the scope and enforceability of arbitration and class action waivers on a state-by-state basis, as well as between state and federal law, there is a risk that some or all of our arbitration and class action waiver provisions could be subject to challenge or may need to be revised to exempt certain categories of protection. If these provisions were found to be unenforceable, in whole or in part, or specific claims are required to be exempted, we could experience an increase in our costs to litigate disputes and in the time involved in resolving such disputes, and we could face increased exposure to potentially costly lawsuits, each of which could adversely affect our business, financial condition, and results of operations.

We have closed multiple acquisitions and may acquire or invest in other companies or technologies in the future, which could divert management's attention, fail to meet our expectations, result in additional dilution to our stockholders, increase expenses, disrupt our operations, or harm our operating results.

We have closed multiple acquisitions since 2019. In addition to these recent acquisitions, we and investments and may in the future acquire or invest in other businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical capabilities, or otherwise offer growth opportunities. We may not be able to fully realize the anticipated benefits of our past or future acquisitions.

We cannot forecast the number, timing or size of any future acquisitions or other similar strategic transactions. We may not be able to successfully identify future acquisition opportunities or complete any such acquisitions if we cannot reach agreement on commercially favorable terms, if we lack sufficient resources to finance the transaction on our own and cannot obtain financing at a reasonable cost, or if regulatory authorities prevent such transactions from being completed. In addition, the pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses related to identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Further, we may have to pay cash, incur debt, or issue securities, including equity-based securities, to pay for acquisitions, joint ventures, or strategic investments, each of which could affect our financial condition or the value of our capital stock or result in dilution to our existing stockholders.

There are inherent risks in integrating and managing acquisitions. When we acquire additional businesses, we may not be able to assimilate or integrate the acquired personnel, operations, and technologies successfully or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including but not limited to: unanticipated costs associated with the acquisition, including but not limited to, integration and compliance costs; the inability to generate sufficient revenue to offset acquisition costs; the inability to maintain relationships with customers and partners of the acquired business; the difficulty of incorporating acquired technology into our platform and of maintaining quality and security standards consistent with our brand; harm to our existing business relationships as a result of the acquisition; and the potential loss of key employees. Acquisitions also increase the risk of unforeseen legal liability arising from prior or ongoing acts or omissions by the acquired businesses which are not discovered by due diligence during the acquisition process or that prove to have a greater than anticipated adverse impact. We have previously acquired and continue to evaluate companies that operate in highly regulated markets. There is no assurance that acquired businesses will have invested sufficient efforts in their own regulatory compliance, and we may need to invest in and seek to improve the regulatory compliance controls and systems of such businesses. Generally, if an acquired business fails to meet our expectations, or if we are unable to establish effective regulatory compliance controls with respect to an acquired business, our operating results, business, and financial condition may suffer.

In addition, we have previously acquired and may in the future pursue acquisitions of companies with extensive operations outside the United States. These types of acquisitions often involve additional or increased risks compared to acquisitions of operations within the United States.

The diversion of management's attention and any delays or difficulties encountered in connection with acquisitions and their integration could adversely affect our business, financial condition, or results of operations.

29

We do not have sufficient history with our subscription or pricing models to accurately predict optimal pricing strategies necessary to attract new customers and retain existing customers.

We have limited experience with respect to determining the optimal prices and packaging for our platform and services services. Given our limited experience, we may not be able to achieve the optimal pricing and we expect packaging model at all times, which could lead to make further changes reduced profitability or market share. Changes to our pricing and packaging model from time may also lead to time. As reputational damage, competitive harm, regulatory scrutiny, and potential legal liabilities, which could adversely affect our business and results of operations. Furthermore, as the market for our platform matures, or as competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing and packaging models that we have used historically.

Moreover, while SMBs continue to comprise the majority of our customer base, we have and will continue to seek subscriptions from enterprise customers, which may be more likely to demand substantial price concessions. concessions or request customized features and packaging. As a result, in the future, we may be required to reduce adjust our prices and product offerings for certain customers, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

Our business is exposed to risks associated with the handling of customer funds.

Our business handles payroll processing administration for certain of our customers. Consequently, at any given time, we may be holding or directing funds of customers, while payroll payments are being processed. This function creates a risk of loss arising from, among other things, fraud by employees or third parties, execution of unauthorized transactions, or errors relating to transaction processing. processing, which risk may not be effectively mitigated despite risk management strategies. We are also potentially at risk if the financial institution in which we hold these funds suffers any kind of insolvency or liquidity event or fails, for any reason, to deliver their services in a timely manner. The occurrence of any of these types of events could cause us financial loss and reputational harm.

Any failure to offer high-quality customer support may adversely affect our relationships with our customers and could adversely affect our business, financial condition, and results of operations.

In deploying and using our platform, our customers depend on our 24/7 support team to resolve complex technical and operational issues, including ensuring that our platform is implemented in a manner that integrates with a variety of third-party platforms. We also rely on third parties to provide some support services, and our ability to provide effective support is partially dependent on our ability to attract and retain qualified and capable third-party service providers. As we continue to grow our business and improve our offerings, we will face challenges related to providing high-quality support services at scale. We may be unable to respond quickly enough to accommodate short-term increases in demand for customer support or to modify the nature, scope, and delivery of our customer support to compete with changes in customer support services provided by our competitors. Increased demand for customer support, without corresponding revenue, could increase costs and adversely affect our operating results. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation and brand, our ability to benefit from referrals by existing customers, our ability to sell our platform to existing and prospective customers, and our business, financial condition, or results of operations.

The long-term potential of our business may be adversely affected if we are unable to expand our business successfully into international markets.

Although we currently do not derive significant revenue from customers located outside the United States, the long-term potential of our business will depend in part on our ability to expand our business into international markets. We have recently made an initial investment to establish our international presence and plan to continue such efforts, which has and may continue to be accomplished in part through acquisitions of companies located outside of the United States. However, we have limited experience with international customers and in selling our platform internationally. Accordingly, we cannot be certain that our business model will be successful, or that our platform will achieve commercial acceptance, outside the United States.

Conducting international operations subjects us to risks that we have not generally faced in the United States, including but not limited to:

- managing geographically separate organizations, systems, and facilities;
- challenges caused by language, cultural, and ethical differences;
- difficulties in staffing and managing foreign operations, including employment laws and regulations;
- presence of more established competitors and/or local competitors favored by local business practices;
- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including data privacy, employment, tax, anti-money laundering, and anti-bribery laws and regulations and sanction regimes, including but not limited to, additional exposure to GDPR, rules and programs administered by the Treasury Department's Office of Foreign Assets Control, or OFAC, domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, or FCPA, and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations;
- different pricing environments, sales cycles, and collections issues;

- financial and other impacts to our business resulting from fluctuations in currency exchange rates and unit economics across multiple jurisdictions; jurisdictions, including the possibility of use of hedging arrangements to reduce potential foreign currency exchange exposure;
- increased financial accounting and other reporting burdens and complexities; complexities, including rapidly changing requirements with respect to corporate sustainability reporting;

- enforcing intellectual property rights outside of the United States;
- difficulty entering new non-U.S. markets due to, among other things, difficulties in achieving consumer acceptance of our platform in new markets and more limited business knowledge of these markets; and
- general economic and political conditions.

Expanding our business internationally requires significant additional investment in our platform, operations, infrastructure, compliance efforts, and sales and marketing organization, and any such investments may not be successful or generate an adequate return on our investment.

Our risk management strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

We operate in a rapidly changing industry. Accordingly, our risk management strategies may not be fully effective to identify, monitor, and manage all risks that our business encounters. In addition, when we introduce new services, focus on expanding relationships with new types of customers, or begin to operate in new markets, we may be less able to forecast risk levels and reserve accurately for potential losses, as a result of fraud or otherwise. If our strategies are not fully effective or we are not successful in identifying and mitigating all risks to which we are or may be exposed, we may suffer uninsured liability or harm to our reputation, or be subject to litigation or regulatory actions, any of which could adversely affect our business, financial condition, and results of operations. 31

Risks Related to Our Technology and Privacy

We are responsible for transmitting a high volume of sensitive and personal information through our platform and our success depends upon the security of this platform. Any actual or perceived breach of our system that would result in disclosure of such information could materially impact our business.

We, our customers, our partners, and other third parties, including third-party vendors, cloud service providers, and payment processors that we use, obtain and process large amounts of sensitive and personal information, including information related to our customers, their guests, and their transactions. We face risks, including to our reputation as a trusted brand, in the handling and protection of this information, and these risks will increase as our business continues to expand to include new products and technologies. Our operations involve the storage, transmission, and processing of our customers' proprietary information and sensitive and personal information of our customers and their guests and employees, including contact information and payment information, purchase histories, lending information, and payroll information. Cyber incidents have been increasing in sophistication and frequency and can include third parties gaining access to employee or guest information using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. In addition, these incidents can originate on our vendors' websites or systems, which can then be leveraged to access our website or systems, further preventing our ability to successfully identify and mitigate the attack. As a result, unauthorized access to, security breaches of, or denial-of-service attacks against our platform (or any platform of our third-party vendors) could result in the loss of service, unauthorized access to or use of, and/or loss of, such data, as well as loss of intellectual property, guest information, employee data, trade secrets, or other confidential or proprietary information.

We have administrative, technical, and physical security measures in place and proactively employ multiple security measures at different layers of our systems to defend against intrusion and attack and to protect our information, information; however, we have experienced security incidents in the past, and we may face additional security incidents in the future. Because the techniques used to obtain unauthorized access to or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures that will be sufficient to counter all current and emerging technology threats. In addition, any security breaches that occur may remain undetected for extended periods of time. While we also have and will continue to make significant efforts to address any IT security issues with respect to acquisitions we make, we may still inherit such risks when we integrate these companies.

We also have policies and procedures in place to contractually require third parties to which we transfer data to implement and maintain appropriate security measures. Sensitive and personal information is processed and stored by our customers, software and financial institution partners and third-party service providers to whom we outsource certain functions. Threats to third-party systems can originate from human error, fraud, or malice on the part of employees or third parties, or simply from accidental technological failure, and/or computer viruses and other malware that can be distributed and infiltrate systems of third parties on whom we rely. While we select third parties to which we transfer data carefully, we do not control their actions, and these third parties may experience security breaches that result in unauthorized access of data and information stored with them despite these contractual requirements and the security measures these third parties employ.

If any security breach involving our systems or the systems of third parties that store or process our data or significant denial-of-service attacks or other cyber attack occurs or is believed to have occurred, our reputation and brand could be damaged, we could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches or attacks and remediate our systems. In addition, we could be exposed to a risk of loss, litigation, or regulatory action and possible liability, some or all of which may not be covered by insurance, and our ability to operate our business may be impaired. Unauthorized parties have in the past gained access, and may in the future gain access, to systems or facilities used in our business through various means, including gaining unauthorized access into our systems or facilities or those of customers and their guests, attempting to fraudulently induce our employees, customers, their guests, or others into disclosing usernames, passwords, payment card information, or other sensitive or personal information, which may in turn be used to access our IT systems or fraudulently transfer funds to bad actors.

If new or existing customers believe that our platform does not provide adequate security for the storage of personal or sensitive information or its transmission over the Internet, they may not adopt our platform or may choose not to renew their subscriptions to our platform, which could harm our business. Additionally, actual, potential, or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Our errors and omissions insurance policies covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all potential liability. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Further, because data security is a critical competitive factor in our industry, we may make statements in our privacy statements and notices and in our marketing materials describing the security of our platform, including descriptions of certain security measures we employ or security features embedded within our products. Should any of these statements be untrue, become untrue, or be perceived to be untrue, even if through circumstances beyond our reasonable control, we may face claims, including claims of unfair or deceptive trade practices, brought by the U.S. Federal Trade Commission, state, local, or foreign regulators (e.g., a European Union-based data protection agency), or private litigants.

Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.

Our continued growth depends in part on the ability of our existing and potential customers to access our platform at any time and within an acceptable amount of time. Our platform is proprietary, and we rely on the expertise of members of our engineering, operations, and software development teams for our platform’s continued performance. We have experienced system outages in the past, including in some cases as a result of disruptions at our third-party vendors, and may in the future experience, disruptions, outages, and other performance problems related to our platform due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, delays in scaling our technical infrastructure if we do not maintain enough excess capacity and accurately predict our infrastructure requirements, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, denial-of-service attacks, actions or inactions attributable to third parties, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, computer viruses, ransomware, malware, or other events. Our systems also may be subject to break-ins, sabotage, theft, and intentional acts of vandalism, including by our own employees. Some of our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. Further, our business and/or network interruption insurance may not be sufficient to cover all of our losses that may result from interruptions in our service as a result of system failures and similar events.

From time to time, we may experience limited periods of server downtime due to server failure or other technical difficulties. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our platform becomes more complex and our user traffic increases. If our platform is unavailable or if our users are unable to access our platform within a reasonable amount of time, or at all, our business would be adversely affected and our brand could be harmed. In the event of any of the factors described above, or certain other failures of our infrastructure, customer or guest data may be permanently lost. Moreover, a limited number of our agreements with customers provide for limited service-level commitments, and we may enter into additional agreements providing such commitments from time to time. If we experience significant periods of service downtime in the future, we may be subject to claims by our customers against these service level commitments. These events have resulted in losses in revenue, though such losses have not been material to date. System failures in the future could result in significant losses of revenue.

We have and may, from time to time, voluntarily provide certain credits to our customers to compensate them for the inconvenience caused by a system failure or similar event, to support our customers and for the benefit of the restaurant community as part of our ongoing goodwill efforts. We are committed to providing our customers high platform reliability, and may utilize significant time, human capital and other resources to analyze the root causes of these performance problems and address any gaps identified, which in turn may take away resources from other business activities. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

Our success depends upon our ability to continually enhance the performance, reliability, and features of our platform.

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 customers and their guests and design and maintain a platform that provides them with the tools they need to operate their businesses successfully. Our ability to To attract new customers, retain existing customers, and increase sales to both new and existing customers, will depend in large part on our ability to continue to improve and enhance the performance, reliability, and features of our platform. To grow our business, we must develop products and services in a cost effective and timely manner that reflect the changing nature of restaurant management software, respond to new product offerings by competitors, technological advances, and emerging industry standards and practices, and expand beyond our core functionalities to other areas of managing relationships with our customers, as well as their relationships with their guests. Competitors may introduce new offerings embodying new technologies, or new industry standards and practices could emerge that render our existing technology, services, website, hardware, and mobile applications obsolete. Accordingly, our future success will depend in part on our ability to respond to new product offerings by competitors, technological advances, and emerging industry standards and practices in a cost-effective and timely manner in order to retain existing customers and attract new customers. Furthermore, as As the number of our customers with higher volume sales and more locations increases on our platform, so does the need for us to offer increased functionality, scalability, and support, which requires us to devote additional resources to such efforts.

The success of these and any other enhancements to our platform depends on several factors, including timely completion, adequate quality testing and sufficient demand, and the accuracy of our estimates regarding the total addressable market for new products and/or enhancements and the portion of such total addressable market that we expect to capture for such new products and/or enhancements. Any new product or service that we develop may not be introduced in a timely or cost-effective manner, may contain defects, may not have an adequate total addressable market or market demand or may not achieve the market acceptance necessary to generate meaningful revenue.

We have scaled our business rapidly, and significant new platform features and services have in the past resulted in, and in the future may continue to result in, operational challenges affecting our business. Developing and launching enhancements to our platform and new services on our platform may involve significant technical risks and upfront capital investments that may not generate return on investment. For example, we may use new technologies ineffectively, or we may fail to adapt to emerging industry standards. We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new products and enhancements. Software development involves a significant amount of time, as it can take our developers months to update, code, and test new and upgraded products and integrate them 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.

If we are unable to successfully develop new products or services, enhance the functionality, performance, reliability, design, security, and scalability of our platform in a manner that responds to our customers' and their guests' evolving needs, or gain market acceptance of our new products and services, or if our estimates regarding the total addressable market and the portion of such total addressable market which we expect to capture for new products and/or enhancements prove inaccurate, our business and operating results will be harmed.

Defects, errors, or vulnerabilities in our applications, backend systems, hardware, or other technology systems and those of third-party technology providers could harm our reputation and brand and adversely impact our business, financial condition, and results of operations.

The software underlying our platform is highly complex and may contain undetected errors or vulnerabilities, some of which may only be discovered after the code has been released. Our practice is to effect frequent releases of software updates. Third-party software that we incorporate into our platform and our backend systems, hardware, or other technology systems, or those of third-party technology providers, may also be subject to defects, errors, or vulnerabilities. Any such defects, errors, or vulnerabilities could result in negative publicity, a loss of customers or loss of revenue, and access or other performance issues. Such vulnerabilities could also be exploited by bad actors and result in exposure of customer or guest data, or otherwise result in a security breach or other security incident. We may need to expend significant financial and development resources to analyze, correct, eliminate, or work around errors or defects or to address and eliminate vulnerabilities. Any failure to timely and effectively resolve any such errors, defects, or vulnerabilities could adversely affect our business, reputation, brand, financial condition, and results of operations.

We may use artificial intelligence in our platform and product offerings. Issues relating to the use of artificial intelligence and machine learning could adversely affect our results of operations.

We and our partners may incorporate artificial intelligence, or AI, solutions into our business and operation from time to time. As with many innovations, AI presents risks and challenges that could affect its further development, adoption, and utilization, and therefore affect our business. If the content, recommendation or analyses that AI applications assist in producing are or are alleged to be deficient or inaccurate, we could be subject to competitive risks, potential legal liability, and reputational harm. The use of AI applications may also result in cybersecurity incidents, which could adversely affect our business. In addition, AI may present emerging ethical issues. If our use of AI becomes controversial, we may experience reputational harm or legal liability. Further, given the early stage of generative AI, factors that may impact this type of technology, such as government regulations and market demand, are uncertain, and we may be unsuccessful in our product development efforts.

Our competitors or other third parties may also incorporate AI into their products. If they adopt the use of AI more quickly or more successfully than us, our ability to compete effectively may be impaired, which may adversely affect our results of operations.

Risks Related to Our Financial Condition and Capital Requirements

We have a history of generating net losses, and if we are unable to achieve adequate revenue growth while our expenses increase, we may not achieve or maintain profitability in the future.

We have incurred a net loss in each year since our inception and have a significant accumulated deficit. We incurred net losses of $275 million $246 million and $487 million $275 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. As of December 31, 2022 December 31, 2023, we had an accumulated deficit of $1,377 million $1,623 million. These losses and our accumulated deficit are a result of the substantial investments we have made to grow our business. We expect our costs will increase over time and our losses to continue, in the near-term, as we expect to continue to invest significant additional funds in expanding our business, sales and marketing activities, research and development as we continue to build building software and hardware designed specifically for the restaurant industry, and maintaining high levels of customer support, each of which we consider critical to our continued success. We also expect to incur additional general and administrative expenses as a result of our growth and expect our costs to increase to support our operations as a public company. In addition, to support the continued growth of our business and to meet the demands of continuously changing security and operational requirements, we plan to continue investing in our technology infrastructure. Historically, our costs have increased over Although we expect certain cost savings in the years due to these factors, and near-term resulting from the Restructuring Plan, we expect to continue to incur increasing costs to support our anticipated future growth. see a continued increase in total operating expenses. 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.

Following the completion of our initial public offering, or IPO, the stock-based compensation expense related to our restricted stock units, or RSUs, and other outstanding equity awards has resulted in an increase in our expenses and will result in increases in our expenses in future periods.

Further, we may make decisions that will adversely affect our short-term operating results if we believe those decisions will improve the experiences of our customers and their guests 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.

35

Unfavorable conditions in the restaurant industry or the global economy could limit our ability to grow our business and materially impact our financial performance.

Our operating results may vary based on the impact of global events and macroeconomic conditions, such as inflation and its potential impact on consumer spending, rising interest rates, global supply chain issues, and pandemics. For example, the COVID-19 pandemic impacted our business and operations in a variety of ways, including supply chain challenges, disruptions in our sales and marketing efforts, restrictions in our ability to conduct research and development and other business activities, uncertainty in restaurant technology spending, and fluctuation on the payment volume processed through our platform. In addition, during the COVID-19 pandemic, we conducted a reduction in force in April 2020, and re-prioritized our capital and investment.

34

Furthermore, our revenue growth and potential profitability depend on demand for business management software and platforms serving the restaurant industry. Historically, during economic downturns, there have been reductions in spending on IT as well as pressure for extended billing terms and other financial concessions. The adverse impact of economic downturns may be particularly acute among SMBs, which comprise the majority of our customer base. If economic conditions deteriorate, our current and prospective customers may elect to decrease their IT budgets, which would limit our ability to grow our business and adversely affect our operating results.

A deterioration in general economic conditions (including distress in financial markets, rising inflation and interest rates, and turmoil in specific economies around the world) may adversely affect our financial performance by causing a reduction in locations through restaurant closures or a reduction in gross payment volume. A reduction in the amount of consumer spending or credit card transactions could result in a decrease of our revenue and profits. Adverse economic factors may accelerate the timing, or increase the impact of, risks to our financial performance. These factors could include:

- restrictions on credit lines to consumers or limitations on the issuance of new credit cards;
- uncertainty and volatility in the performance of our customers’ businesses, particularly SMBs;
- customers or consumers decreasing spending for value-added services we market and sell;
- declining economies and the pace of economic recovery which can change consumer spending behaviors;
- low levels of consumer and business confidence typically associated with inflationary or recessionary environments;
- high unemployment levels, which may result in decreased spending by consumers;
- budgetary concerns in the United States and other countries around the world, which could impact consumer confidence and spending;
- restrictions on credit lines to consumers or limitations on the issuance of new credit cards;
- uncertainty and volatility in the performance of our customers’ businesses, particularly SMBs;
- customers or consumers decreasing spending for value-added services we market and sell; and
- government actions, including the effect of laws and regulations and any related government stimulus.

We are subject to additional risks relating to the financial products we make available to our customers, including relationships with partners, the ability of our customers to generate revenue to pay their obligations under these products, general macroeconomic conditions and the risk of fraud.

Current and any future financial products offered by Toast, Toast Capital, or through either party’s bank partners, subject us to additional risks. If we cannot source capital or partner with financial institutions to fund financial solutions for our customers, we might have to reduce the availability of these services, or cease offering them altogether.

Toast Capital’s bank partner offers qualified Toast customers working capital loans in accordance with credit policies established by our bank partner. Toast Capital markets the loans and acts as servicer of the loans and receives a servicing fee based on the outstanding balance of loans being serviced as well as a fee that varies depending on the credit performance of the loans extended under the program. We do not currently have similar partnerships with other financial institutions and are solely reliant on our bank partner to support this program. If our bank partner were to terminate its relationship with us, we would be unable to make working capital loans available to our customers, at least in the short-term, until we are able to enter into a relationship with another financial institution to offer similar loans. In addition, our bank partner may not expand its lending under this program to support future demand for such loans from our customers. There can be no assurance that we would be able to enter into a similar relationship with another financial institution to make working capital loans available to our customers on terms our customers would find attractive, or at all.

Under our agreement with our bank partner, on a monthly basis, we are obligated to purchase loans made in a particular quarter that have been (or are scheduled to be) charged off, are otherwise non-performing, or do not satisfy our bank partner’s credit policy, unless such purchase would cause the principal amount of such purchased loans to exceed 15% of the original principal amount of loans made in the applicable quarter. As a result of this potential repurchase purchase obligation, and our servicing fee and credit performance fee, we are subject to credit risk on the loans extended by our bank partner under this program. Accordingly, if we fail to accurately predict the likelihood of default or timely repayment of loans, our business may be materially and adversely affected. For example, if more of our customers cease operations, experience a decline in their revenue, or engage in fraudulent behavior and are not able to repay their loans, our business may be materially and adversely affected. A decline in macroeconomic conditions could increase the risk of non-payment or fraud and could also lead to a decrease in the number of customers eligible for loans or financing. In addition, although our bank partner acts as the lender with respect to these working capital loans, we are subject to numerous contractual and regulatory requirements in connection with our marketing and servicing activities in connection with these loans. If we were to fail to comply with these requirements, we could be subject to liability, regulatory sanctions, or claims by our customers or our bank partner, and our bank partner could terminate its relationship with us.

We intend to continue to explore other financial solutions to offer to our customers. Some of those solutions may require, or be deemed to require, additional procedures, partnerships, licenses, regulatory approvals and requirements, or capabilities. Should we fail to address these requirements, or should these new solutions, or new regulations or interpretations of existing regulations, impose requirements on us that are impractical or that we cannot satisfy, the future growth and success of our financial business may be materially and adversely affected. Macroeconomic factors such as changes in interest rates may also increase our costs in servicing certain financial solutions products. Further, we have and may continue to have obligations to share in certain losses incurred in offering these financial solutions to our customers, which could negatively impact our business, financial condition, and results of operations.

If we are unable to properly manage the risks of offering financial solutions, either ourselves or through partner financial institutions, our business may be materially and adversely affected. If we are unable to maintain third-party insurance coverage to mitigate these risks, such as errors and omissions insurance, our exposure to losses would increase, which could have an adverse impact on our results. If laws and regulations change, or are interpreted by courts or regulators as subjecting us to licensing or other compliance requirements, we may be subject to government supervision and enforcement actions, litigation, and related liabilities, our ability to offer financial solutions may be negatively impacted, our costs associated with existing financial solutions, including Toast Capital, may increase or we may decide to discontinue offering financial solutions altogether, and our business, financial condition, and results of operations would be negatively impacted.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our financial condition.

Historically, we have funded our operations, capital expenditures, and acquisitions primarily through the issuance of convertible preferred stock, common stock and convertible notes, payments received for the delivery of our services as well as borrowings under our revolving credit facility. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. Although we currently anticipate that our existing cash and cash equivalents, marketable securities, and amounts available under our revolving credit facility will be sufficient to meet our cash needs for at least the next twelve months, our future capital requirements and the adequacy of available funds will depend on many factors. We may require additional financing, and we may not be able to obtain debt or equity financing on favorable terms, if at all. If we raise additional funds through further issuances of debt, equity, or other securities convertible into equity, including convertible debt securities, our existing stockholders may experience significant dilution of their ownership interests, and any new securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock.

We have outstanding debt obligations that restrict our ability to incur additional indebtedness and require us to maintain specified minimum liquidity amounts, among other restrictive covenants. The terms of any additional debt financing may be similar or more restrictive.

If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things:

- develop and enhance our platform and product offerings and operating infrastructure;
- continue to expand our technology development, sales, and marketing organizations;
- hire, train, and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- acquire complementary businesses and technologies.

Our inability to do any of the foregoing could reduce our ability to compete successfully and harm our results of operations.

Our revolving credit facility provides our lenders with a first-priority lien against substantially all of our assets, and contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our results of operations.

We are party to a revolving credit and guaranty agreement which contains a number of covenants that restrict our and our subsidiaries' ability to, among other things, incur additional indebtedness, create or incur liens, merge or consolidate with other companies, sell substantially all of our assets, liquidate or dissolve, make distributions to equity holders, pay dividends, make redemptions and repurchases of stock, or engage in transactions with affiliates. We are also required to maintain a minimum liquidity balance. The terms of our While we have no outstanding debt may restrict our current under this agreement, we are still required to comply with certain covenants and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute business strategies in the manner desired. In addition, complying with these covenants restrictions under this agreement, which may make it more difficult for us to successfully execute our business strategy, invest in our growth strategy, and compete against companies who are not subject to such restrictions.

A failure by us to comply with these covenants or payment requirements specified in the revolving credit and guaranty agreement could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans and extensions of credit and to declare any and all debt outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral in which we granted a security interest to them, which consists of substantially all our assets. If our outstanding debt were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could materially and adversely affect our cash flows, business, results of operations, and financial condition. Further, the terms of any new or additional financing may be on terms that are more restrictive or less desirable to us.

Our results of operations may be adversely affected by changes in foreign currency exchange rates.

Our operations and customer base are currently concentrated in the United States. Therefore, we have limited foreign currency diversification and exposure. However, our foreign currency diversification and exposure may increase as international sales of our products and services increase over time. Our revenue and profits generated by any non-U.S. operations may fluctuate from period to period as a result of changes in foreign currency exchange rates. In addition, we may become subject to exchange control regulations that restrict or prohibit the conversion of our other revenue currencies into U.S. dollars. Any of these factors could decrease the value of revenue and profits we derive from our non-U.S. operations and adversely affect our business.

We may also seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of hedging arrangements. To the extent that we hedge our foreign currency exchange rate exposure, we forgo the benefits we would otherwise experience if foreign currency exchange rates changed in our favor. No strategy can completely insulate us from risks associated with such fluctuations and our currency exchange rate risk management activities could expose us to substantial losses if such rates move materially differently from our expectations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2022 December 31, 2023, we had accumulated $597 million $720 million and $573 million $773 million of federal and state net operating loss carryforwards, or NOLs, respectively, available to reduce future taxable income. Of the federal NOLs, $513 million $635 million have an indefinite carryforward period but may not offset more than 80% of current taxable income annually in accordance with the Tax Cuts and Jobs Act of 2017, and $85 million will expire at various dates through 2037. Of the state NOLs, the majority will begin to expire in 2034. It is possible that we will not generate taxable income in time to use NOLs before their expiration, or at all. Under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs and other tax attributes, including R&D tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5 percent stockholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our The Company has completed a historical ownership change analysis and while it has experienced ownership changes in the past none of its existing federal and state tax attributes are subject to historical limitations that are expected to materially limit their utilization. The company's ability to use NOLs utilize its federal and other tax state attributes to reduce future taxable income and liabilities may could be subject to annual limitations as a result of prior ownership changes and limited by ownership changes that may occur in the future.

We experience elements of seasonal fluctuations in our financial results, which could cause our stock price to fluctuate.

Our business is highly dependent on the behavior patterns of our customers and their guests. We experience seasonality in our financial technology revenue which is largely driven by the level of GPV processed through our platform. For example, our average customers typically have greater sales during the warmer months, though this seasonal effect varies regionally. As a result, our financial technology revenue per location has historically been stronger in the second and third quarters. As a result, seasonality may cause fluctuations in our financial results, and other trends that develop may similarly impact our results of operations.

Our failure or perceived failure to achieve our ESG goals or maintain ESG practices that meet evolving stakeholder expectations could adversely affect us.

We have published environmental, social, and governance, or ESG, initiatives, goals, and commitments. These goals, commitments, and targets reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. We are also subject to the evolving and divergent views on ESG matters by different stakeholders including investors, employees, and regulatory agencies. New laws and regulations relating to ESG matters, including climate change, human capital, and diversity, are being developed and formalized in the U.S. and elsewhere, which may entail specific, target-driven frameworks and/or disclosure requirements. Our failure or perceived failure to achieve some or all of our ESG goals or maintain ESG practices that meet evolving stakeholder expectations or regulatory requirements could harm our reputation, adversely impact our ability to attract and retain employees or customers, and expose us to increased scrutiny from the investment community, regulatory authorities, and others or subject us to liability.

We rely primarily on third-party insurance policies to insure our operations-related risks. If our insurance coverage does not cover a particular loss or is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, financial condition, and results of operations.

We procure third-party insurance policies to cover various operations-related risks including employment practices liability, workers' compensation, business interruptions, cybersecurity and data breaches, crime, directors' and officers' liability, and general business liabilities, but our insurance may not cover 100% of the costs and losses from all events. For certain types of operations-related risks or future risks related to our new and evolving services, we may not be able to, or may choose not to, acquire insurance. In addition, we may not obtain enough insurance to adequately mitigate such operations-related risks or risks related to our new and evolving services, and we may have to pay high premiums, self-insured retentions, or deductibles for the coverage we do obtain. Additionally, if any of our insurance providers becomes insolvent, it would be unable to pay any operations-related claims that we make. Further, some of our agreements with customers may require that we procure certain types of insurance, and if we are unable to obtain and maintain such insurance, we would be in violation of the terms of these customer agreements.

We are responsible for certain retentions and deductibles that vary by policy, and we may suffer losses that exceed our insurance coverage by a material amount. If the amount of one or more operations-related claims were to exceed our applicable aggregate coverage limits, we would bear the excess, in addition to amounts already incurred in connection with deductibles, or self-insured retentions. Insurance providers have raised premiums and deductibles for many businesses and may do so in the future. As a result, our insurance and claims expenses could increase, or we may decide to raise our deductibles or self-insured retentions when our policies are renewed or replaced. Our business, financial condition, and results of operations could be adversely affected if the cost per claim, premiums, or the number of claims significantly exceeds our historical experience and coverage limits; we experience a claim in excess of our coverage limits; our insurance providers fail to pay on our insurance claims; we experience a claim for which coverage is not provided; or the number of claims under our deductibles or self-insured retentions differs from historical averages.

Risks Related to Competition, Sales, and Marketing

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The overall market for restaurant management software is rapidly evolving and subject to changing technology, shifting customer and guest needs, and frequent introductions of new applications. Our competitors vary in size and in the breadth and scope of the products and services they offer. In addition, there are a number of companies that are not currently direct competitors but that could in the future shift their focus to the restaurant industry and offer competing products and services, which could compete directly in our entire customer community or in a certain segment within the restaurant industry. There is also a risk that certain of our current customers and business partners could terminate their relationships with us and use the insights they have gained from partnering with us to introduce their own competing products.

Some of our current and future competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, greater category share in certain markets, market-specific knowledge, established relationships with restaurants, larger existing user bases in certain markets, more successful marketing capabilities, more integrated products and/or platforms, and substantially greater financial, technical, sales, and marketing, and other resources than we have. Additionally, some potential customers in the restaurant industry, particularly large organizations, have elected, and may in the future elect, to develop their own business management and point of sale software and platforms. Certain of our competitors have partnered with, or have acquired or been acquired by, and may in the future partner with or acquire, or be acquired by, other competitors, thereby leveraging their collective competitive positions and making it more difficult to compete with them. We believe that there are significant opportunities to further increase our revenue by expanding internationally. As we expand our business by selling subscriptions to our platform in international markets, we will also face competition from local incumbents in these markets.

Additionally, many of our competitors are well capitalized and offer discounted services, lower customer processing rates and fees, customer discounts and promotions, innovative platforms and offerings, and alternative pay models, any of which may be more attractive than those that we offer. Such competitive pressures may lead us to maintain or lower our processing rates and fees or maintain or increase our incentives, discounts, and promotions in order to remain competitive, particularly in markets where we do not have a leading position. Such efforts have negatively affected, and may continue to negatively affect, our financial performance, and there is no guarantee that such efforts will be successful. Further, the markets in which we compete have attracted significant investments from a wide range of funding sources, and we anticipate that many of our competitors will continue to be highly capitalized. These investments, along with the other competitive advantages discussed above, may allow our competitors to continue to lower their prices and fees, or increase the incentives, discounts, and promotions they offer and thereby compete more effectively against us.

Some of our competitors offer specific point solutions addressing particular needs in the restaurant industry, including subscriptions to software products without the requirement to use related payment processing services. While we believe that our integrated software and payments platform offers significant advantages over such point solutions and permit certain enterprise brands to utilize third-party payment service, customers who have specific needs that are addressed by these point solutions, and customers who do not want to change from an existing payment processing relationship to use our payment processing services, may believe that products and services offered by competitors better address their needs.

Additionally, our competitors may be able to respond more quickly and effectively than us to new or changing opportunities, technologies, standards, or customer requirements. With the introduction of new technologies and new market entrants, we expect competition to intensify in the future. For example, our competitors may adopt certain of our platform features or may adopt innovations that customers value more highly than ours, which would render our platform less attractive and reduce our ability to differentiate our platform. Pricing pressures and increased competition generally could result in reduced sales, reduced margins, increased churn, reduced customer retention, losses, or the failure of our platform to achieve or maintain more widespread market acceptance. For all of these reasons, we may fail to compete successfully against our current and future competitors. If we fail to compete successfully, our business will be harmed.

Potential changes in competitive landscape, including disintermediation from other participants in the payments chain, could harm our business.

We expect the competitive landscape in the restaurant technology industry will continue to change in a variety of ways, including:

- rapid and significant changes in technology, resulting in new and innovative payment methods and programs, that could place us at a competitive disadvantage and reduce the use of our platform and services;

- competitors, including third-party processors and integrated payment providers, customers, governments, and/or other industry participants may develop products and services that compete with or replace our platform and services, including products and services that enable payment networks and banks to transact with consumers directly;

- competitors may also elect to focus exclusively on one segment of the restaurant industry and develop product offerings uniquely tailored to that segment, which could impact our addressable market and reduce the use of our platform and services;

- participants in the financial services, payments, and payment technology industries may merge, create joint ventures, or form other business alliances that may strengthen their existing business services or create new payment services that compete with our platform and services; and

- new services and technologies that we develop may be impacted by industry-wide solutions and standards related to migration to Europay, Mastercard, and Visa standards, including chip technology, tokenization, and other safety and security technologies.

Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us, such as by integrating competing platforms or features into products they control, including search engines, web browsers, mobile device operating systems, or social networks; by making acquisitions; or by making access to our platform more difficult. Failure to compete effectively against any of these or other competitive threats could adversely affect our business, financial condition, or results of operations.

We expend significant resources pursuing sales opportunities, and if we fail to close sales after expending significant time and resources to do so, our business, financial condition, and results of operations could be adversely affected.

The initial installation and set-up of many of our services often involve significant resource commitments by our customers, particularly those with larger operational scale. Potential customers generally commit significant resources to an evaluation of available services and may require us to expend substantial time, effort, and money educating them as to the value of our services. Our sales cycle may be extended due to our customers' budgetary constraints or for other reasons. In addition, as we seek to sell subscriptions to our platform to additional enterprise customers, we anticipate that the sales cycle associated with those potential customers will be longer than the typical sales cycle for SMB customers, and that sales to enterprise customers will require us to expend greater sales and marketing and management resources. If we are unsuccessful in closing sales after expending significant funds and management resources, or we experience delays or incur greater than anticipated costs, our business, financial condition, and results of operations could be adversely affected.

Risks Related to Our Partners and Other Third Parties

We rely on third-party payment processors to facilitate payments made by guests, payments made to customers, and payments made on behalf of customers, and if we cannot manage risks related to our relationships with our current or future third-party payment processors, our business, financial condition, and results of operations could be adversely affected.

We rely on third-party payment processors to facilitate payments made by guests and payments made to customers on our platform. While we may continue to seek payment processing relationships with additional payment processors from time to time, we expect to continue to rely on a limited number of payment processors for the foreseeable future. We have experienced interrupted operations with respect to payments processed through our third-party payment partners, which in some cases resulted in the temporary inability of our customers to collect payments from their guests through our platform and disruptions in certain features, and we may experience similar events in the future. In the event that any of our current or future third-party payment processors fail to maintain adequate levels of support, experience interrupted operations, do not provide high quality service, increase the fees they charge us, discontinue their lines of business, terminate their contractual arrangements with us, or cease or reduce operations, we may suffer additional costs and be required to pursue new third-party relationships, which could materially disrupt our operations and our ability to provide our products and services, and could divert management's time and resources. In addition, such incidents have resulted in and may result in periods of time during which our platform cannot function properly, and therefore cannot collect payments from customers and their guests, which could adversely affect our relationships with our customers and our business, reputation, brand, financial condition, and results of operations. It would be difficult to replace third-party processors in a timely manner if they were unwilling or unable to provide us with these services in the future, and our business and operations could be adversely affected. If these services fail or are of poor quality, our business, reputation, and operating results could be harmed.

Further, our contracts with third-party payment processors require, and additional contracts may in the future require, us to bear risk for compliance with the operating rules, or the Payment Network Rules, of Visa, Mastercard, and other payment networks, or collectively, the Payment Networks, with whom we are registered as a payment facilitator or certified service provider, and applicable law, and the risk of fraud. In the event any of our current or future third-party payment processors are subjected to losses, including any fines for reversals, chargebacks, or fraud assessed by the Payment Networks, that are caused by us or our customers due to failure to comply with the Payment Network Rules or applicable law, our third-party payment processor may impose penalties on us, increase our transaction fees, or restrict our ability to process transactions through the Payment Networks, and we may lose our ability to process payments through one or more Payment Networks. Thus, in the event of a significant loss by a third-party payment processor, we may be required to expend a large amount of cash promptly upon notification of the occurrence of such an event. A contractual dispute with our processing partner could adversely affect our business, financial condition, or results of operations.

We are also dependent upon various large banks and regulators to execute electronic payments and wire transfers as part of our client payroll, tax, and other money movement services. Termination of any such banking relationship, a bank's refusal or inability to provide services on which we rely, outages, delays, or systemic shutdown of the banking industry would impede our ability to process funds on behalf of our payroll, tax, and other money movement services clients and could have an adverse impact on our financial results and liquidity.

If we fail to comply with the applicable requirements of payment networks, they could seek to fine us, suspend us, or terminate our registrations. If our customers incur fines or penalties that we cannot collect from them, we may have to bear the cost of such fines or penalties.

In order to provide our transaction processing services, we are registered as a payment facilitator or certified service provider with the Payment Networks. We and our customers must comply with the Payment Network Rules. The Payment Network Rules require us to also comply with the Payment Card Industry Data Security Standard, or the Security Standard, which is a set of rules and standards designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data.

If we fail to, or are alleged to have failed to, comply with the Payment Network Rules or the Security Standard, we may be subject to fines, penalties, or restrictions, including, but not limited to, higher transaction fees that may be levied by the Payment Networks for failure to comply with the Payment Network Rules. If a customer fails or is alleged to have failed to comply with the Payment Network Rules, we could also be subject to a variety of fines or penalties that may be levied by the Payment Networks. If we cannot collect such amounts from the applicable customer, we may have to bear the cost of the fines or penalties, and we may also be unable to continue processing payments for that customer. These potential fines or penalties may result in lower earnings for us. In addition to these fines and penalties, if we or our customers do not comply with the Payment Network Rules or the Security Standard, we may lose our status as a payment facilitator or certified service provider. Our failure to comply with such rules and standards could mean that we may no longer be able to provide certain of our services as they are currently offered, and that existing customers, sales partners, or other third parties may cease using or referring our services. Prospective merchant customers, financial institutions, sales partners, or other third parties may choose to terminate negotiations with us or delay or choose not to consider us for their processing needs. In each of these instances, our business, financial condition, and results of operations would be adversely affected.

In addition as to payment cards, our transaction processing services are subject to the National Automated Clearing House Association Rules, or NACHA Rules. Any changes in the NACHA Rules that increase our cost of doing business or limit our ability to provide processing services to our customers will adversely affect the operation of our business. If we or our customers fail to comply with the NACHA Rules or if our processing of customer transactions is materially or routinely delayed or otherwise disrupted, our partner financial institutions could suspend or terminate our access to NACHA's clearing and settlement network, which would make it impossible for us to conduct our business on its current scale.

Additionally, we periodically conduct audits and self-assessments to verify our compliance with NACHA Rules. If an audit or self-assessment under NACHA Rules identifies any deficiencies that we need to remediate, the remediation efforts may distract our management team and other staff and be expensive and time consuming. NACHA may update its operating rules and guidelines at any time, which could require us to take more costly compliance measures or to develop more complex monitoring systems. Our partner financial institutions could also change their interpretation of NACHA requirements, similarly requiring costly remediation efforts and potentially preventing us from continuing to provide services through such partner financial institutions until we have remediated such issues to their satisfaction.

As our business continues to develop and expand, and we create new product offerings, we may become subject to additional rules, regulations, and industry standards. We may not always accurately interpret or predict the scope or applicability of certain regulations and standards, including the Security Standard, to our business, particularly as we expand into new product offerings, which could lead us to fall out of compliance with the Security Standard or other rules. Further, the Payment Networks could adopt new operating rules or interpret or re-interpret existing rules in ways that might prohibit us from providing certain services to some users, be costly to implement, or be difficult to follow. Any changes in the Payment Network Rules or the Security Standard, including our interpretation and implementation of the Payment Network Rules or the Security Standard to our existing or future business offerings, or additional contractual obligations imposed on us by our customers relating to privacy, data protection, or information security, may increase our cost of doing business, require us to modify our data processing practices or policies, or increase our potential liability in connection with breaches or incidents relating to privacy, data protection, and information security, including resulting in termination of our registrations with the Payment Networks. The termination of our registrations, or any changes in the Payment Network Rules that would impair our registrations, could require us to stop providing payment facilitation services relating to the affected Payment Network, which would adversely affect our business, financial condition, or results of operations.

The Payment Network Rules, including rules related to the assessment of interchange and other fees, may be influenced by our competitors. Increases in Payment Network fees or new regulations could negatively affect our earnings.

The Payment Network Rules are set by their boards, which may be influenced by card issuers, and some of those issuers are our competitors with respect to these processing services. Many banks directly or indirectly sell processing services to customers in direct competition with us. These banks could attempt, by virtue of their influence on the Payment Networks, to alter the Payment Networks’ rules or policies to the detriment of other members and non-members including certain of our businesses.

We pay interchange, assessment, transaction, and other fees set by the Payment Networks to such networks and, in some cases, to the card issuing financial institutions for each transaction we process. From time to time, the Payment Networks increase the fees that they charge members or certified service providers. We could attempt to pass these increases along to our customers and their guests, but this strategy might result in the loss of customers to our competitors that do not pass along the increases. If competitive practices prevent us from passing along the higher fees to our customers and their guests in the future, we may have to absorb all or a portion of such increases, which may increase our operating costs and reduce our earnings.

In addition, regulators are subjecting interchange and other fees to increased scrutiny, and new regulations or interpretations of existing regulations could require greater pricing transparency of the breakdown in fees or fee limitations, which could lead to increased price-based competition, lower margins, and higher rates of customer attrition, and affect our business, financial condition, or results of operations.

42

We rely on customers on our platform for many aspects of our business, and any failure by them to maintain their service levels or any changes to their operating costs could adversely affect our business.

We rely on customers on our platform to provide quality foods, beverages, and service and experience to their guests. Further, an increase in customer operating costs could cause customers on our platform to raise prices, cease operations, or renegotiate processing rates, which could in turn adversely affect our financial condition and results of operations. Many of the factors affecting customer operating costs, including the cost of offering off-premise dining, are beyond the control of customers and include inflation, costs associated with the goods provided, labor and employee benefit costs, costs associated with third-party delivery services, rent costs, and energy costs. Additionally, if customers try to pass along increased operating costs by raising prices for their guests, order volume may decline, which we expect would adversely affect our financial condition and results of operations.

44

We depend upon third parties to manufacture our products and to supply key components necessary to manufacture our products. We do not have long-term agreements with all of our manufacturers and suppliers, and if these manufacturers or suppliers become unwilling or unable to provide an adequate supply of components, we may not be able to find alternative sources in a timely manner and our business would be impacted.

Many of the key components used to manufacture our products, such as our customer-facing displays, come from limited or single sources of supply, and therefore a disruption with one manufacturer in our supply chain may have an adverse effect on other aspects of our supply chain and may disrupt our ability to effectively and timely deliver our hardware products. In addition, in some cases, we rely only on one hardware manufacturer to fabricate, test, and assemble our products. In general, our contract manufacturers fabricate or procure components on our behalf, subject to certain approved procedures or supplier lists, and we do not have firm commitments from all of these manufacturers to provide all components, or to provide them in quantities and on timelines that we may require. Due to our reliance on the components or products produced by suppliers such as these, we are subject to the risk of shortages and long lead times in the supply of certain components or products. We are still in the process of identifying have been and will continue exploring and working with alternative manufacturers for the assembly of our products and for many of the certain single-sourced components used in our products. In the case of off-the-shelf components, we are subject to the risk that our suppliers may discontinue or modify them, or that the components may cease to be available on commercially reasonable terms, or at all. We have in the past experienced, and may in the future experience, component shortages, or delays or other problems in product assembly, and the availability and cost of these components or products may be difficult to predict. For example, our manufacturers may experience temporary or permanent disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, disease outbreaks, (such as the recent COVID-19 pandemic), civil unrest, hostilities or wars, (such as the ongoing conflict between Russia and Ukraine), component or material shortages, cost increases, acquisitions, insolvency, changes in legal or regulatory requirements, or other similar problems.

In particular, increased demand for semiconductor chips in recent years, due in part to the COVID-19 pandemic and an increased use of laptop computers, 5G phones, gaming systems, and other IT equipment that use these chips, has resulted in an ongoing global shortage of chips. As a result, our ability to source semiconductor chips used in our hardware products has been adversely affected. This shortage may result in increased component delivery lead times, delays in the production of our hardware products, and increased costs to source available semiconductor chips. To the extent this semiconductor chip shortage continues, and we are unable to mitigate the effects of this shortage, our ability to deliver sufficient quantities of our hardware products to support our existing customers and to support our growth through sales to new customers may be adversely affected.

As the scale of our hardware production increases, we will also need to accurately forecast, purchase, warehouse, and transport components at high volumes to our manufacturing facilities and servicing locations. If we are unable to accurately match the timing and quantities of component purchases to our actual needs or successfully implement automation, inventory management, and other systems to accommodate the increased complexity in our supply chain and parts management, or if we are affected by adverse global supply chain dynamics, such as fluctuation in freight costs, we may incur unexpected production disruption, storage, transportation, and write off costs, which may harm our business and operating results. For example, we have recently experienced elevated freight costs and expect such cost to remain elevated in the near-term, which may adversely impact our hardware costs and our profitability. Given the uncertainty and instability of global economic and political environment, we cannot predict how, the duration of and the extent to which our operations and financial results may be affected.

In the event of a shortage or supply interruption from suppliers of components used in our hardware products, we may not be able to develop alternate sources quickly, cost effectively, or at all. This supply interruption could harm our relationships with our customers, prevent us from acquiring new customers, and materially and adversely affect our business.

Additionally, various sources of supply-chain risk, including strikes or shutdowns at delivery ports or loss of or damage to our products while they are in transit or storage, intellectual property theft, losses due to tampering, third-party vendor issues with quality or sourcing control, failure by our suppliers to comply with applicable laws and regulation, potential tariffs, (including including those applicable to our relationships with vendors in China) China, or other trade restrictions, or other similar problems could limit or delay the supply of our products, or harm our reputation.

We also rely on certain suppliers located internationally as part of our supply chain, and the supply risks described above may similarly apply to or be more pronounced in respect of those international suppliers. For example, we have several long-term contracts with companies based in China and other parts of Asia. A violation of these contracts may require us to bring a claim in China or another jurisdiction in Asia and which may be difficult to enforce. In addition, there is uncertainty as to whether the courts in these international jurisdictions would recognize or enforce judgments of U.S. courts. Any litigation in international jurisdictions, including in China or other parts of Asia, may be protracted and result in substantial costs and diversion of resources and management attention.

We primarily rely on Amazon Web Services to deliver our services to customers on our platform, and any disruption of or interference with our use of Amazon Web Services could adversely affect our business, financial condition, and results of operations.

We currently host our platform and support our operations on multiple data centers provided by Amazon Web Services, or AWS, a third-party provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS' facilities have been and could in the future be subject to damage or interruption from natural disasters, cybersecurity attacks, terrorist attacks, power outages, and similar events or acts of misconduct. The occurrence of any of the above circumstances or events and the resulting impact on our platform may harm our reputation and brand, reduce the availability or usage of our platform, lead to a significant short-term loss of revenue, increase our costs, and impair our ability to retain existing customers or attract new customers, any of which could adversely affect our business, financial condition, and results of operations.

Even though our platform is hosted in the cloud solely by AWS, we believe that we could transition to one or more alternative cloud infrastructure providers on commercially reasonable terms. In the event that our agreement with AWS is terminated or we add additional cloud infrastructure service providers, we may experience significant costs or downtime for a short period in connection with the transfer to, or the addition of, new cloud infrastructure service providers. However, we do not believe that such transfer to, or the addition of, new cloud infrastructure service providers would cause substantial harm to our business, financial condition, or results of operations over the longer term.

We depend on the interoperability of our platform across third-party applications and services that we do not control.

We have integrations with various third parties, both within and outside the restaurant ecosystem. Third-party applications, products, and services are constantly evolving, and we may not be able to maintain or modify our platform to ensure its compatibility with third-party offerings. In addition, some of our competitors or customers on our platform may take actions that disrupt the interoperability of our platform with their own products or services, or they may exert strong business influence on our ability to, and the terms on which we operate and distribute our platform. As our platform evolves, we expect the types and levels of competition we face to increase. Should any of our competitors or customers on our platform modify their technologies, standards, or terms of use in a manner that degrades the functionality or performance of our platform or is otherwise unsatisfactory to us or gives preferential treatment to our competitors' products or services, our platform, business, financial condition, and results of operations could be adversely affected.

Our partnerships with third parties are an important source of new business for us, and, if those third parties were to reduce their referral of customers to us, our ability to increase our revenue would be adversely affected.

We have partnerships with third parties that are an important source of new business. If any of our third-party partners, such as our partners in the online food marketplace that provide referrals, were to switch to providing marketing support for another payment processor, terminate their relationship with us, merge with or be acquired by one of our competitors, or shut down or become insolvent, we may no longer receive the benefits associated with that relationship, such as new customer referrals, and we also risk losing existing customers and the related payment processing that were originally referred to us by such third party. Any of these events could adversely affect our ability to increase our revenue.

Risks Related to Government Regulation and Other Compliance Requirements

Our business is subject to a variety of U.S. and international laws and regulations, many of which are unsettled and still developing, and our or our customers' failure to comply with such laws and regulations could subject us to claims or otherwise adversely affect our business, financial condition, or results of operations.

The restaurant technology industry and the offering of financial products therein is relatively nascent and rapidly evolving. We are or may become subject to a variety of laws and regulations. Laws, regulations, and standards governing issues such as worker classification, labor and employment, anti-discrimination, online credit card payments and other electronic payments, money transmission and money services, payment and payroll processing, on-demand pay, lending and loan brokering, loan servicing, debt collection, insurance, financial services, gratuities, pricing and commissions, text messaging, subscription services, intellectual property, data retention, privacy, data security, consumer protection, background checks, accessibility, wages, and tax are often complex and subject to varying interpretations, in many cases due to their lack of specificity. The scope and interpretation of existing and new laws, and whether they are applicable to us, is often uncertain and may be conflicting, including varying standards and interpretations between state and federal law, between individual states, and even at the city and municipality level. As a result, their application in practice may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal, state, and local administrative agencies.

It is also likely that if our business grows and evolves and our services are used in a greater number of geographies, we would become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws would be applied to our business and the new laws to which it may become subject.

We may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services, and/or increase our cost of doing business. While we have and will need to continue to invest in the development of policies and procedures in order to comply with the requirements of the evolving, highly regulated regulatory regimes applicable to our business and those of our customers, our compliance programs are relatively nascent and we cannot assure that our compliance programs will prevent the violation of one or more laws or regulations. If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, including any future laws or obligations that we may not be able to anticipate at this time, we could be adversely affected, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources, discontinue certain services or platform features, limit our customer base, or find ways to limit our offerings in particular jurisdictions, which would adversely affect our business. Any failure to comply with applicable laws and regulations could also subject us to claims and other legal and regulatory proceedings, fines, or other penalties, criminal and civil proceedings, forfeiture of significant assets, revocation of licenses, inability to offer our products and services in all jurisdictions as we do currently, and other enforcement actions. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could adversely affect our reputation or otherwise impact the growth of our business.

Further, from time to time, we may leverage third parties to help conduct our businesses in the United States or abroad. We may be held liable for any corrupt or other illegal activities of these third-party partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Illegal or improper activities of customers or customer noncompliance with laws and regulations governing, among other things, online credit card payments, financial services, gratuities, pricing and commissions, insurance, data retention, privacy, data security, consumer protection, wages, and tax could expose us to liability and adversely affect our business, brand, financial condition, and results of operations. While we have implemented various measures intended to anticipate, identify, and address the risk of these types of activities, these measures may not adequately address or prevent all illegal or improper activities by these parties from occurring and such conduct could expose us to liability, including through litigation, or adversely affect our brand or reputation.

We are subject to extensive and complex rules and regulations, licensing, and examination by various federal, state and local government authorities and government agencies, and a failure to comply with the laws and regulations applicable to us could have a material adverse effect on our business. Further, changes in legislative and regulatory policy affecting payment processing or small business lending could have a material adverse effect on our business.

We are subject to extensive and complex rules and regulations, licensing, and examination by various federal, state and local government authorities designed to protect our customers and guests of our customers when using our financial technology solutions. In connection with our financial technology solutions, we must comply with a number of federal, state and local laws and regulations, including state and federal unfair, deceptive, or abusive acts and practices laws, the Federal Trade Commission Act, the Equal Credit Opportunity Act, the Servicemembers Civil Relief Act, the Electronic Fund Transfer Act, the Gramm-Leach-Bliley Act, and the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd Frank Act. We must also comply with laws related to lending, loan brokering, loan servicing, debt collection, on-demand pay, insurance, money laundering, money transfers, and advertising, as well as a number of domestic and international privacy and information security laws, including the CCPA and the GDPR. Noncompliance with these privacy and security laws could result in significant penalties and remediation obligations. For example, under the GDPR, noncompliance can result in penalties up to the greater of 4% of worldwide annual revenue or €20 million depending on the circumstances. Additionally, we are or may become subject to a wide range of complex laws and regulations concerning the withholding, filing, and remittance of income and payroll taxes in connection with our payroll processing business. We may, in the future, offer additional financial technology solutions to guests of our customers that may be subject to additional laws and regulations or be subject to the aforementioned laws and regulations in novel ways.

Lending facilitated through the Toast Capital platform must comply with anti-discrimination statutes such as the Equal Credit Opportunity Act and state law equivalents that prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. In addition to reputational harm, violations of the Equal Credit Opportunity Act can result in actual damages, punitive damages, injunctive or equitable relief, attorneys' fees, and civil money penalties.

In addition, federal and state financial services regulators are aggressively enforcing existing laws, regulations, and rules and enhancing their supervisory expectations regarding the management of legal and regulatory compliance risks.

This shift in government enforcement policies and priorities may increase the risk that we will be subject to penalties and other materially adverse consequences through government enforcement actions. A finding that we failed to comply with applicable federal, state, and local law could result in actions that make our platform less convenient and attractive to, and potentially unsuitable for, customers and their guests or that have other materially adverse effects on our operations or financial condition.

Our subsidiary, Toast Processing Services LLC, or TPS, holds or is in the process of obtaining money transmitter licenses or similar authorizations in multiple states where they may be required in order for us to offer our payroll processing products. Each of the issuers of licenses has the authority to supervise and examine our activities. Licensing determinations are matters of regulatory interpretation and could change over time. For example, certain states may have a more expansive view than others of what activities qualify as lending, loan brokering, loan servicing, debt collection, on-demand pay, money transmission, or payroll processing and require a license. Government authorities could disagree with our licensing position or our reliance on certain exemptions from licensing requirements or determine that Toast, TPS, or another Toast subsidiary or affiliate should have applied for licenses sooner, and they could require us to obtain such licenses, fine us for unlicensed activity, require us to enter into a consent agreement, or subject us to other investigations and enforcement actions. They could also require us to cease conducting certain aspects of our business until we are properly licensed or deny us a license. An adverse licensing determination or the revocation of a license in one jurisdiction could adversely affect our licensing status in other jurisdictions. There can be no assurance that we will be able to obtain any such licenses, and, even if we are able to do so, we could be required to make products and services changes in order to obtain and maintain such licenses, which could have a material and adverse effect on our business. As we obtain such licenses, we are and will become subject to many additional requirements and limitations, including those with respect to the custody of customer funds; record-keeping requirements; disclosure requirements; examination requirements; annual or biennial activity reporting and license renewal requirements; notification and approval requirements for changes in our officers, directors, stock ownership, or corporate control; permissible investment requirements; capital or minimum net worth requirements; bonding; restrictions on marketing and advertising; qualified individual requirements; anti-money laundering and compliance program requirements; data security and privacy requirements; and review requirements for customer-facing documents. The cost of obtaining and maintaining licenses can be material.

Our subsidiary, Toast Insurance Services, Inc., and certain personnel hold insurance related licenses. We cannot assure you that we, or our licensed personnel, are and will remain at all times, in full compliance with insurance laws and regulations and we may be subject to fines, enforcement actions, void contracts, or our insurance operations in that state may be suspended or prohibited in the event of any non-compliance. If we, or our licensed personnel, apply for new licenses, we may become subject to additional licensing requirements, which we may not be in compliance with at all times.

Our relationship with our bank partner that makes loans to our customers may subject us to regulation as a service provider.

The working capital loans that Importantly, we market to our customers are made by our bank partner. We are a service provider of this bank, providing marketing and loan administration services. Our contract with our bank partner requires us to comply with state and federal lending and servicing-related laws and regulations. In addition, the payroll cards that are offered to our customers' workers are issued by a bank partner. We are a service provider of this bank, providing marketing and account administration services. Our contract with the bank partner requires us to comply with state and federal laws and regulations (including laws that apply only to the bank directly). These contracts with bank partners may make us responsible for program compliance. In the future, we may enter into similar partner arrangements with other state or federally chartered financial institutions that may require us to comply with the laws to which such third parties are subject. As a service provider to financial institutions, such as banks, we are or may become subject to regulatory oversight and examination by the Federal Financial Institutions Examination Council, an interagency body, the Board of Governors of the Federal Reserve System, or the Federal Reserve, the Office of the Comptroller of the Currency, or the OCC, the FDIC, the Consumer Financial Protection Bureau, or CFPB, and various other federal and state regulatory authorities. We also may be subject to similar review by state agencies that regulate our partner financial institutions.

We may be considered a "bank service provider" to our bank partners, and therefore be subject to supervision and regulation by the FDIC in connection with its supervision of the banks. On July 29, 2016, the board of directors of the FDIC released examination guidance relating to third-party lending as part of a package of materials designed to "improve the transparency and clarity of the FDIC's supervisory policies and practices" and consumer compliance measures that FDIC-supervised institutions should follow when lending through a business relationship with a third party. The proposed guidance would cover relationships for originating loans on behalf of, through or jointly with third parties, or using platforms developed by third parties. If adopted as proposed, the guidance would result in increased supervisory attention to institutions that engage in significant lending activities through third parties. The guidance would require at least one examination every 12 months, and it would include supervisory expectations for third-party lending risk management programs and third-party lending policies that contain certain minimum requirements, such as self-imposed limits as a percentage of total capital for each third-party lending relationship and for the overall loan program, relative to origination volumes, credit exposures (including pipeline risk), growth, loan types, and acceptable credit quality. The future formal adoption of this guidance could impose increased operating costs on us. It could also have a material negative impact on our partner financial institutions by making bank service provider arrangements more costly. As a result, we may have increased difficulty in establishing or maintaining such arrangements, each of which could have a material adverse effect on our business, financial condition, and results of operations.

These and other potential changes to laws and regulations and enhanced regulatory oversight of our partner financial institutions may require us to divert more resources to our compliance programs and maintaining our relationships with our partner financial institutions, terminate or modify our relationships with our partner financial institutions, or otherwise limit the manner in which we conduct our business. If we are unable to adapt our products and services to conform to the new laws and regulations, or if these laws and regulations have a negative impact on our clients, we may experience client losses or increased operating costs, which could have a material adverse effect on our business, financial condition, and results of operations.

If loans made by our bank partner were found to violate the laws of one or more states, whether at origination or after sale by our bank partner, loans facilitated through the Toast Capital platform may be unenforceable or otherwise impaired, we may be subject to, among other things, fines and penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations.

When establishing the factor rate and payment structures that are charged to borrowers on loans we market and service, our bank partner relies on certain authority under federal law to export the interest requirements of the state where the bank is located to borrowers in all other states. Further, we rely on the ability of subsequent holders to continue charging such factor rate and payment structures and to enforce other contractual terms of the loans that are permissible under federal banking laws following the acquisition of the loans. In some states, the factor rate of some loans facilitated through the Toast Capital platform, if considered interest, would exceed the maximum interest rate permitted for loans made by non-bank lenders to borrowers residing in, or that have nexus to, such states. In addition, the rate structures for some loans facilitated through the Toast Capital platform may not be permissible in all states for non-bank lenders and/or the amounts charged in connection with loans facilitated through the Toast Capital platform may not be permissible in all states for non-bank lenders.

Usury, fee, and disclosure related claims involving loans facilitated through the Toast Capital platform may be raised in multiple ways. We and our bank partner may face litigation, government enforcement, or other challenge, for example, based on claims that the bank did not establish loan terms that were permissible in the state in which it is located or did not correctly identify the home or host state in which it is located for purposes of interest exportation authority under federal law.

If a borrower or any state agency were to successfully bring a claim against us or our bank partner for a state licensing or usury law violation and the rate at issue on the loan was deemed impermissible under applicable state law, we and our bank partner may face various commercial and legal repercussions, including not receiving the total amount of payments expected, and in some cases, the loans could be deemed void, voidable, rescindable, or otherwise impaired or we or our bank partner may be subject to monetary, injunctive or criminal penalties. Were such repercussions to apply to us, they could have a material adverse effect on our business, financial condition and results of operations; and were such repercussions to apply to our bank partner, it could be discouraged from making loans to our customers. We may also be subject to the payment of damages in situations where we agreed to provide indemnification to our bank partner, as well as fines and penalties assessed by state and federal regulatory agencies.

If loans facilitated through our platform were subject to successful challenge that our bank partner was not the “true lender,” such loans may be unenforceable, subject to rescission, or otherwise impaired, we and our bank partner may be subject to penalties, and/or our commercial relationships may suffer, each which would adversely affect our business and results of operations.

Loans facilitated by Toast Capital are made by our bank partner in reliance on the position that the bank is the "true lender" for such loans. That true lender status determines various elements of the structure of the loan program, including that we do not hold licenses required solely for being the party that makes loans to our customers, and loans facilitated through the Toast Capital platform may involve pricing and payment structures permissible at origination because the lender is a bank, and/or the disclosures provided to borrowers are accurate and compliant in reliance of the status of the lender as a bank. Because the loans facilitated through the Toast Capital platform are made by our bank partner, many state financial regulatory requirements, including usury restrictions (other than the restrictions of the state in which our bank partner made a particular loan is located) and many licensing requirements and substantive requirements under state lender licensing laws, are treated as inapplicable based on principles of federal preemption or express exemptions provided in relevant state laws for certain types of financial institutions or loans they make.

Certain recent litigation and regulatory enforcement has challenged, or is currently challenging, the characterization of bank partners as the "true lender" in connection with programs involving marketing, processing, and/or servicing relationships between a bank partner and non-bank lending platforms. In addition, the House Committee on Financial Services has issued statements and held a hearing in response to concerns that bank partner arrangements undermine consumer safeguards, including state usury laws, and encouraged federal regulators to intervene.

We and our bank partners could also become subject to challenges regarding "true lender" status and, if so, we could face penalties and/or loans facilitated through the Toast Capital platform may be or become void, voidable, or otherwise impaired in a manner that may have adverse effects on our operations (either directly or as a result of an adverse impact on our relationship with our bank partner).

There have been no formal proceedings against us or indications of any proceedings against us to date, but there can be no assurance that state agencies or regulators will not make assertions with respect to the loans facilitated by our platform in the future. If a court or a state or federal enforcement agency were to deem Toast or Toast Capital, rather than our bank partner, the "true lender" for loans facilitated through our platform, and if for this reason (or any other reason) the loans were deemed subject to and in violation of certain state lender licensing and usury laws, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), and other penalties or consequences, and the loans could be rendered void or unenforceable in whole or in part, any of which could have a material adverse effect on our business (directly, or as a result of adverse impact on our relationships with our bank partner).

Changes in legislative and regulatory policy affecting payment processing or small business lending could have a material adverse effect on our business.

We provide our financial technology solutions in a constantly changing legal and regulatory environment. New laws or regulations, or new interpretations of existing laws or regulations, affecting our financial technology solutions could have a materially adverse impact on our ability to operate as currently intended and cause us to incur significant expense in order to ensure compliance. For example, government agencies may impose new or additional rules that (i) prohibit, restrict, and/or impose taxes or fees on payment processing transactions in, to or from certain countries or with certain governments, individuals, and entities; (ii) impose additional client identification and client due diligence requirements; (iii) impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring; (iv) limit the types of entities capable of providing payment processing services, or impose additional licensing or registration requirements; (v) impose minimum capital or other financial requirements; (vi) require enhanced disclosures to our payment processing clients; (vii) cause loans facilitated through the Toast Capital platform, or any of the underlying terms of those loans, to be unenforceable against the relevant borrowers; (viii) limit the number or principal amount of payment processing transactions that may be sent to or from a jurisdiction, whether by an individual or in the aggregate; and (ix) restrict or limit our ability to facilitate processing transactions using centralized databases. These regulatory changes and uncertainties make our business planning more difficult. They could require us to invest significant resources and devote significant management attention to pursuing new business activities, change certain of our business practices or our business model, or expose us to additional costs (including increased compliance costs and/or customer remediation), any of which could adversely impact our results of operations. If we fail to comply with new laws or regulations, or new interpretations of existing laws or regulations, our ability to operate our business, our relationships with our customers, our brand, and our financial condition and results of operations could be adversely affected.

Further, proposals Proposals to change the statutes affecting working capital loans facilitated through the Toast Capital platform may periodically be introduced in Congress and state legislatures. If enacted, those proposals could affect Toast Capital's operating environment in substantial and unpredictable ways. For example, California, New York, Utah and Virginia have enacted laws requiring non-bank commercial financing providers to register with the state financial services regulators and/or to deliver consumer-style disclosures to certain business customers in accordance with agency regulations, including regulations that are being promulgated. These new laws may impose new compliance requirements on previously unregulated aspects of our business, including but not limited to the requirements for new, consumer-style disclosures for certain financial products that we offer or facilitate.

As we expand our presence internationally, we may become subject to the laws, regulations, licensing schemes, industry standards, and payment card networks rules applicable in such jurisdictions, which may require us to invest additional resources to adopt appropriate compliance policies and measures. If we are unable to timely comply with the rules or laws of new jurisdictions in which we conduct business, our business or reputation may be adversely affected.

Our relationship with our bank partner that makes loans to our customers may subject us to regulation as a service provider or a lender, and loans found to be made in violation of applicable law may be unenforceable, which could damage our commercial relationships and adversely affect our business and results of operations.

The working capital loans that we market to our customers are made by our bank partner. We are a service provider of this bank, providing marketing and loan administration services. Our contract with our bank partner requires us to comply with state and federal lending and servicing-related laws and regulations. These contracts with bank partners may make us responsible for program compliance. In the future, we may enter into similar partner arrangements with other state or federally chartered financial institutions that may require us to comply with the laws to which such third parties are subject. As a service provider to financial institutions, such as banks, we are or may become subject to regulatory oversight and examination by the Federal Financial Institutions Examination Council, an interagency body, the Board of Governors of the Federal Reserve System, or the Federal Reserve, the Office of the Comptroller of the Currency, or the OCC, the FDIC, the Consumer Financial Protection Bureau, or CFPB, and various other federal and state regulatory authorities. We also may be subject to similar review by state agencies that regulate our partner financial institutions.

The Interagency Guidance on Third-Party Relationships: Risk Management, jointly adopted by the federal banking regulators in 2023, provides a framework for clarifying the supervisory expectation on financial institutions that engage in financial services (such as lending activities) through third parties. The guidance includes supervisory expectations for third-party risk management programs, diligence, monitoring, and examination. The increased supervisory attention on bank partnership arrangements could make bank service provider arrangements more costly, and lead to increases in our operating costs. Going forward, we may have increased difficulty in establishing or maintaining such arrangements, each of which could have a material adverse effect on our business, financial condition, and results of operations.

These and other potential changes to laws and regulations and enhanced regulatory oversight of our partner financial institutions may require us to divert more resources to our compliance programs and maintaining our relationships with our partner financial institutions, terminate or modify our relationships with our partner financial institutions, or otherwise limit the manner in which we conduct our business. If we are unable to adapt our products and services to conform to the new laws and regulations, or if these laws and regulations have a negative impact on our clients, we may experience client losses or increased operating costs, which could have a material adverse effect on our business, financial condition, and results of operations.

We may also be challenged that our bank partner is not the “true lender” of the loans. Loans facilitated by Toast Capital are made by our bank partner in reliance on the position that the bank is the “true lender” for such loans. That true lender status determines various elements of the structure of the loan program, including that we do not hold licenses required solely for being the party that makes loans to our customers, and loans facilitated through the Toast Capital platform may involve pricing and payment structures permissible at origination because the lender is a bank, and/or the disclosures provided to borrowers are accurate and compliant in reliance of the status of the lender as a bank. Because the loans facilitated through the Toast Capital platform are made by our bank partner, many state financial regulatory requirements, including usury restrictions (other than the restrictions of the state in which our bank partner made a particular loan is located) and many licensing requirements and substantive requirements under state lender licensing laws, are treated as inapplicable based on principles of federal preemption or express exemptions provided in relevant state laws for certain types of financial institutions or loans they make.

Certain recent litigation and regulatory enforcement have challenged, or is currently challenging, the characterization of bank partners as the “true lender” in connection with programs involving marketing, processing, and/or servicing relationships between a bank partner and non-bank lending platforms. In addition, lawmakers have expressed concerns that bank partner arrangements undermine consumer safeguards, including state usury laws, and encouraged federal regulators to intervene. If we were to be determined the “true lender” of loans facilitated through the Toast Capital platform, we could face penalties and/or loans facilitated through the Toast Capital platform may be or become void, voidable, or otherwise impaired in a manner that may have adverse effects on our operations (either directly or as a result of an adverse impact on our relationship with our bank partner).

There have been no formal proceedings against us or indications of any proceedings against us to date, but there can be no assurance that state agencies or regulators will not make assertions with respect to the loans facilitated by our platform in the future. If a court or a state or federal enforcement agency were to deem Toast or Toast Capital, rather than our bank partner, the "true lender" for loans facilitated through our platform, and if for this reason (or any other reason) the loans were deemed subject to and in violation of certain state lender licensing and usury laws, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), and other penalties or consequences, and the loans could be rendered void or unenforceable in whole or in part, any of which could have a material adverse effect on our business (directly, or as a result of adverse impact on our relationships with our bank partner).

NACHA Rules and related oversight are material to our transaction processing business and our failure to comply Last, terms of certain loans facilitated through the Toast Capital platform could, materially harm our business.

Our transaction processing services are subject to the National Automated Clearing House Association Rules, or NACHA Rules. Any changes in the NACHA Rules that increase our cost of doing business or limit our ability to provide processing services to our customers will adversely affect the operation of our business. If we or our customers fail to comply with the NACHA Rules or if our processing of customer transactions is materially or routinely delayed or otherwise disrupted, our partner financial institutions could suspend or terminate our access to NACHA's clearing and settlement network, which would make it impossible for us to conduct our business on its current scale.

Additionally, we periodically conduct audits and self-assessments to verify our compliance with NACHA Rules. If an audit or self-assessment under NACHA Rules identifies any deficiencies that we need to remediate, the remediation efforts may distract our management team and other staff and be expensive and time consuming. NACHA may update its operating rules and guidelines at any time, which could require us to take more costly compliance measures or to develop more complex monitoring systems. Our partner financial institutions could also change their interpretation of NACHA requirements, similarly requiring costly remediation efforts and potentially preventing us from continuing to provide services through such partner financial institutions until we have remediated such issues to their satisfaction.

Failure to comply with anti-money laundering, economic and trade sanctions regulations, the FCPA, and similar laws could subject us to penalties and other adverse consequences.

TPS is registered with the Treasury Department's Financial Crimes Enforcement Network, or FinCEN, as a money services business, or MSB. Registration as an MSB subjects us to the regulatory and supervisory jurisdiction of FinCEN, the anti-money laundering provisions of the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, or the BSA, and its implementing regulations applicable to MSBs. FinCEN may also interpret the BSA and its regulations as requiring registration of our parent company or other subsidiaries as MSBs. State regulators often impose similar requirements on licensed money transmitters. In addition, our contracts with financial institution partners and other third parties may contractually require us to maintain an anti-money laundering program. We are also subject to economic and trade sanctions programs, including those administered by OFAC, which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, terrorists or terrorist organizations, and other sanctioned persons and entities.

We may in the future, operate be challenged as violating applicable lending regulations. When establishing the factor rate and payment structures that are charged to borrowers on loans we market and service, our bank partner relies on certain authority under federal law to export the interest requirements of the state where the bank is located to borrowers located in other states. Further, we rely on the ability of subsequent holders to continue charging such factor rate and payment structures and to enforce other contractual terms of the loans that are permissible under federal banking laws following the acquisition of the loans. In some states, the factor rate of some loans facilitated through the Toast Capital platform, if considered interest, may exceed the maximum interest rate permitted from time to time for loans made by non-bank lenders to borrowers located in such states. In addition, the rate structures for some loans facilitated through the Toast Capital platform may not be permissible in all states for non-bank lenders and/or the amounts charged in connection with loans facilitated through the Toast Capital platform may not be permissible in all states for non-bank lenders.

Usury, fee, and disclosure related claims involving loans facilitated through the Toast Capital platform may be raised in multiple ways. We and our bank partner may face litigation, government enforcement, or other challenge, for example, based on claims that the bank did not establish loan terms that were permissible in the state in which it is located or did not correctly identify the home or host state in which it is located, or in which the borrower is located, for purposes of interest exportation authority under federal law.

If a borrower or any state agency were to successfully bring a claim against us or our bank partner for a state licensing or usury law violation and the rate at issue on the loan was deemed impermissible under applicable state law, we and our bank partner may face various commercial and legal repercussions, including not receiving the total amount of payments expected, and in some cases, the loans could be deemed void, voidable, rescindable, or otherwise impaired or we or our bank partner may be subject to monetary, injunctive or criminal penalties. Were such repercussions to apply to us, they could have a material adverse effect on our business, in foreign countries where companies often engage in business practices that are prohibited by U.S. financial condition and other regulations applicable results of operations; and were such repercussions to us. apply to our bank partner, it could be discouraged from making loans to our customers. We are may also be subject to anti-corruption laws the payment of damages in situations where we agreed to provide indemnification to our bank partner, as well as fines and regulations, including the FCPA penalties assessed by state and other laws that prohibit the making or offering of improper payments to foreign government officials and political figures, including anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the SEC. These laws prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have implemented policies, procedures, systems, and controls designed to identify and address potentially impermissible transactions under such laws and regulations; however, there can be no assurance that all of our employees, consultants, and agents, including those that may be based in or from countries where practices that violate U.S. or other laws may be customary, will not take actions in violation of our policies, for which we may be ultimately responsible. federal regulatory agencies.

Our failure to comply with anti-money laundering, economic, and trade sanctions regulations, the FCPA, and similar laws could subject us to substantial civil and criminal penalties or result in the loss or restriction of our federal MSB registration and state money transmitter licenses (or the inability to obtain new licenses necessary to operate in certain jurisdictions). We may also face liability under our contracts with third parties, which may significantly affect our ability to conduct some aspects of our business. Additionally, changes in this regulatory environment may significantly affect or change the manner in which we currently conduct some aspects of our business. For example, bank regulators are imposing additional and stricter requirements on banks to ensure they are meeting their BSA obligations, and banks are increasingly viewing money services businesses, as a class, to be higher risk customers for money laundering. As a result, our bank partners may limit the scope of services they provide to us or may impose additional requirements on us. These regulatory restrictions on banks and changes to banks' internal risk-based policies and procedures may result in a decrease in the number of banks that may do business with us, may require us to change the manner in which we conduct some aspects of our business, may decrease our revenue and earnings and could have a materially adverse effect on our results of operations or financial condition.

Our involvement in our payroll and transaction processing services could be subject to federal and state money service business or money transmitter registration and licensing requirements that could result in substantial compliance costs, and our business could be adversely affected if we fail to predict how a particular law or regulation should be applied to our business.

In jurisdictions where we are involved in providing payroll processing services, including as a result of our acquisition of StratEx Holdco, LLC, or StratEx, we may be required to apply for a state money transmitter or similar license or registration. StratEx had not historically obtained state money transmitter licenses in connection with its payroll services based on the position that it has the benefit of various state exemptions relating, among other things, to the nature of the payroll and other services that it provides. Nevertheless, governmental authorities in various states may determine that such exemptions were not available and that StratEx was required Failure to comply with state money transmitter licensing requirements. We are applying for state money transmitter licenses for TPS, which will be administering our payroll processing services after such licenses are obtained. In anti-money laundering, economic and trade sanctions regulations, the course of such license applications, or otherwise, one or more state governmental authorities may determine that the activities conducted by StratEx required a money transmitter or FCPA, and similar license laws could subject us to penalties and assess fines related to the activities that StratEx engaged in on an unlicensed basis. other adverse consequences.

In addition, while While we believe we have defensible arguments in support of our positions that our involvement in our transaction processing services is not subject to federal money services business, or MSB, registration and state money transmitter licensing in all states, we have not expressly obtained confirmation of such positions from FinCEN or all state regulators that administer the state money transmission or payroll processor laws. It is possible that certain state regulators may determine that our activities are subject to licensing. Any determination that we are in fact required to be licensed in a state that we have not already had a license may require substantial expenditures of time and money and could lead to liability in the nature of penalties or fines, costs, legal fees, reputational damage, or other negative consequences as well as cause us to be required to cease operations in some of the states we service, which would result have a material adverse effect on our business, financial condition, results of operations, and reputation. In the past, certain competitors have been found to violate laws and regulations related to money transmission, and they have been subject to fines and other penalties by regulatory authorities. Regulators and third-party auditors have also identified gaps in how similar businesses have implemented anti-money laundering programs. The adoption of new money transmitter, payroll processor, or money services business laws in jurisdictions, or changes in regulators' interpretation of existing state and federal money transmitter, payroll processor, or money services business laws or regulations, could subject us to new registration or licensing requirements. There can be no assurance that we will be able to obtain or maintain any such licenses in all of states where we offer transaction processing services, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material adverse effect on our business. In addition, there are substantial costs and potential product changes involved in maintaining and renewing such licenses, and we could be subject to fines, license revocation, or other enforcement action if we are found to violate disclosure, reporting, anti-money laundering, capitalization, corporate governance, or other requirements of such licenses. An adverse licensing determination or the revocation of a license in one jurisdiction could prevent us from operating certain aspects of our business in that jurisdiction, and could adversely affect our licensing status in other jurisdictions. These factors could impose substantial additional costs, involve considerable delay in the development or provision of our products or services, require significant and costly operational changes, or prevent us from providing our products or services in any given market.

Our offering of stored value cards, gift cards and electronic gift certificates may also trigger various federal and state laws and regulations. The customers who utilize our gift card processing products and services may be subject to these laws and regulations, which may include the Credit Card Accountability Responsibility and Disclosure Act of 2009. In addition, the payroll cards that are offered to our customers' workers are issued by a bank partner. We are a service provider of this bank, providing marketing and account administration services. Our contract with the bank partner requires us to comply with state and federal laws and regulations (including laws that apply only to the bank directly).

TPS is registered with FinCEN as an MSB. Registration as an MSB subjects us to the regulatory and supervisory jurisdiction of FinCEN, the anti-money laundering provisions of the BSA, and its implementing regulations applicable to MSBs. FinCEN may also interpret the BSA and its regulations as requiring registration of our parent company or other subsidiaries as MSBs. State regulators often impose similar requirements on licensed money transmitters. In addition, our contracts with financial institution partners and other third parties may contractually require us to maintain an anti-money laundering program. We are also subject to economic and trade sanctions programs, including those administered by OFAC, which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, terrorists or terrorist organizations, and other sanctioned persons and entities.

We may in the future operate our business in foreign countries where companies often engage in business practices that are prohibited by U.S. and other regulations applicable to us. We are subject to anti-corruption laws and regulations, including the FCPA and other laws that prohibit the making or offering of improper payments to foreign government officials and political figures, including anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the SEC. These laws prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have implemented policies, procedures, systems, and controls designed to identify and address potentially impermissible transactions under such laws and regulations; however, there can be no assurance that all of our employees, consultants, and agents, including those that may be based in or from countries where practices that violate U.S. or other laws may be customary, will not take actions in violation of our policies, for which we may be ultimately responsible.

Our failure to comply with anti-money laundering, economic, and trade sanctions regulations, the FCPA, and similar laws could subject us to substantial civil and criminal penalties or result in the loss or restriction of our federal MSB registration and state money transmitter licenses (or the inability to obtain new licenses necessary to operate in certain jurisdictions). We may also face liability under our contracts with third parties, which may significantly affect our ability to conduct some aspects of our business. Additionally, changes in this regulatory environment may significantly affect or change the manner in which we currently conduct some aspects of our business. For example, bank regulators are imposing additional and stricter requirements on banks to ensure they are meeting their BSA obligations, and banks are increasingly viewing money services businesses, as a class, to be higher risk customers for money laundering. As a result, our bank partners may limit the scope of services they provide to us or may impose additional requirements on us. These regulatory restrictions on banks and changes to banks' internal risk-based policies and procedures may result in a decrease in the number of banks that may do business with us, may require us to change the manner in which we conduct some aspects of our business, may decrease our revenue and earnings and could have a materially adverse effect on our results of operations or financial condition.

Our platform regularly collects and stores personal information and, as a result, both domestic and international privacy and data security laws apply. As these laws are enhanced or new laws are introduced, our business could incur additional costs and liabilities and our ability to perform our services and generate revenue could be impacted.

As we seek to build a trusted and secure platform for and to expand our network of customers and facilitate their transactions and interactions with their guests, we will increasingly be subject to laws and regulations relating to the collection, use, retention, privacy, security, and transfer of information, including the personal information of their employees and guests. Domestically, this includes federal as well as state-specific legislation, including but not limited to the CCPA and the Virginia Consumer Data Protection Act, or the VCDPA. CCPA. Additionally, a number of new US U.S. state-specific privacy laws in Colorado, Connecticut and Utah have recently become effective or will become effective in 2023. 2024. As we expand internationally, international privacy laws pertaining to the processing and security of personal information become more relevant to our business, including but not limited to the GDPR, the United Kingdom GDPR and local privacy legislation, as well as Canadian privacy legislation, including Canada's Personal Information Protection and Electronic Documents Act and local provincial legislation. As with the other laws and regulations noted above, these laws and regulations may change or be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible they will be interpreted and applied in ways that will materially and adversely affect our business.

As noted above, many states in which we operate have laws that protect the privacy and security of sensitive and personal information. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information than federal or other state laws, and such laws may differ from each other, which may complicate compliance efforts. For example, California enacted the CCPA, which initially went into effect in January 2020, and became enforceable by the California Attorney General with important amendments that went into effect in July 2020, and which, among other things, January 2023. The CCPA, as amended, requires companies covered by the legislation to provide new disclosures to California consumers and afford such consumers new rights with respect to their personal information, including the right to request deletion of their personal information, the right to receive the personal information on record for them, the right to know what categories of personal information generally are maintained about them, as well as the right to opt-out of certain sales of personal information. information and sharing personal information for certain advertising purposes. The CCPA also granted a new state agency, the California Privacy Protection Agency, powers to adopt and enforce regulations interpreting the CCPA, and the agency is continuing to adopt new rules that may require us to evolve and adapt our compliance strategies. The effects of the CCPA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation. In addition, the CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation.

Additionally, on January 1, 2023, the California Privacy Rights Act, or the CPRA, went into effect and amended the CCPA. The CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information and imposing additional personal information processing and use limitations. The CPRA amendment to the CCPA also creates a new state agency that will be vested with authority to implement and enforce the CCPA. The effects of the CCPA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation.

Certain other state laws, states, such as the VCDPA, Virginia, Colorado, Connecticut, and Utah, have passed and implemented consumer privacy laws that impose similar privacy obligations as the CCPA and we CCPA. Additional states have passed consumer privacy laws that will come into force over the next few years. We anticipate that more states may enact legislation similar to the CCPA the VCDPA and the forthcoming state privacy laws, in 2023, which provides provide consumers with new privacy rights and increases increase the privacy and security obligations of entities handling certain personal information of such consumers. The CCPA and the additional state-specific Moreover, states may pass consumer privacy laws noted above that deviate from or exceed the requirements of the existing laws, or that regulate specific business practices. For example, Washington state's My Health My Data Act will come into effect in 2024 and will require regulated businesses to apply specific protections for consumer health data, which is defined broadly to include certain data categories that are not directly related to health, such as location information. These state privacy developments have prompted a number of proposals for new federal and state-level privacy legislation. legislation and regulation. Such proposed legislation and regulation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies, and the availability of previously useful data, and could result in increased compliance costs and/or changes in business practices and policies.

The regulatory framework governing the collection, processing, storage, use, and sharing of certain information, particularly financial and other personal information, is rapidly evolving and is likely to continue to be subject to uncertainty and varying interpretations. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our services and platform capabilities. Any failure or perceived failure by us, or any third parties with which we do business, to comply with our posted privacy statements or notices, changing consumer expectations, evolving laws, rules and regulations, industry standards, or contractual obligations to which we or such third parties are or may become subject, may result in actions or other claims against us by governmental entities or private actors, the expenditure of substantial costs, time, and other resources or the incurrence of significant fines, penalties, or other liabilities. In addition, any such action, particularly to the extent we were found to have engaged in violations or otherwise liable for damages, would damage our reputation and adversely affect our business, financial condition, and results of operations.

We cannot yet fully determine the impact these or future laws, rules, regulations, and industry standards may have on our business or operations. Any such laws, rules, regulations, and industry standards may be inconsistent among different jurisdictions, subject to differing interpretations or may conflict with our current or future practices. Additionally, our partners and our customers and their guests may be subject to differing privacy laws, rules, and legislation, which may mean that our partners or customers require us to be bound by varying contractual requirements applicable to certain other jurisdictions. If our customers fail to comply with such privacy laws, rules, or legislation, we could be exposed to liability and our business, financial condition, results of operations, and brand could be adversely affected. Adherence to contractual requirements imposed by our partners or customers may impact our collection, use, processing, storage, sharing, and disclosure of various types of information including financial information and other personal information, and may mean we become bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters that may further change as laws, rules, and regulations evolve. Complying with these requirements and changing our policies and practices may be onerous and costly, and we may not be able to respond quickly or effectively to regulatory, legislative, and other developments. These changes may in turn impair our ability to offer our existing or planned features, products, and services, and/or increase our cost of doing business. As we expand our partnerships and our customer base, these requirements may vary from customer to customer, and from guest to guest, further increasing the cost of compliance and doing business.

We publicly post documentation regarding our practices concerning the collection, processing, use, and disclosure of information. Although we endeavor to comply with our published statements, notices, and documentation, we may at times fail to do so or be alleged to have failed to do so. Any failure or perceived failure by us to comply with our privacy statements, notices, or any applicable privacy, security, or data protection, information security, or consumer-protection related laws, regulations, orders, or industry standards could expose us to costly litigation, significant awards, fines or judgments, civil and/or criminal penalties, or negative publicity, and could materially and adversely affect our business, financial condition, and results of operations. The publication of our privacy statements, notices, and other documentation that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices, which could, individually or in the aggregate, materially and adversely affect our business, financial condition, and results of operations.

We have incurred, and may continue to incur, significant expenses to comply with evolving mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, shifting customer and guest expectations, or contractual obligations, both in the U.S. and internationally. We post on our website our privacy statement and practices concerning the collection, use, and disclosure of information. In particular, with laws and regulations such as the CCPA VCDPA and similar laws in the United States imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in an effort to do so. This also applies in the context of international privacy legislation such as the GDPR, UK GDPR and applicable Canadian privacy legislation. Any failure, real or perceived, by us to comply with our posted privacy statements or notices, changing customer and guest expectations, or with any evolving regulatory requirements, interpretations, or orders, other local, state, federal, or international privacy, data protection, information security, or consumer protection-related laws and regulations, industry standards, or contractual obligations could cause our customers to reduce their use of our products and services, disrupt our supply chain or third-party vendor or developer partnerships, and materially and adversely affect our business.

Changes in tax law may adversely affect us or our investors.

We are subject to taxation in the United States and certain other jurisdictions in which we operate. Changes in applicable tax laws or regulations may be proposed or enacted that could materially and adversely affect our effective tax rate, tax payments, results of operations, financial condition and cash flows. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our Class A common stock. Prospective investors should consult their tax advisors regarding the potential consequences of changes in tax law on our business and on the ownership and disposition of our Class A common stock.

Changes

Our future tax rates could be influenced by modifications in accounting standards or alterations in tax laws at the federal, state, or accounting principles international levels, as well as new tax rulings. The U.S. Department of Treasury can issue regulations and provide interpretive guidance, which could affect our future worldwide effective compliance with the law and potentially impact our operational results when issued. Numerous countries are actively considering or implementing changes to their tax rate. The Inflation Reduction Act, or IRA, which was enacted in August 2022, included provisions for a 15% minimum tax on adjusted financial statement income of certain large corporations, as well as an excise tax on certain share buybacks by public corporations. Additionally, various countries and organizations such as legislation following the Organization for Economic Cooperation and Development are Development's adoption of model rules for 15% global minimum tax (often referred to as Pillar 2). Such changes might elevate our tax responsibilities in the process of considering changes to existing frameworks that could impact our company if proposed or new laws are enacted in countries where we operate conduct business or necessitate adjustments in our business. These recent domestic and operational strategies. Evolving global tax developments regulations affecting multinational corporations could significantly influence our operations, lead to an increase in our future global effective tax liability, which in turn could rate and adversely impact our business and future profitability. financial performance.

Under state tax law, we may be deemed responsible for collecting and remitting sales taxes directly to certain states. State tax authorities may raise questions about, or challenge or disagree with, our calculation, reporting, or collection of taxes and may require us to collect taxes or to remit additional taxes and interest and could impose associated penalties and fees. Moreover, an increasing number of states have considered or adopted laws or administrative practices that attempt to impose obligations for online marketplaces, payment service providers, and other intermediaries. These obligations may require us to collect and remit taxes on the merchant customers behalf and take on additional reporting and record-keeping obligations. Any failure by us to prepare for and to comply with these and similar reporting and record-keeping obligations could result in substantial monetary penalties and other sanctions, adversely impact our ability to do business in certain jurisdictions, and harm our business.

Government regulation of the Internet, mobile devices, and e-commerce is evolving, and unfavorable changes could substantially adversely affect our business, financial condition, and results of operations.

We are subject to general business regulations and laws as well as federal and state regulations and laws specifically governing the Internet, mobile devices, and e-commerce that are constantly evolving. Existing and future laws and regulations, or changes thereto, may impede the growth of the Internet, mobile devices, e-commerce, or other online services, increase the cost of providing online services, require us to change our business practices, or raise compliance costs or other costs of doing business. These evolving regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing and commissions, content, copyrights, distribution, social media marketing, advertising practices, sweepstakes, mobile, electronic contracts and other communications, consumer protection, and the characteristics and quality of our services. It is not clear how existing laws governing issues such as property ownership, sales, use, and other taxes, and personal privacy apply to the Internet and e-commerce. In addition, in the future, it is possible that foreign government entities in jurisdictions in which we seek to expand our business may seek to or may even attempt to block access to our mobile applications and website. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation and brand, a loss in business, and proceedings or actions against us by governmental entities or others, which could adversely affect our business, financial condition, and results of operations.

We are developing new products and services that may be subject to additional state or federal laws or regulations or the authority of the Consumer Financial Protection Bureau.

We are constantly developing new products and services to make it easier for our customers to operate their businesses. These new products and services may include features that are subject to additional state or federal laws or regulations or the authority of the CFPB. The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, created the CFPB to assume responsibility for implementing and enforcing most federal consumer financial protection laws and a prohibition on unfair, deceptive, and abusive acts and practices. Under the Dodd-Frank Act, the CFPB can take action against companies that have violated the Dodd-Frank Act, the federal consumer financial protection laws, or CFPB regulations. Due to products and services that are subject to the CFPB's authority, we may face increased scrutiny or examination that could result in regulatory or enforcement actions that adversely affect the operation of our business by increasing our costs or otherwise limiting our ability to provide such products and services.

Risks Related to Our Intellectual Property

If we fail to adequately protect our intellectual property rights, our competitive position could be impaired and we may lose valuable assets or revenue and become subject to costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our intellectual property rights. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual restrictions to establish and protect our intellectual property rights in our products and services. However, the steps we take to protect our intellectual property 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. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Some provisions in our licenses of our technology to customers and other third parties protecting against unauthorized use, copying, transfer, and disclosure of our products may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase.

Our issued patents and any patents issued in the future may not provide us with any competitive advantages, and our patent applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications, or we may not be able to do so at a reasonable cost or in a timely manner. Even if issued, these patents may not adequately protect our intellectual property, as the legal standards relating to the infringement, validity, enforceability, and scope of protection of patent and other intellectual property rights are complex and often uncertain.

Additionally, we have registered, among other trademarks, the name "Toast" in the United States and other jurisdictions. Competitors have and may continue to adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. There could also be potential trade name or trademark infringement claims brought by owners of other trademarks that are similar to our trademarks. Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights and to determine the validity and scope of the proprietary rights of others. Further, we may not timely or successfully register our trademarks or otherwise secure our intellectual property.

We also have registered domain names that we use in, or are related to, our business, most importantly www.toasttab.com. If we are unable to protect our domain names, our brand recognition and reputation would suffer, we would incur significant expense establishing new brands or protecting and maintaining rights in existing domain names and our results of operations would be adversely impacted.

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. These agreements may not be effective in preventing unauthorized use or disclosure of confidential information or controlling access to and distribution of our products or other proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. 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. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and 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 existing products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or harm our reputation or brand. In addition, we may be required to license additional technology from third parties to develop and market new products, and we may not be able to license that technology on commercially reasonable terms or at all. Our inability to license this technology could harm our ability to compete.

We have been, and may in the future be, subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them than we do. Any intellectual property litigation in which we become involved may involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. From time to time, third parties have asserted and may assert patent, copyright, trademark, or other intellectual property rights against us, our partners, or our customers. We have received, and may in the future receive, notices that claim we have misappropriated, misused or infringed other parties' intellectual property rights and, to the extent we gain greater market visibility, especially as a public company, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to the restaurant technology market. In addition, our agreements with customers include indemnification provisions, under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for damages caused by us to property or persons or other third-party claims. Large indemnity payments could harm our business, financial condition, and results of operations.

The outcome of intellectual property claims, with or without merit, could be very time consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also copyrights, or result in our us having to stop using technology found to be in violation of a third-party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of certain products or services and may be unable to compete effectively. Any of these results could harm our business, financial condition, and results of operations.

Our platform makes use of open-source software components, and a failure to comply with the terms of the underlying open-source software licenses could negatively affect our ability to sell our products and subject us to possible litigation.

Our products incorporate and are dependent to a significant extent upon the use of open-source software, and we intend to continue our use 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, depending on how the licensed software is used or modified, that we offer our proprietary software that incorporates the open-source software for little or 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. These potential conditions could enable our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantage. Further, 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 products 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 products. Litigation could be costly for us to defend, negatively affect 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, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our platform. 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 products and technologies. Any requirement that we make available source code for modifications or derivative works we create based upon incorporating or using open-source software or that we license such modifications or derivative works under the terms of open-source licenses, could be harmful to our business, financial condition, or results of operations, and could help our competitors develop products and services that are similar to or better than ours. 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 products, which could disrupt and adversely affect our business.

In addition to risks related to license requirements, usage, and distribution 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 support, warranties, indemnification, controls on the origin or development of the software, remedies against the licensors or other contractual provisions regarding infringement claims or the quality of the code. Many of the risks associated with usage of open-source software cannot be eliminated and could adversely affect our business.

Although we have established procedures to monitor the use of open-source software, we rely on multiple software programmers to design our proprietary software and we cannot be certain that our programmers have never, directly or indirectly, incorporated open-source software into, or otherwise used open-source software in connection with, our proprietary software of which, or in a manner in which, we are not aware, or that they will not do so in the future. It is also possible that we may not be aware of all of our corresponding obligations under open-source licenses. We cannot guarantee that we have incorporated open-source software in our software in a manner that will not subject us to liability or in a manner that is consistent with our current policies and procedures.

We may be unable to continue to use the domain names that we use in our business or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand, trademarks, or service marks.

We have registered domain names that we use in, or are related to, our business, most importantly www.toasttab.com. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our offerings under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. We may not be able to obtain preferred domain names outside the United States for a variety of reasons. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting, maintaining, and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of resources, which could in turn adversely affect our business, financial condition, and results of operations.

Risks Related to Our Class A Common Stock

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

We cannot predict the prices at which our Class A common stock will trade. The market price of our Class A common stock has fluctuated and may fluctuate in the future substantially and will depend on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock, because you might not be able to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our Class A common stock include, but are not limited to, the following:

- actual or anticipated changes or fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships, or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, the downgrading of our stock or our industry, or the stock of any of our competitors, the publication of inaccurate or unfavorable research about our business, or our failure to meet these estimates or the expectations of investors;

- whether investors or securities analysts view our stock structure unfavorably, particularly our dual-class structure and the significant voting control of our executive officers, directors and their affiliates;

- actual or anticipated developments in our business, or our competitors' businesses, or the competitive landscape generally;

59

- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;

- actual or perceived privacy or security breaches or other incidents;

- developments or disputes concerning our intellectual property rights, our products, or third-party proprietary rights;

- announced or completed acquisitions of businesses or technologies by us or our competitors;

- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

- changes in accounting standards, policies, guidelines, interpretations, or principles;

- any significant changes in our management or our board of directors; Board;

60

- general economic conditions, such as rising inflation and interest rates, global recessionary conditions, and slow or negative growth of our markets; and

- other events or factors, including those resulting from hostilities or wars (such as the conflict between Russia Israel-Hamas war and Ukraine) Russia-Ukraine war), incidents of terrorism, natural disasters, public health concerns or epidemics, (such as the COVID-19 pandemic), or responses to these events.

In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Securities litigation, if instituted against us, could result in substantial costs and divert our management's attention and resources from our business. This risk could materially adversely affect our business, financial condition, results of operations, and prospects.

The dual-class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our capital stock prior to our IPO, including our directors, executive officers and their respective affiliates. This ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transactions requiring stockholder approval, and that may adversely affect the trading price of our Class A common stock.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of December 31, 2022 December 31, 2023, we had 169,933,289 114 million shares of Class B common stock outstanding, representing approximately 83% 75% of the voting power of our outstanding capital stock; our 5% stockholders, directors, executive officers, and their affiliates beneficially owned in the aggregate approximately 85% 80% of the voting power of our outstanding capital stock. Even if any These stockholders will have significant influence with respect to the election of our directors or executive officers Board and approval of significant corporate actions, even after they no longer have a service relationship with us, they may continue to have the same influence over matters requiring stockholder approval. us. In addition, because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively could continue to control a majority of the combined voting power of our common stock and therefore control all matters submitted to our stockholders for approval until (i) the date the holders of two-thirds of our outstanding Class B common stock elect to convert the Class B common stock to Class A common stock, or (ii) September 24, 2028. This

The concentrated control voting power of these stockholders could have the effect of delaying or preventing an acquisition of the company or another significant corporate transaction, and may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors and amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions requiring stockholder approval. In addition, this concentrated control may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders. documents. As a result, such concentrated control may adversely affect the market price of our Class A common stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions as specified in our amended and restated certificate of incorporation, such as transfers to family members and certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B common stock could gain significant voting control as other holders of Class B common stock sell or otherwise convert their shares into Class A common stock.

We cannot predict the effect our dual-class structure may have on the market price of our Class A common stock.

We cannot predict whether our dual-class structure will result in a lower or more volatile market price of our Class A common stock, adverse publicity or other adverse consequences. For example, certain index providers have announced and implemented restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it would require new constituents of its indices to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it would no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Also, in 2017, MSCI, a leading stock index provider, opened public consultations on its treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced and implemented policies, the dual-class structure of our common stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices would not invest in our Class A common stock. It is unclear what effect, if any, these policies will have on the valuations of publicly-traded companies excluded from such indices, but it is possible that they may adversely affect valuations, as compared to similar companies that are included. Due to the dual-class structure of our common stock, we will likely be excluded from certain indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

Our principal stockholders will continue to have significant influence over the election of our board of directors and approval of any significant corporate actions, including any sale of the company.

Our founders, executive officers, directors, and other principal stockholders, in the aggregate, beneficially hold a majority of the voting power of our outstanding stock. These stockholders currently have, and likely will continue to have, significant influence with respect to the election of our board of directors and approval or disapproval of all significant corporate actions. The concentrated voting power of these stockholders could have the effect of delaying or preventing an acquisition of the company or another significant corporate transaction.

An active, liquid trading market for our Class A common stock may not be sustained, which may make it difficult for you to sell the Class A common stock you purchase.

We cannot predict if an active and liquid trading market of our Class A common stock will be sustained. If an active and liquid trading market for our Class A common stock is not sustained, you may have difficulty selling any of our Class A common stock at a price above the price you purchase it or at all. If an active market for our Class A common stock is not sustained, our ability to raise capital to fund our operations by selling shares and our ability to acquire other companies or technologies by using our shares as consideration may suffer.

Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that such sales could occur in large quantities, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The market price of our Class A common stock could drop significantly if our stockholders sell, or are perceived as intending to sell, shares of our Class A common stock. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of Class A common stock or other securities.

You may incur dilution as a result of future equity issuances.

Any common stock that we issue under our existing equity incentive plans or other equity incentive plans that we may adopt in the future would dilute the percentage ownership held by our other equity holders. We have, and may in the future, issue securities in connection with investments, acquisitions, or capital raising activities. In particular, the number of shares of our Class A common stock issued in connection with an investment or acquisition, or to raise additional equity capital, could constitute a material portion of our then-outstanding shares of our Class A common stock. Any such issuance of additional securities in the future may result in additional dilution to you or may adversely impact the price of our Class A common stock.

Certain provisions in our charter documents and Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove members of our board of directors Board or current management and may adversely affect our stock price.

Our amended and restated certificate of incorporation and our second amended and restated bylaws contain provisions that could delay or prevent a change in control. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors Board or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors Board with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors; Board;
- the denial of any right of our stockholders to remove members of our board of directors Board except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of the total voting power of all our outstanding voting stock then entitled to vote in the election of directors;
- the ability of our board of directors Board to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors Board to elect a director to fill a vacancy created by the expansion of our board of directors Board or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors; Board;
- provide for a dual-class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairperson of our board of directors, Board, chief executive officer, or by the board of directors Board acting pursuant to a resolution adopted by a majority of our board of directors, Board, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of the then-outstanding voting power of our capital stock; and

- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors Board or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions may discourage proxy contests and delay or prevent attempts by our stockholders to replace or remove our board of directors Board and to cause us to take corporate actions they desire. In addition, because we are incorporated in Delaware, we are subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an "interested stockholder" for a specified period of time. Any of these provisions of our amended and restated certificate of incorporation, second amended and restated bylaws, and Delaware law could limit the price that investors might be willing to pay for shares of our Class A common stock and deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of Class A common stock in an acquisition.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock and do not intend to pay any cash dividends in the foreseeable future. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any dividends to holders of our capital stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Board. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Our second third amended and restated bylaws designate certain specified courts as the sole and exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our second third amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, or the Chancery Court, will be the sole and exclusive forum for state law claims for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of, or a claim based on, a breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws, or (v) any action asserting a claim governed by the internal affairs doctrine, or the Delaware Forum Provision. The Delaware Forum Provision does not apply to any causes of action arising under the Securities Act or the Exchange Act. Our second third amended and restated bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or the Federal Forum Provision. Our second third amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision may impose additional litigation costs on stockholders in pursuing the claims identified above, particularly if the stockholders do not reside in or near the State of Delaware. above. Additionally, the Delaware Forum Provision and the Federal Forum Provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. lawsuits, even though an action, if successful, might benefit our stockholders. While the Delaware Supreme Court ruled in March 2020 that other state courts have upheld the validity of federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court, are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable in an action, we may incur additional costs associated with resolving such an action. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Chancery Court or the federal district courts of the United States of America may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

If securities analysts cease to publish research or reports or publish inaccurate or unfavorable research about our business, if they downgrade our stock or our sector or if our financial results do not meet or exceed the guidance we provide to the public, our stock price could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts and the analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts stops covering us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

In addition, the stock prices of many companies in the technology industry have declined significantly after those companies failed to meet the financial guidance publicly announced by the companies or the expectations of analysts, and stock prices have even declined significantly after such companies exceeded, or even significantly exceeded, such guidance or expectations. If our financial results fail to meet our announced guidance or the expectations of analysts or public investors, or even if our financial results exceed, or even significantly exceed, such guidance or expectations, or if we reduce our guidance for future periods, our stock price may decline.

General Risk Factors

As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and PCAOB regarding our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or report them in a timely manner.

As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC and the Public Company Accounting Oversight Board, or PCAOB. These rules and regulations will require, among other things, that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company place a considerable strain on our financial and management systems, processes, and controls, as well as on our personnel.

We are also required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report on the effectiveness of our internal control over financial reporting as of the end of each fiscal year, which requires us to document and test our internal control over financial reporting. Management's initial certification under Section 404 This assessment must include disclosure of the Sarbanes-Oxley Act was provided with this annual report on Form 10-K. In support of such certification, we were required to document and make significant changes and enhancements, including hiring personnel and establishing any material weaknesses identified by our management in our internal audit functions. Likewise, control over financial reporting. In addition, our independent registered public accounting firm was is required to provide an attestation report on attest to the effectiveness of our internal control over financial reporting reporting. Our compliance with Section 404 of the Sarbanes-Oxley Act requires that we incur substantial expenses and expend significant management efforts. In particular, as of December 31, 2022. We anticipate we continue to grow our business, we will need to continue investing significant resources to develop and refine our disclosure controls, and other procedures. to improve our internal control over financial reporting, which may result in hiring additional accounting and financial personnel to implement such processes and controls.

If we identify future deficiencies in our internal control over financial reporting or if we are unable to comply with the demands that are placed upon us as a public company, including the requirements of Section 404 of the Sarbanes-Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to sanctions or investigations by the SEC or other regulatory authorities. In addition, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting when required, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets and our stock price may be adversely affected.

65

Our current controls and any new controls that we develop may also become inadequate because of changes in our business, and weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could cause us to fail to meet our reporting obligations, result in a restatement of our financial statements for prior periods, undermine investor confidence in us, and adversely affect the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

We have previously identified a material weakness weaknesses in our internal controls over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. We previously identified a material weakness in our internal controls over financial reporting as of for the fiscal year ended December 31, 2022, related to ineffective information technology general controls, or ITGCs, in the area of user access over certain IT systems that support our revenue financial reporting processes. As a result, the related process-level IT dependent manual controls, certain change management controls, and automated application controls for certain key IT systems were also ineffective. Although During the material weakness identified above did not result in any material misstatements in fiscal year ended December 31, 2023, consistent with our consolidated financial statements for previously disclosed remediation plan, we implemented a number of remediation measures and completed our testing of the periods presented operating effectiveness of the controls and there were no changes to previously released financial results, our management concluded that these control weaknesses constitute a material weakness and that our internal control was not they were effective as of December 31, 2022 December 31, 2023.

Our management, under the oversight of the Audit Committee of our Board of Directors and in consultation with outside advisors, has begun evaluating and implementing measures designed to ensure that the control deficiencies contributing to the material weakness are remediated. In particular, While we are taking steps to remediate believe this material weakness by (i) creating and filling an IT Compliance Oversight function; (ii) developing and implementing additional training and awareness programs addressing ITGCs and policies, including educating control owners concerning the principles and requirements was remediated as of each control, with a focus on user access; (iii) increasing the extent of oversight and verification checks included inoperation of user access controls and processes; (iv) deploying additional tools to support administration of user access; and (v) enhancing quarterly management reporting on the remediation measures to the Audit Committee of the Board of Directors. The above controls need to operate for a sufficient period of time so that management can conclude that our controls are operating effectively. As such, the material weakness will not be considered remediated until management has concluded through the implementation of these remediation measures and additional testing that these controls are effective.

While we are designing and implementing new controls and measures to remediate this material weakness as noted above, December 31, 2023, we cannot assure you that we have identified all of our existing material weaknesses, we will not in the measures we are taking will be sufficient to remediate the material weakness or avoid the identification of future have any additional material weaknesses, or that our internal controls over financial reporting will continue to operate effectively in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our periodic reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our Class A common stock.

We incur significant costs as a result of operating as a public company.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the New York Stock Exchange and other applicable securities laws and regulations. The expenses incurred by public companies generally for reporting and corporate governance purposes are greater than those for private companies. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations have increased our legal and financial compliance costs and will increase demand on our systems. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in our public filings, our business and financial condition has become more visible, which may result in threatened or actual litigation, including by competitors. These rules and regulations have and will increase our legal and financial compliance costs and have and will make some activities more difficult, time-consuming, and costly, although we are currently unable to estimate these costs with any degree of certainty.

As a public company subject to enhanced rules and regulations, it is also more expensive for us to obtain directors and officers liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, Board, our board Board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions, and other regulatory action and potentially civil litigation. These factors may therefore strain our resources, divert management's attention, and affect our ability to attract and retain qualified board Board members and executive officers.

Our senior management team has limited experience managing a public company, and regulatory compliance obligations 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, interacting with public company investors and 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 federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We recognize the importance of managing cyber risks that we face and have established processes as part of our enterprise risk management, or ERM, program to identify, assess, and manage risks associated with cybersecurity. Our Board retains oversight of our cybersecurity risk management. Our cybersecurity program is informed by industry standards. In general, we seek to address cybersecurity risks through a cross-functional approach that is designed to preserve the confidentiality, security and availability of the information that we collect and store.

Governance Related to Cybersecurity Risks

Our Board holds oversight responsibility over our strategy and risk management, including risks related to cybersecurity threats. Under the oversight of the Audit Committee, we have implemented an ERM framework that includes processes for identifying, assessing, and responding to cyber risk exposures. The enterprise risk management process is led by our chief compliance officer, where team members are responsible for working with cross-functional counterparts at the Company to assess risks across designated verticals, including cybersecurity. The chief compliance officer reports on the ERM process to the Audit Committee of our Board regularly. In addition, we have established a working council, or our

Enterprise Risk and Compliance Committee, that meets regularly to review and report on the ERM framework to senior leadership.

Our Chief Information Security Officer, or CISO, who has decades of experience in similar roles in the technology industry, leads and oversees our information security program, including our cybersecurity policies and information security team. This team is responsible for implementing processes designed to identify and protect company assets through prevention and detection controls. Through our cybersecurity program, we have developed response and recovery processes and procedures designed to address potential adverse impacts to the company should a cyber event or incident occur. We have implemented a process for employees to complete security and awareness training annually.

Management reports cybersecurity risks to the Enterprise Risk and Compliance Committee in accordance with the risk management program and to our Board's Audit Committee in an effort to keep members of the Audit Committee apprised of the rapidly evolving cyber threat landscape and to enable the assessment of the effectiveness of our overall cybersecurity and compliance programs.

Cyber Risk Management and Strategy

Processes to identify, assess, and manage risks presented by cybersecurity threats are integrated into our overall ERM program and are informed by industry cybersecurity standards. Our CISO, with support from the information security team, leads a risk assessment process to regularly evaluate cybersecurity risks. This process is also supported by periodic security testing and monitoring.

Our CISO reviews and contributes to the cybersecurity risk reporting that is provided to the Audit Committee of our Board on a quarterly basis. The quarterly updates include cybersecurity risk assessment results, which include risks associated with the use of third-party service providers, and cover efforts to mitigate previously identified risks. Our CISO also oversees the incident response team and is responsible for updating our Board on any cybersecurity incidents, including the mitigation and remediation of these incidents, should they occur.

As discussed within “Item 1A, Risk Factors”, we rely on service providers to process sensitive business information. As part of our risk management program, we have implemented a process to conduct a security review of third-party service providers, including through vendor questionnaires and contractual-related security requirements, as appropriate. In addition, we engage third-party experts, including external legal counsel and cybersecurity advisors, to assist in our identification and management of cybersecurity risks as needed. We have established an incident response process to assess, respond, and report in the event that a cybersecurity incident is detected. Management has assembled a committee to assess the materiality of the impact of identified cybersecurity incidents on our business and determine any disclosure obligations arising from such incidents.

Cybersecurity is incorporated into our business strategy as cybersecurity risks may have a negative impact on our business as outlined within “Item 1A, Risk Factors.” Although risks from cybersecurity threats have to date not materially affected us, our business strategy, results of operations or financial condition, we have, from time to time, experienced threats to and security incidents of our and our third-party vendors' data and systems. For more information, please see “Item 1A, Risk Factors.”

Item 2. Properties

Our corporate headquarters is located in Boston, Massachusetts, pursuant to an operating lease, that a portion of which was terminated as of June 2023 and a portion of which expires in 2029. December 2024. In the second half of 2023, we entered into a new lease agreement to relocate our corporate headquarters to 333 Summer Street, Boston Massachusetts 02210. The new lease commenced on December 1, 2023, with its term expiring on June 30, 2028, unless earlier terminated pursuant any provision therein. We use this facility our corporate headquarters for administration, sales and marketing, technology and development and professional services. We also lease additional offices in North America, Europe and Asia for sales, professional services, and other personnel. Asia. We believe that these facilities are generally suitable to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth.

Item 3. Legal Proceedings

We are not currently a party to any litigation or claims that, if determined adversely to us, would have a material adverse effect on our business, operating results, financial condition, or cash flows. We are, from time to time, party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our Class A common stock has been listed on the New York Stock Exchange under the symbol “TOST” since September 22, 2021. Prior to that date, there was no public trading market for our Class A common stock.

Our Class B common stock is neither listed nor traded.

Holders of Record

As of December 31, 2022 December 31, 2023, there were 357 266 holders of record of our Class A common stock. The actual number of stockholders is greater than this number of record holders and includes an indeterminate number of stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

As of December 31, 2022 December 31, 2023, there were 100 62 holders of record of our Class B common stock.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings and do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends will be at the discretion of our board of directors Board and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors Board may deem relevant.

Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Toast, Inc. under the Securities Act, or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our Class A common stock with the cumulative total returns of the Standard & Poor’s 500 Index, or the S&P 500, and the S&P 500 Information Technology Sector Index. An investment of $100 is assumed to have been made in our Class A common stock and in each index on September 22, 2021, the date our Class A common stock began trading on the New York Stock Exchange, and its relative performance is tracked through December 31, 2022 December 31, 2023. The graph uses the closing market price on September 22, 2021 of $62.51 per share as the initial value of our Class A common stock. Data for the S&P 500 and the S&P 500 Information Technology Index assume reinvestment of dividends.

The returns shown are based on historical results and are not intended to suggest future performance.

2605

Recent Sales of Unregistered Securities

In November 2022, September 2023, we issued and donated 546,889 1 million shares of Class A common stock to an independent donor advised fund to further our philanthropic goals through our Toast.org initiative, for consideration consisting of the benefit to the Company related to the purpose of the independent donor advised fund. The offer, sale, and issuance of the securities were deemed to be exempt from registration under Section 4(a)(2) of the Securities Act under the Securities Act as a transaction by an issuer not involving a public offering.

Use of Proceeds From the IPO

Our initial public offering of our Class A common stock was effected pursuant to a Registration Statement on Form S-1 (File No. 333-259104) which was declared effective by the SEC on September 21, 2021. There has been no material change in the planned use of proceeds from our initial public offering as described in our Registration Statement and other periodic reports filed with the SEC.

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks, uncertainties and assumptions. You should read the “Special Note Regarding Forward-Looking Statements” and “Risk Factors” sections of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

The Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, describes principal factors affecting the results of our operations, financial condition and liquidity, as well as our critical accounting policies and estimates that require significant judgment and thus have the most significant potential impact on our Consolidated Financial Statements included elsewhere in this Form 10-K. Our MD&A is organized as follows:

- *Overview*. This section provides a general description of our business, recent developments, and key business metrics.

- *Results of Operations*. This section provides an overview and analysis of our financial results for the year ended December 31, 2023 compared to the year ended December 31, 2022 and for the year ended December 31, 2022 compared to the year ended December 31, 2021 and for the year ended December 31, 2021 compared to the year ended December 31, 2020.

- *Liquidity and Capital Resources*. This section provides an analysis of our liquidity and changes in cash flows, as well as a discussion of available borrowings and contractual commitments.

- *Critical Accounting Policies and Estimates*. This section discusses accounting policies and estimates that require us to exercise subjective or complex judgments in their application. We believe these accounting policies and estimates are important to understanding the assumptions and judgments incorporated in our reported financial results.

OVERVIEW

Toast is a cloud-based, all-in-one digital technology platform purpose-built for the entire restaurant community. Our platform provides a comprehensive suite of SaaS products, financial technology solutions including integrated payment processing, restaurant-grade hardware, and a broad ecosystem of third-party partners. We serve as the restaurant operating system, connecting front of house and back of house operations across service models including dine-in, takeout, delivery, catering, and delivery channels. retail.

We define a live location, or Location, as a unique location that has used Toast Point of Sale, or POS, to record transaction volumes above a minimum threshold, and has not been marked as a churned location as of the date of determination. A Location can use Toast payment services, which we refer to as a Toast Processing Location, or for select enterprise customers, not use Toast's payment services, which we refer to as a Non-Toast Processing Location. Customers of legacy solutions provided by companies that we have acquired that do not use Toast POS, are not included in our Location count.

As of December 31, 2022 December 31, 2023, approximately 79,000 restaurant locations, 106,000 Locations, an increase of 34% year over year, processing approximately $92 billion $126 billion of gross payment volume in the trailing 12 months, partnered with Toast to optimize operations, increase sales, engage guests, and maintain happy employees.

By enabling these capabilities through a single, integrated platform, Toast improves experiences across the restaurant ecosystem:

- **Restaurant operators.** We arm restaurants with a wide range of products and capabilities to address their specific needs regardless of size, location, or business model. As a result, restaurants using Toast often see higher sales and greater operational efficiency.

- **Guests.** We are laser focused on helping our customers deliver memorable guest experiences at scale. Guests can place orders easily, safely, and accurately across web, mobile, and in-person channels for dine-in, takeout, or delivery. In addition, our platform empowers restaurants to utilize their guest data to deliver targeted and personalized experiences with loyalty programs and marketing solutions.

- **Employees.** Our easy-to-learn and easy-to-use technology improves the experience of restaurant employees across Toast customers. Employees are core to delivering great hospitality, and it is critical for restaurants to engage and retain employees in an increasingly competitive labor market. Our products enable new employees to learn quickly through guided workflows, facilitate faster table turns and safer, streamlined operations, and provide greater transparency around, and timely access to, employees' wages.

- **Suppliers.** Our supplier management and accounting products give restaurants the tools to optimize their back-office operations. Managing supplier networks and procurement, and having high visibility into costs, are critical to efficiently operating a restaurant. Our products enable customers to automate manual billing processes, manage inventory, and improve profitability with real-time cost insights on menu items. The seamless integration across our end-to-end platform gives our customers the rich data and reporting capabilities to efficiently operate and manage their restaurants.

The benefits to all stakeholders using the Toast platform create a powerful, virtuous cycle that amplifies our impact on restaurants. Guest satisfaction generates loyalty to restaurants, driving repeat sales, word-of-mouth referrals, and larger checks and tips. This promotes employee satisfaction, helping reduce turnover and motivating employees to continue to raise the bar on the guest experience. In addition, our integrated software and payments platform consolidates data on restaurant sales and operations, which enables our reporting and analytics as well as financial technology solutions, such as working capital loans, to further support our customers' success.

Since our founding, we have translated our love for restaurants into a commitment to innovation and digital transformation for the restaurant industry. As we have expanded our platform, launched new products, and added new partners over time, we have rapidly grown the number of restaurant locations Locations on the Toast platform.

On September 24, 2021, we completed our initial public offering, or IPO, in which we issued and sold 25,000,000 shares of our Class A common stock at the public offering price of $40.00 per share, which included the full exercise of the underwriters' option to purchase additional 3,260,869 shares. We received net proceeds of $944 million after deducting underwriting discounts, commissions, and other offering costs.

Seasonality

Recent Developments We experience seasonality in Macroeconomic Environment

Global events our financial technology solutions revenue, which is largely driven by the level of Gross Payment Volume, or GPV, processed through our platform. For example, customers typically have greater sales during the warmer months, though this effect varies regionally, and macroeconomic conditions can be impacted by seasonal needs of our customers (which may also impact the total number of Toast Processing Locations in such as inflation a period that contributes to our GPV). As a result, our financial technology solutions revenue per Toast Processing Location has historically been stronger in the second and its third quarters. We believe that financial technology solutions revenue from both existing and potential impact on consumer spending, rising interest rates, global supply chain issues future products will continue to represent a significant proportion of our overall revenue mix, and the COVID-19 pandemic have impacted and may seasonality will continue to impact our business. While our business results remain positive, it is difficult to predict the potential impact these factors may have on our future business results because of the uncertainty they have produced or will produce among consumers and the restaurant industry. operations.

Key Business Metrics

	Year Ended December 31,					
	Year Ended December 31,					
	Year Ended December 31,					
		Year Ended December 31,			2022 to 2021	2021 to 2020
(dollars in billions)						
(dollars in billions)						
(dollars in billions)	(dollars in billions)	2022	2021	2020	% Growth	% Growth
Gross Payment Volume (GPV)	Gross Payment Volume (GPV)	$ 91.7	$ 57.0	$ 25.4	61 %	124 %
Gross Payment Volume (GPV)						
Gross Payment Volume (GPV)						

		As of December 31,				
		As of December 31,				
		As of December 31,				
		As of December 31,			2022 to 2021	2021 to 2020
(dollars in millions)						
(dollars in millions)						
(dollars in millions)	(dollars in millions)	2022	2021	2020	% Growth	% Growth
Annualized Recurring Run-Rate (ARR)	Annualized Recurring Run-Rate (ARR)	$ 901	$ 568	$ 326	59 %	74 %
Annualized Recurring Run-Rate (ARR)						
Annualized Recurring Run-Rate (ARR)						

	As of December 31,			2022 to 2021	2021 to 2020
	2022	2021	2020	% Change	% Change
Net Retention Rate (NRR)	118 %	135 %	114 %	(17)%	21 %

	As of December 31,		
	2023	2022	% Change
Net Retention Rate (NRR)	111 %	118 %	(7)%

Gross Payment Volume (GPV)[1]

Gross Payment Volume represents the sum of total dollars processed through the Toast payments platform across all restaurant locations Toast Processing Locations in a given period. GPV is a key measure of the scale of our platform, which in turn drives our financial performance. As our customers generate more sales and therefore more GPV, we generally see higher financial technology solutions revenue.

[1] Please note that numbers may not tie due to rounding to the nearest hundred million.

Annualized Recurring Run-Rate (ARR)

We monitor Annualized Recurring Run-Rate as a key operational measure of the scale of our subscription and payment processing services for both new and existing customers. To calculate this metric, we first calculate recurring run-rate on a monthly basis. Monthly Recurring Run-Rate, or MRR, is measured on the final day of each month for all restaurant locations live on our platform as the sum of (i) our monthly billings of subscription services fees, which we refer to as the subscription component of MRR, and (ii) our in-month adjusted payments services fees, exclusive of estimated transaction-based costs, which we refer to as the payments component of MRR. MRR does not include fees derived from Toast Capital or related costs. MRR is also not burdened by the impact of SaaS credits offered. The MRR calculation includes all locations on the Toast platform and locations on legacy solutions, which have a negligible impact on ARR.

ARR is determined by taking the sum of (i) twelve times the subscription component of MRR and (ii) four times the trailing-three-month cumulative payments component of MRR. We believe this approach provides an indication of our scale, while also controlling for short-term fluctuations in payments volume. Our ARR may decline or fluctuate as a result of a number of factors, including customers' satisfaction with our platform, pricing, competitive offerings, economic conditions, or overall changes in our customers' and their guests' spending levels. ARR is an operational measure, does not reflect our revenue or gross profit determined in accordance with U.S. Generally Accepted Accounting Principles, or GAAP, and should be viewed independently of, and not combined with or substituted for, our revenue, gross profit, and other financial information determined in accordance with GAAP. Further, ARR is not a forecast of future revenue and investors should not place undue reliance on ARR as an indicator of our future or expected results.

Net Retention Rate (NRR)

To calculate our Net Retention Rate, or NRR, we first identify a cohort of customers, or the Base Customers, in a particular month, or the Base Month. For this purpose, we do not consider a customer as a Base Customer unless there is at least one location live on the Toast platform for the entirety of the Base Month. We then divide MRR for the Base Customers in the same month of the subsequent year, or the Comparison Month, by MRR in the Base Month to derive a monthly NRR. MRR in the Comparison Month includes the impact of any churn or contraction of the Base Customers, and by definition does not include any customers added to the Toast platform between the Base Month and Comparison Month. We measure the annual NRR by taking a weighted average of the monthly NRR over the trailing twelve months.

Components of Results of Operations

Revenue

We principally generate revenue from four main sources that are further described below: from: (1) subscription services, (2) financial technology solutions, and (3) hardware and (4) professional services.

Our total revenue consists of the following:

Subscription services. We generate subscription services revenue from Consists primarily of fees charged to customers for access to our software applications, generally over a term ranging from 12 to 36 months. Our subscription services revenue is primarily based on a rate per location, and this rate varies depending on the number of software products purchased, hardware configuration, and employee count at each location.

Financial technology solutions. Revenue from financial technology solutions consists Consists primarily of transaction-based fees paid by customers to facilitate their payment transactions, which are generally calculated as a percentage of the total transaction amount processed plus a per-transaction fee. The transaction fees collected are recognized as revenue on a gross basis. Financial technology solutions revenue also includes fees earned from marketing and servicing working capital loans to our customers through Toast Capital that are originated by a third-party bank. In these arrangements, Toast Capital's bank partner originates all loans, and Toast Capital then services the loans using Toast's payments infrastructure to remit a fixed percentage of daily sales until the loan is paid back. Toast Capital is responsible for purchasing from our bank partner loans in default (or that have been or are scheduled to be charged off) until the aggregate principal amount of such purchased loans equals 15% of the total originated amount for each quarterly loan cohort. Toast Capital earns a servicing fee as well as a credit performance fee that is tied to the portfolio performance.

Hardware. Hardware and professional services. We generate Consists of hardware revenue from the sale of terminals, tablets, handhelds, and related devices and accessories, net of estimated returns.

Professional services. We generate Hardware and professional services revenue from also includes fees charged to customers for professional services which includes installation services, including business process mapping, configuration, and training. These services can be delivered on-site, remotely, or on a self-guided basis.

Costs of Revenue

Costs of revenue consists of expenses that are directly related or closely correlated to revenue generation, including, but not limited to, employee-related costs for customer support and certain operational roles as well as allocated overhead. Employee-related costs consist of salaries, benefits, bonuses, and stock-based compensation expense. Allocated overhead includes certain facilities costs, depreciation expense, and amortization costs associated with internally developed software. Below are descriptions of the types of costs classified within each component of costs of revenue:

Subscription services. Subscription services costs consist of customer support software and associated employee-related costs, hosting costs, professional services costs, other software costs to support our cloud-based platform, and amortization costs associated with internally developed software.

Financial technology solutions. Financial technology solutions costs consist primarily of transaction-based costs, which are mostly fees and costs paid to issuers and card networks as well as other related fees associated with third-party payment processors and fraud management.

Hardware. Hardware costs consist of raw materials and the cost of manufacturing and shipping hardware sold to customers, including terminals, tablets, handhelds, and related devices and accessories. Included in the manufacturing and shipping costs are employee-related costs, professional services costs, and allocated overhead associated with our supply chain and fulfillment teams.

Professional services. Professional services costs consist primarily of employee-related costs and allocated overhead associated with our onboarding team, along with fees paid to third-party service providers engaged to perform installations and other services.

Amortization of acquired intangible assets. Amortization of acquired intangible assets is related to technologies acquired through acquisitions that have the capability of producing revenue.

Operating Expenses

During the year ended December 31, 2020, we incurred certain costs, including severance, lease exit costs, and accelerated depreciation of property and equipment, in connection with a reduction in workforce resulting from changes to our operations as a result of the COVID-19 pandemic.

Our operating expenses consist of the following:

Sales and marketing. Sales and marketing expenses consist primarily of employee-related costs incurred to acquire new customers and increase product adoption across our existing customer base. Marketing expenses also include fees incurred to generate demand through various advertising channels.

Research and development. Research and development expenses consist primarily of uncapitalized employee-related costs associated with improvements to our platform and the development of new product offerings, as well as allocated overhead and expenses associated with the use of third-party software directly related to development of our products and services.

General and administrative. General and administrative expenses consist primarily of expenses related to management and administrative functions, including finance, legal, human resources, and information technology. General and administrative expenses also include costs related to fees paid for certain professional services, including legal, information technology, and tax and accounting services, as well as bad debt and credit related expenses.

Other Income (Expenses)

Our other income and expenses (expenses) consist of the following:

Interest income (expense), net. Consists of interest earned from cash held in money market accounts, interest earned on our marketable securities, offset by interest incurred on our convertible notes, which were issued in June 2020 and repaid in June 2021.

Change in fair value of warrant liability. Represents the change in the fair value of our warrant liability related to warrants issued to purchase shares of our convertible preferred stock and our common stock. The warrant liability is remeasured at fair value at each reporting date which could have a significant effect on other income (expense) and our results of operations during each period. The fair value is based on the trading price of our Class A common stock, as well as other relevant valuation inputs, including estimated volatility of our Class A common stock, strike price, relevant risk-free interest rates, and time to expiration of the warrants, and may fluctuate in subsequent periods.

Change in fair value of derivative liability. Represents the change in fair value of derivative liability related to the conversion option provided for in the convertible notes which were repaid in June 2021.

Loss on debt extinguishment. Represents the loss on settlement of our convertible notes which were repaid in June 2021.

Other income (expense), net. Represents Primarily represents foreign currency transaction gains and losses and changes in fair value of our marketable securities, refundable research and development tax credits, and other items. securities.

Income Tax Benefit (Expense)

Income tax benefit (expense). Consists of U.S. federal and state income tax as well as international taxes in various foreign jurisdictions for the year ended December 31, 2022. jurisdictions. Our effective tax rate fluctuates from period to period due to changes in the mix of income and losses in jurisdictions with a wide range of tax rates, the effect of acquisitions, changes resulting from the amount of recorded valuation allowance, and permanent differences between U.S. generally accepted accounting principles GAAP and local tax laws.

RESULTS OF OPERATIONS

Comparison of The following section discusses the Years Ended December 31, 2022, 2021, fiscal years ended December 31, 2023 and 2020

2022 and provides a year over year comparison between fiscal years ended December 31, 2023 and 2022. Discussions related to year-over-year the fiscal year ended December 31, 2021 and year over year comparisons between 2021 the fiscal years ended December 31, 2022 and 2020 2021 are included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 December 31, 2022, filed with the SEC on March 1, 2022 March 1, 2023, and incorporated herein by reference.

The following table summarizes our results of operations for the years ended December 31, 2022, 2021, and 2020:

	Year Ended December 31,		
(dollars in millions)	**2022**	**2021**	**2020**
Revenue:			
Subscription services	$ 324	$ 169	$ 101
Financial technology solutions	2,268	1,406	644
Hardware	113	112	64
Professional services	26	18	14
Total revenue	2,731	1,705	823
Costs of revenue:			
Subscription services	112	63	40
Financial technology solutions	1,792	1,120	509
Hardware	215	152	85
Professional services	96	52	45
Amortization of acquired intangible assets	5	4	4
Total costs of revenue (1)	2,220	1,391	683
Gross profit	511	314	140

Operating expenses:			
Sales and marketing (1)	319	190	138
Research and development (1)	282	163	109
General and administrative (1)	294	189	113
Total operating expenses	895	542	360
Loss from operations	(384)	(228)	(220)
Other income (expenses):			
Interest income (expense), net	11	(12)	(12)
Change in fair value of warrant liability	95	(97)	(8)
Change in fair value of derivative liability	—	(103)	(7)
Loss on debt extinguishment	—	(50)	—
Other income (expense), net	1	—	(1)
Loss before benefit from income taxes	(277)	(490)	(248)
Benefit from income taxes	2	3	—
Net loss	$ (275)	$ (487)	$ (248)

(1) Includes stock-based compensation expense recognized for the years ended December 31, 2022, 2021, and 2020 as follows:

	Year Ended December 31,		
(dollars in millions)	**2022**	**2021**	**2020**
Costs of revenue	$ 33	$ 12	$ 7
Sales and marketing	50	24	16
Research and development	72	48	30
General and administrative	73	58	33
Total stock-based compensation expense	$ 228	$ 142	$ 86

Revenue

	Year Ended December 31,	2022 to 2021 Change	2021 to 2020 Change
	Year Ended December 31,		
	Year Ended December 31,		
	Year Ended December 31,		

(dollars in millions)								
(dollars in millions)								
(dollars in millions)	(dollars in millions)	2022	2021	2020	Amount	%	Amount	%
Subscription services	Subscription services	$ 324	$ 169	$ 101	$ 155	92 %	$ 68	67 %
Subscription services								
Subscription services								
Financial technology solutions	Financial technology solutions	2,268	1,406	644	862	61 %	762	118 %
Hardware		113	112	64	1	1 %	48	75 %
Professional services		26	18	14	8	44 %	4	29 %
Financial technology solutions								
Financial technology solutions								
Hardware and professional services								
Hardware and professional services								
Hardware and professional services								
Total revenue	Total revenue	$ 2,731	$ 1,705	$ 823	$ 1,026	60 %	$ 882	107 %
Total revenue								
Total revenue								

The increase in subscription services revenue during the year ended December 31, 2022 December 31, 2023 was attributed to growth in live restaurant locations Locations on the Toast platform and the continued increase in the number of products adopted by both new and existing customers.

The increase in financial technology solutions revenue during the year ended December 31, 2022 December 31, 2023 was primarily attributable to the increase in live restaurant locations and Locations on the increase in GPV per processing location, which was due to both higher consumer demand and higher average transaction values.

Hardware revenue increased slightly during the year ended December 31, 2022, primarily due to an increase in hardware sales to new locations and upsell sales to existing locations, mostly offset by the impact of pricing and packaging related to bundled sales. Pricing and packaging of bundled sales benefited revenue in the prior year compared to a negative impact in the current year. Toast platform.

The increase in hardware and professional services revenue during the year ended December 31, 2022 December 31, 2023 was primarily driven by the increase growth in new live locations. Locations.

Costs of Revenue

		Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
		Year Ended December 31,						
		Year Ended December 31,						
		Year Ended December 31,						
(dollars in millions)								
(dollars in millions)								
(dollars in millions)	**(dollars in millions)**	**2022**	**2021**	**2020**	**Amount**	**%**	**Amount**	**%**
Subscription services	Subscription services	$ 112	$ 63	$ 40	$ 49	78 %	$ 23	58 %
Subscription services								
Subscription services								
Financial technology solutions	Financial technology solutions	1,792	1,120	509	672	60 %	611	120 %
Hardware		215	152	85	63	41 %	67	79 %
Professional services		96	52	45	44	85 %	7	16 %
Financial technology solutions								
Financial technology solutions								
Hardware and professional services								
Hardware and professional services								
Hardware and professional services								
Amortization of acquired intangible assets								
Amortization of acquired intangible assets								

Amortization of acquired intangible assets	Amortization of acquired intangible assets	5	4	4	1	25 %	—	— %
Total costs of revenue	Total costs of revenue	$ 2,220	$ 1,391	$ 683	$ 829	60 %	$ 708	104 %
Total costs of revenue								
Total costs of revenue								

The increase in subscription services costs during the year ended December 31, 2022 December 31, 2023 was primarily attributable to an increase in employee-related and overhead costs and contractor services as well as stock-based compensation expense. Higher employee-related costs were driven primarily by increased employee headcount. costs.

The increase in financial technology solutions costs during the year ended December 31, 2022 December 31, 2023 was due to an increase in GPV.

The increase in hardware and professional services costs during the year ended December 31, 2022 December 31, 2023 was attributable to higher hardware shipment volume as a result of growth in new restaurant locations Locations and higher product employee related costs, partially offset by lower hardware freight costs.

The increase in professional services costs during the year ended December 31, 2022 was primarily due to an increase in employee-related and overhead costs and contractor services as well as stock-based compensation expense.

We utilize our hardware and related professional services as customer acquisition tools and price them competitively to reduce barriers to entry for new locations. Locations.

Operating Expenses

Sales and Marketing

	Year Ended December 31,	2022 to 2021 Change	2021 to 2020 Change
	Year Ended December 31,		
	Year Ended December 31,		
	Year Ended December 31,		
(dollars in millions)			

(dollars in millions)								
(dollars in millions)	(dollars in millions)	2022	2021	2020	Amount	%	Amount	%
Sales and marketing	Sales and marketing	$ 319	$ 190	$ 138	$ 129	68 %	$ 52	38 %
Sales and marketing								
Sales and marketing								

The increase in sales and marketing expenses during the year ended December 31, 2022 December 31, 2023 was primarily attributable to a $77 million an increase in employee-related and overhead costs and a $26 million increase in stock-based compensation. Higher employee-related costs were driven primarily by increased employee headcount. of $71 million.

We expect that sales and marketing expenses will increase on an absolute dollar basis as we invest to grow our field-based sales team, increase demand generation, and enhance our brand awareness. We expect sales and marketing expenses as a percentage of revenue will vary from period-to-period over the short-term and decrease over the long-term.

Research and Development

		Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
		Year Ended December 31,						
		Year Ended December 31,						
		Year Ended December 31,						
(dollars in millions)								
(dollars in millions)								
(dollars in millions)	(dollars in millions)	2022	2021	2020	Amount	%	Amount	%
Research and development	Research and development	$ 282	$ 163	$ 109	$ 119	73 %	$ 54	50 %
Research and development								
Research and development								

The increase in research and development expenses during the year ended December 31, 2022 December 31, 2023 was primarily attributable to a $75 million an increase in employee-related and overhead costs and a $24 million increase in stock-based compensation. Higher employee-related costs and stock-based compensation was driven by increased employee headcount. of $67 million.

We plan to continue to hire employees to support our research and development efforts to expand the capabilities and scope of our platform and related products and services. As a result, we expect that research and development expenses will increase on an absolute dollar basis as we continue to invest to support these activities and innovate over the long-term.

General and Administrative

		Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
		Year Ended December 31,						
		Year Ended December 31,						
		Year Ended December 31,						
(dollars in millions)								
(dollars in millions)								
(dollars in millions)	**(dollars in millions)**	**2022**	**2021**	**2020**	**Amount**	**%**	**Amount**	**%**
General and administrative	General and administrative	$ 294	$ 189	$ 113	$ 105	56 %	$ 76	67 %
General and administrative								
General and administrative								

The increase in general and administrative expenses during the year ended December 31, 2022 December 31, 2023 was primarily attributable to employee-related and overhead costs and stock-based-compensation due to increased headcount, as well as an increase in bad debt and credit related expenses mainly due to of $30 million driven by growth in our Toast Capital product offering. Employee-related offering, an increase in employee-related costs of $28 million, and overhead costs, stock-based compensation, and bad debt and credit $12 million, net, in lease termination expenses related expenses increased $48 million, $15 million, and $34 million, respectively. to our corporate headquarters in Boston, MA.

We expect that general and administrative expenses will increase on an absolute dollar basis as we add personnel and enhance our systems, processes, and controls to support the growth of our business as well as our increased compliance and reporting requirements as a public company. We expect general and administrative expenses as a percentage of revenue will vary from period-to-period over the short-term and decrease over the long-term. Restructuring Plan

In February 2024, we announced a restructuring plan, or the Restructuring Plan, designed to promote overall operating expense efficiency, including a reduction in force and certain other actions to reorganize our facilities and operations. As part of this Restructuring Plan, we expect to incur restructuring and restructuring-related charges of approximately $45 to $55 million, primarily related to severance and severance related costs, and certain other costs related to facilities. We expect to complete the Restructuring Plan and incur all related charges by the end of fiscal year 2024 and expect to incur substantially all of these charges in the first quarter of fiscal year 2024. Although we expect certain cost savings in the near-term resulting from the Restructuring Plan, and a reduction in the rate of growth in our operating expenses, as compared to comparative periods, we still expect to see a continued increase in overall total operating expenses.

Interest Income (expense), net

		Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
		Year Ended December 31,						
		Year Ended December 31,						
		Year Ended December 31,						
(dollars in millions)								
(dollars in millions)								
(dollars in millions)	(dollars in millions)	2022	2021	2020	Amount	%	Amount	%
Interest income	Interest income	$ 11	$ (12)	$ (12)	$ 23	(192) %	$ —	— %
Interest income								
Interest income								
N/M - Not meaningful								
N/M - Not meaningful								
N/M - Not meaningful								

The increase in interest income (expense), net in 2022 as compared to 2021 during the year ended December 31, 2023 was attributable to higher interest income generated rates on our investments in marketable securities, as well as decreases in interest expense due to the repayment of convertible notes in 2021. We made our initial investment in marketable securities in October 2021. securities.

Change in Fair Value of Warrant Liability

		Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
		Year Ended December 31,						
		Year Ended December 31,						
		Year Ended December 31,						
(dollars in millions)								
(dollars in millions)								
(dollars in millions)	(dollars in millions)	2022	2021	2020	Amount	%	Amount	%

Change in fair value of warrant liability	Change in fair value of warrant liability	$ 95	$ (97)	$ (8)	$ 192	(198) %	$ (89)	1113 %
Change in fair value of warrant liability								
Change in fair value of warrant liability								

The decrease in the change in fair value of warrant liability in 2022 during the year ended December 31, 2023 was primarily attributable to a lower value of common the change in our stock underlying outstanding warrants at the end of the period compared to price from the beginning of the period.

Change in Fair Value of Derivative Liability

	Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
(dollars in millions)	**2022**	**2021**	**2020**	**Amount**	**%**	**Amount**	**%**
Change in fair value of derivative liability	$ —	$ (103)	$ (7)	$ 103	(100)%	$ (96)	1371 %

The decrease in expense associated with the change in fair value of derivative liability for the year ended December 31, 2022 was due period to the repayment end of our convertible notes period in June 2021 and the extinguishment of the corresponding liability.

Loss on Debt Extinguishment

	Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
(dollars in millions)	**2022**	**2021**	**2020**	**Amount**	**%**	**Amount**	**%**
Loss on debt extinguishment	$ —	$ (50)	$ —	$ 50	(100)%	$ (50)	(100)%

The loss on debt extinguishment for the year ended December 31, 2021 was due to the repayment of our convertible notes in June 2021.

Other Income (Expense), Net

	Year Ended December 31,			2022 to 2021 Change		2021 to 2020 Change	
(dollars in millions)	**2022**	**2021**	**2020**	**Amount**	**%**	**Amount**	**%**
Other income (expense), net	$ 1	$ —	$ (1)	$ 1	100 %	$ 1	(100)%

Other income (expense), net remained materially consistent in 2022 as 2023 when compared to 2021. 2022.

Benefit from Income Taxes

(dollars in millions)	Year Ended December 31, 2022	2021	2020	2022 to 2021 Change Amount	%	2021 to 2020 Change Amount	%
Benefit from income taxes	$ 2	$ 3	$ —	$ (1)	(33)%	$ 3	(100)%

The income tax benefit for the years ended December 31, 2022 and 2021 was due to deferred tax benefit associated with the partial release of our pre-existing valuation allowance. The valuation allowance release arose from deferred tax liabilities that were brought on through the acquisitions of Sling and xtraCHEF, that served as new sources of income.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures described below to supplement our consolidated financial statements prepared and presented in accordance with U.S. Generally Accepted Accounting Principles, or GAAP and to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered substitutes for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP metrics to provide investors insight to the information used by our management to evaluate our business and financial performance. We believe that these measures provide investors increased comparability of our core financial performance over multiple periods with other companies in our industry.

Net Loss (GAAP) and Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA is defined as net income (loss), adjusted to exclude stock-based compensation expense and related payroll tax expense, depreciation and amortization expense, interest income (expense) net, income taxes and certain other income (expense), net, items that are not considered to reflect our operating activities and performance within the ordinary course of business, such as restructuring and restructuring-related expenses, acquisition expenses, fair value adjustments on warrant and derivative liabilities, expenses related to COVID-19 pandemic initiatives resulting from a reduction of workforce in 2020, expenses related to early termination of leases loss on debt extinguishment, (which includes associated asset impairments) and stock-based charitable contribution stock-based expense, and income taxes. as applicable. We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. measure, to Adjusted EBITDA.

We believe Adjusted EBITDA is useful for investors in comparing our financial performance to other companies and from period to period. Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as depreciation and amortization, interest expense, and interest income, which can vary substantially from company to company depending on their financing and capital structures and the method by which their assets were acquired. In addition, Adjusted EBITDA eliminates the impact of certain items that may obscure trends in the underlying performance of our business. Adjusted EBITDA also has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. For example, although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new asset acquisitions. In addition, Adjusted EBITDA excludes stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy. Adjusted EBITDA also does not reflect changes in, or cash requirements for, our working capital needs; interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces the cash available to us; or tax payments that may represent a reduction in cash available to us. The expenses and other items which are excluded from the calculation of Adjusted EBITDA may differ from the expenses and other items that other companies may exclude from Adjusted EBITDA when they report their financial results.

The following table reflects the reconciliation of net loss to Adjusted EBITDA for each of the periods presented:

		Year Ended December 31,					
Year Ended December 31,						Year Ended December 31,	
(in millions)	(in millions)	2022	2021	2020	(in millions)	2023	2022
Net loss	**Net loss**	$(275)	$(487)	$(248)			
Stock-based compensation expense and related payroll tax	Stock-based compensation expense and related payroll tax	232	144	86			
Depreciation and amortization	Depreciation and amortization	24	21	27			
Interest (income) expense, net		(11)	12	12			
Interest income, net							

Termination of leases				
Termination of leases				
Termination of leases				
Stock-based charitable contribution expense				
Change in fair value of warrant liability				
Acquisition expenses				
Other (income) expense, net	Other (income) expense, net	1	—	1
Acquisition expenses		2	1	—
Change in fair value of warrant liability		(95)	97	8
Change in fair value of derivative liability		—	103	7
Reduction of workforce		—	—	10
Termination of leases		(1)	1	3
Loss on debt extinguishment		—	50	—
Charitable contribution stock-based expense		10	19	—
Income tax benefit		(2)	(3)	—
Income tax expense (benefit)				
Adjusted EBITDA	**Adjusted EBITDA**	$(115)	$ (42)	$ (94)

Subscription Services and Financial Technology Solutions Gross Profit (GAAP) and Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit (Non-GAAP)

Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit is defined as subscription services gross profit and financial technology solutions gross profit, adjusted to exclude stock-based compensation expense and related payroll tax expense, and depreciation and amortization expense. We believe this non-GAAP measure is useful to view the resulting figures excluding the aforementioned non-cash charges because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and such amounts vary substantially from company to company depending on their financing and capital structures and the method by which their assets were acquired. We have provided below a reconciliation of Subscription Services and Financial Technology Solutions Gross Profit, the most directly comparable GAAP financial measure, to Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit.

(in millions)	Year Ended December 31, 2023	2022	2021
Revenue:			
Subscription services	$ 500	$ 324	$ 169
Financial technology solutions	3,189	2,268	1,406
Costs of Revenue:			
Subscription services	166	112	63
Financial technology solutions	2,503	1,792	1,120
Subscription Services and Financial Technology Solutions Gross Profit (GAAP)	$ 1,020	$ 688	$ 392

(in millions)	Year Ended December 31, 2023	2022	2021 (1)
Subscription Services and Financial Technology Solutions Gross Profit (GAAP)	$ 1,020	$ 688	$ 392
Stock-based compensation expense and related payroll tax	20	13	5
Depreciation and amortization	17	10	9
Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit (Non-GAAP)	$ 1,057	$ 711	$ 406

(1) In prior periods, Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit was not a key non-GAAP financial measure.

Net Cash Provided by (Used in) Provided by Operating Activities operating activities (GAAP) and Free Cash Flow (Non-GAAP)

Free cash flow is defined as net cash provided by (used in) operating activities reduced by purchases of property and equipment and capitalization of internal-use software costs. costs (referred to as capital expenditures). We believe that free cash flow is a meaningful indicator of our sources of liquidity and capital requirements that provides information to management and investors about in evaluating the amount cash flow trends of cash generated from operations and used for purchases of property and equipment, capitalization of software costs, and investments in our business. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Other companies may calculate free cash flow or similarly titled non-GAAP measures differently, which could reduce the usefulness of free cash flow as a tool for comparison. In addition, free cash flow does not reflect mandatory debt service and other non-discretionary expenditures that are required to be made under contractual commitments and does not represent the total increase or decrease in our cash balance for any given period.

The following table presents a reconciliation of free cash flow to the net cash provided by (used in) operating activities to the free cash flow for each of the periods presented:

	Year Ended December 31,		
(in millions)	**2022**	**2021**	**2020**
Net cash (used in) provided by operating activities	$ (156)	$ 2	$ (125)
Purchase of property and equipment	(16)	(12)	(28)
Capitalized software	(17)	(7)	(8)
Free cash flow	$ (189)	$ (17)	$ (161)

	Year Ended December 31,	
	2023	**2022**
(in millions)		
Net cash provided by (used in) operating activities	$ 135	$ (156)
Capital expenditures	(42)	(33)
Free cash flow	$ 93	$ (189)

LIQUIDITY AND CAPITAL RESOURCES

Upon completion of the IPO, we received net proceeds of $950 million after deducting underwriting discounts and commissions and invested them into interest-generating marketable securities and money market accounts.

Our principal sources of liquidity are cash and cash equivalents and marketable securities. As We also have access to external sources of December 31, 2022, we had cash and cash equivalents liquidity through a credit facility as further described within “Debt” below. The following tables present selected financial information related to our liquidity:

(in millions)	Year Ended December 31, 2023 (1)	Year Ended December 31, 2022 (2)
Cash and cash equivalents	$ 605	$ 547
Marketable securities	519	474
Cash and cash equivalents and marketable securities	$ 1,124	$ 1,021
Available credit facility	$ 330	$ 330
Total	$ 1,454	$ 1,351

(1) Excludes $87 million of $547 million, excluding cash held on behalf of customers and $55 million of $60 million, restricted cash
(2) Excludes $60 million of cash held on behalf of customers and $28 million, of restricted cash

(in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Net cash provided by (used in) operating activities	$ 135	$ (156)
Net cash used in investing activities	(86)	(98)
Net cash provided by financing activities	63	38
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 112	$ (216)

Cash, cash equivalents and marketable securities

The net increase in cash, cash equivalents and marketable securities was primarily due to cash generated from operating activities of $474 million $108 million (which excludes changes in the balance of restricted cash) and proceeds of $36 million generated from the issuance of common stock. This was partially offset by $42 million in cash outflows related to capital expenditures in the period. Cash generated from operating activities was impacted by use of cash for working capital, primarily driven by higher deferred contract acquisition costs, resulting, in part, from continued growth in Locations, partially offset by higher accrued expenses and other current liabilities due to higher financial technology solutions expenses related to our growth in GPV. During the year ended December 31, 2023, the change in net cash provided by (used in) operating activities as compared to the year ended December 31, 2022, was driven by a lower net loss, an increase in non-cash adjustments, primarily related to stock-based compensation expense, amortization of deferred contract acquisition costs, and $330 million available under credit loss expenses, and favorable changes in operating assets and liabilities. The primary sources of cash generated and used in investing and financing activities remained materiality consistent during the years ended December 31, 2023 and 2022.

Looking forward, we expect operating cash flows to continue to expand and scale commensurate with the growth in our revolving credit facility. Cash and operating results. We do not anticipate any material changes, or material changes in trends, related to our net working capital requirements, liquidity or cash equivalents consist of highly liquid investments with original maturities of 90 days or less at flows in the time of purchase, near term, other than those held for sale items disclosed within this Annual Report on Form 10-K.

Debt

During 2021 we entered into a senior secured credit facility, or the 2021 Facility, which we subsequently amended on March 2, 2023 to replace the London Interbank Offered Rate, or LIBOR, with the Secured Overnight Financing Rate, or SOFR. The 2021 Facility is subject to a minimum liquidity covenant of $250 million. As of December 31, 2023 and 2022, total available funds under the 2021 Facility were $330 million and no amounts were drawn or outstanding. In addition, as of December 31, 2023 and 2022, there were also $5 and $8 million in letters of credit outstanding, respectively. See Note 8, "Debt" to our Consolidated Financial Statements included in “Notes to Consolidated Financial Statements” included in this Annual Report on Form 10-K for further information.

Share Repurchase Program

In February 2024, we announced the authorization of a share repurchase program for the repurchase of shares of our Class A common stock, in an aggregate amount of up to $250 million. The repurchase program has no expiration date, does not obligate us to acquire any particular amount of our Class A common stock, and it may be suspended at any time at our discretion. The timing and actual number of shares repurchased may depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. See “Note 18. Subsequent Events (unaudited)" included in this Annual Report on Form 10-K in “Notes to Consolidated Financial Statements”.

Dilution

We calculate our fully diluted share count on an unweighted basis taking our total outstanding share count in addition to unexercised stock options, unvested restricted stock, shares reserved for charitable donations and other securities that can be converted to common stock, such as our warrants to purchase common stock. As of December 31, 2023 our fully diluted share count was as follows:

(shares) (in millions)	Year Ended December 31, 2023 (1)
Class A and B common stock issued and outstanding	543
Options to purchase Class A common stock and Class B common stock	48
Unvested restricted stock units	33
Warrants to purchase Class B common stock	7
Shares reserved for charitable donations	4
Unvested restricted stock	1
Total fully diluted share count	636

(1) Share amounts presented above do not give effect to potential repurchases of common stock under the treasury stock method

For further information see "Note 3. Fair Value Measurements", "Note 11. Common Stock" and "Note 12. Stock-Based Compensation" included in this Annual Report on Form 10-K in "Notes to Consolidated Financial Statements".

Other Capital Requirements

Recent and expected material cash and other capital requirements, in addition to the above also include the following:

- We expect the majority of the charges incurred in connection with the Restructuring Plan to result in cash payments within the next 12 months. See Note 18, "Subsequent Events (unaudited)" included in this Annual Report on Form 10-K in "Notes to Consolidated Financial Statements".

- As of December 31, 2023, our non-cancelable purchase obligations to hardware suppliers totaled $84 million, all of which is due within the next 12 months.

- As of December 31, 2023, operating lease commitments totaled $51 million, of which $13 million is due in 2024 and $38 million is due thereafter. For further information refer to Note 7, "Lessee Arrangements" included in this Annual Report on Form 10-K in "Notes to Consolidated Financial Statements".

- During the year ended December 31, 2023, cash paid for acquisitions net of cash acquired totaled $9 million. We expect to continue making strategic investments and acquisitions, the amounts of which could vary significantly. For further information related to our most recent acquisitions, see Note 9, "Business Combinations" included in this Annual Report on Form 10-K in "Notes to Consolidated Financial Statements".

In addition to the above material cash requirements, we also recognize liabilities associated with financial guarantees related to loan purchase activities. Such activities are further described within Note 2, "Summary of Significant Accounting Policies" included in this Annual Report on Form 10-K in “Notes to Consolidated Financial Statements”. See also Note 17, "Commitments and Contingencies" and Note 7, "Lessee Arrangements" included in this Annual Report on Form 10-K in “Notes to Consolidated Financial Statements”.

We expect continued utilization of our available cash resources to support our ongoing business operations. To the extent applicable, material changes in the ordinary course mix and relative cost of business. Marketable securities consisted such resources, or changes considered necessary to understand our liquidity and financial condition, may also be reflected in our discussion on the results of commercial paper, certificates operations, disclosed within “Results of deposit, corporate bonds, U.S. government agency securities, asset-backed securities Operations” under Item 7, "Management’s Discussion and U.S. Treasury securities. Analysis of Financial Condition and Results of Operations” within this Annual Report on Form 10-K.

We believe that our existing cash and cash equivalents, along with our available borrowing capacity under our credit facility, will be sufficient to meet our working capital needs for at least the next 12 months, including planned capital expenditures, strategic transactions, and investment commitments that we may enter into from time to time. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under “Risk Part I, Item 1A, "Risk Factors”.

In the event that additional financing is required from outside sources, we cannot be sure that any additional financing will be available to us on acceptable terms, if at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
(in millions)	**2022**	**2021**	**2020**
Net cash (used in) provided by operating activities	$ (156)	$ 2	$ (125)
Net cash used in investing activities	(98)	(503)	(36)
Net cash provided by financing activities	38	759	594
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (216)	$ 258	$ 433

Operating Activities

For the year ended December 31, 2022, net cash used in operating activities was $156 million as a result of our net loss for the period, adjusted for certain non-cash items, such as stock-based compensation, the change in fair value of our warrant liabilities, depreciation and amortization, as well as a use of cash for working capital. The change in working capital was primarily driven by higher inventory balances, in part due to the opening of a new facility, as well as higher deferred costs, partially offset by higher accrued expenses and other current liabilities related to our growth in GPV.

For the year ended December 31, 2021, net cash provided by operating activities was $2 million. This resulted from our net loss for the period, adjusted for certain non-cash items, such as stock-based compensation, the change in fair value of derivative liability, the change in fair value of warrant liabilities, loss on debt extinguishment, depreciation and amortization, as well as a use of cash for working capital. The change in working capital was primarily driven by higher deferred costs mostly related to sales compensation and higher prepaid expenses as a result of hardware purchases, partially offset by higher accrued expenses and other current liabilities related to our growth in GPV.

Investing Activities

For the year ended December 31, 2022, cash used in investing activities was $98 million, which consisted primarily of cash paid for purchases of marketable securities and cash paid for an acquisition, partially offset by proceeds from sales and maturities of marketable securities.

For the year ended December 31, 2021, cash used in investing activities was $503 million, which consisted primarily of cash paid for purchases of marketable securities, cash paid for an acquisition, purchases of property and equipment and cash paid for capitalized software.

Financing Activities

For the year ended December 31, 2022, cash provided by financing activities was $38 million, which consisted primarily of an increase in customer funds obligations and proceeds from the exercise of stock options.

For the year ended December 31, 2021, cash provided by financing activities was $759 million, which consisted of proceeds from our IPO, a change in customer funds obligations, proceeds from the exercise of stock options, and proceeds from the issuance of restricted stock, partially offset by repayments of our convertible notes.

Debt

On June 8, 2021, we entered into a senior secured credit facility, or the 2021 Facility, which includes a revolving line of credit equal to $330 million. Interest on outstanding loans under the revolving line of credit is determined based on loan type and accrues at an annual rate, as defined in the agreement, of: (a) LIBO Rate multiplied by the Statutory Reserve Rate, plus 1.50% per annum; or 0.5% per annum plus the highest of: (i) the Prime Rate, (ii) the Federal Reserve Bank of New York Rate plus 0.5%, or (iii) the Adjusted LIBO Rate plus 1.00%. Subsequent to December 31, 2022, interest on outstanding loans will be accrued based on Secured Overnight Financing Rate, or SOFR. The 2021 Facility is subject to a minimum liquidity covenant of $250 million. As of December 31, 2022, no amount was drawn and outstanding under the

2021 Facility which had $330 million available for borrowings. As of December 31, 2022 and 2021, there were $8 million and $13 million of letters of credit outstanding, respectively.

As a result of entering into the 2021 Facility, we became obligated to prepay or redeem convertible notes issued in June 2020. On June 21, 2021, we prepaid all of the outstanding convertible notes with a carrying amount of $183 million, including principal and accrued interest, net of an unamortized discount, for an aggregate cash amount of $249 million, which included an applicable redemption premium. Please refer to Note 9, "Debt" to our Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for further information on this transaction.

10-K.

Contractual Obligations and Commitments and Off-Balance Sheet Arrangements

As of December 31, 2022, our contractual obligations consisted of: (i) operating lease commitments of $112 million, of which $17 million is due in 2023 and $95 million is due thereafter, and (ii) purchase commitments of $231 million, a majority of which are due in 2023. Please refer to Note 8, "Lessee Arrangements" and Note 18, "Commitments and Contingencies" to our Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for a discussion on our lease and purchase commitments.

Please refer to Note 6, "Loan Servicing Activities and Acquired Loans Receivable, Net" to our Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for discussion of credit exposure related to our financial guarantees as of December 31, 2022.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP requires us to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of revenue and expenses during the reporting period. Our most significant We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. By their nature, estimates are inherently subject to a degree of uncertainty. Although we believe that our estimates and judgments the assumptions supporting our assessments are related to revenue recognition, business combinations reasonable, actual results could differ materially from our estimates and other acquired intangible assets, and stock-based compensation expense. Actual results may differ from these estimates. assumptions. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the critical accounting policies described estimates summarized below involve a greater degree of judgment and complexity. Accordingly, these are the estimates and policies we believe are the most critical in fully understanding and evaluating our financial condition and results of operations. For further information see on our critical accounting estimates and policies summarized below, refer to Note 2, "Summary of Significant Accounting Policies" to our Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. 10-K in “Notes to Consolidated Financial Statements”. If the impact of changes in our critical accounting estimates are material or considered necessary to understand our results of operations for the periods presented, then such information is disclosed within this Annual Report on Form 10-K in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Revenue Recognition

We recognize transaction fees for payment processing on a gross basis. Determining whether to recognize revenue on a gross or net basis requires judgment in accordance evaluating whether we are the principal or agent in contracts with ASC 606, *Revenue from Contracts with Customers*, or ASC 606, when customers. We have concluded that we are the principal in providing a customer obtains control managed payment solution. Substantially all of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

During the years ended December 31, 2022, 2021, and 2020, we generated revenue through four revenue streams, including: (1) subscription services, (2) our financial technology solutions (3) hardware, and (4) professional services. revenue relates to our managed payment solution.

Our contracts often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately as opposed to being combined may require judgment. We allocate total arrangement consideration at the inception of an arrangement to each performance obligation using the relative selling price allocation method based on each distinct performance obligation’s standalone selling price, or SSP. Judgment is required to determine Determining the SSP for each distinct performance obligation. We determine the SSP for hardware and professional services revenue using an adjusted market assessment approach which analyzes discounts provided to similar customers based on customer category, sales channel, and size. SSP for subscription services revenue was established using the adjusted market approach considering relevant information, such as current and new customer pricing, renewal pricing, competitor information, market trends, and market share for similar services. SSP for financial technology solutions revenue was determined using our own standalone sales data.

Determining whether to recognize revenue on a gross or net basis obligation requires judgment in evaluating whether we are the principal or agent in contracts with customers. We have concluded that we are the principal in providing a managed payment solution because we control the payment processing services before the customer receives them, perform authorization and fraud check procedures prior to submitting transactions for processing in the payment network, have sole discretion over which third-party acquiring payment processors we will use, and are ultimately responsible to the customers for amounts owed if those acquiring payment processors do not fulfill their obligations. Based upon this evaluation, we recognize transaction fees for payment-processing on a gross basis. significant judgement.

Business Combinations

The acquisition purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition dates. The excess of total consideration over the fair values of the assets acquired and the liabilities assumed is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to intangible assets. Our estimates Valuation techniques generally consist of the market approach, income approach and/or cost approach. An estimate of fair value are based upon can be affected by many assumptions believed that require significant judgment. For example, the income approach and/or cost approach generally requires us to be reasonable, which use assumptions to estimate future cash flows including those related to revenue and expense, long-term growth rates, discount rates, future tax rates and assumptions related to the time, cost and effort to recreate the technology acquired. Such assumptions are inherently uncertain and unpredictable and as such, can differ from actual results future events. Our estimate of the fair value of certain assets may differ materially from estimates. During the measurement period, which may be up to one year that determined by others who use different assumptions or utilize different business models and from the acquisition date, we may record adjustments to future cash flows actually realized. There were no impairments of acquired intangible assets through business combinations recognized during the years ended December 31, 2023 and 2022. The fair value of assets acquired and liabilities assumed with the corresponding offset related to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever occurs first, any subsequent adjustments would be recorded within our results of operations. most recent acquisitions is further described in Note 9, "Business Combinations" included in this Annual Report on Form 10-K in “Notes to Consolidated Financial Statements”.

Our intangible assets consist of finite-lived acquired technology and customer relationships assets which are amortized over their estimated useful lives. We evaluate on an ongoing basis the remaining estimated useful life of the intangible assets to determine whether events and circumstances warrant a revision to the remaining amortization period. Such estimates are inherently uncertain since unanticipated events and circumstances may occur which may materially impact these estimates and our actual results. The amortization periods for acquired technology and customer relationships intangible assets is between three years and ten years, respectively.

Stock-Based Compensation Expense

Stock-based compensation expense for stock options and RSUs is recognized over the service period based on the fair value of equity awards on the grant date, net of estimated forfeitures. For RSUs, fair value is based on the New York Stock Exchange, or NYSE, closing price of our Class A common stock on the grant date.

We use the Black-Scholes option-pricing model to determine the estimated fair value of stock option awards. We have limited historical stock option activity and therefore estimate the expected term of stock options granted using the simplified method, which represents the average of the contractual term of the stock option and its weighted-average vesting period. The expected volatility of stock options is based upon the average historical volatility of a number of publicly traded companies in a similar industry. We also estimate a forfeiture rate to calculate the stock-based compensation expense for the awards options and restricted stock units, or RSUs, based on an analysis of actual historical experience and expected employee attrition rates.

We will continue to use judgment in evaluating the expected volatility, expected term and forfeiture rate utilized in our stock-based compensation expense calculation for stock option awards on a prospective basis. As we continue to accumulate additional data related to our Class A common stock and forfeiture rates, we may adjust our estimates, which could materially impact our future stock-based compensation expense.

Operating Leases

We enter into operating lease arrangements for real estate office space. We determine at contact inception whether an arrangement represents or contains a lease by evaluating various factors, including whether the arrangement conveys the right to control the use expense inclusive of the identified asset in exchange for consideration.

Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term which are discounted using our estimated incremental borrowing rate because a readily determinable implicit rate is not available. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located, which requires judgment and may impact the reported amounts of Right-of-use assets and lease liabilities.

RSUs.

Total stock-based compensation recognized in fiscal year 2023 related to stock-options was $45 million. For further information related to stock-based compensation expense and key assumptions utilized refer to Note 12, "Stock-Based Compensation Expense" included in this Annual Report on Form 10-K in “Notes to Consolidated Financial Statements”.

Recent Accounting Pronouncements

Refer to the sections titled “Recently Adopted “Recent Accounting Pronouncements” in Note 2 of the Notes "Notes to our Consolidated Financial Statements Statements" included in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for more information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations in North America, Europe and Asia, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign currency exchange risks.

Interest Rate Sensitivity

We are exposed to interest rate risk related primarily to our investment portfolio. Changes in interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the fair value of those securities. We had cash and cash equivalents of $547 million $605 million and marketable securities of $474 million $519 million as of December 31, 2022 December 31, 2023. Our cash and cash equivalents are held primarily in cash deposits and money market funds, and the securities are considered investment-grade debt securities and classified as available-for-sale. The securities are recorded at fair value in the Consolidated Balance Sheets with unrealized gains or losses, net of tax, reported as a separate component of stockholders' equity within "Accumulated accumulated other comprehensive loss." The primary objective of our investment activities is to preserve capital and meet liquidity requirements without significantly increasing risk. We do not enter into investments for speculative purposes.

Based on our investment portfolio balance as of December 31, 2022 December 31, 2023, a hypothetical 100 basis point increase or decrease in interest rates would not have materially affected our financial position. We do not expect that any change in prevailing interest rates will have a material impact on our results of operations.

Foreign Currency Risk

Most of our sales and operating expenses are denominated in U.S. dollars, and therefore, neither our revenue nor operating expenses are currently subject to significant foreign currency risk. A portion of our operating expenses are denominated in Euros, Canadian dollars, Indian rupees and other currencies and may be subject to fluctuations due to changes in foreign currency exchange rates and result in transaction gains and losses that we may need to recognize in our results of operations. To date, foreign currency transaction gains and losses have not been material to our results of operations, and we have not engaged in any foreign currency hedging transactions.

Credit Risk

We are exposed to credit risk on accounts receivable and our loan servicing activities. This risk is mitigated due to our diverse customer base, dispersed over various geographic regions. During the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, we had no customers individually that accounted for more than 10% of our total revenue. No customers individually accounted for more than 10% of our total receivables at December 31, 2022 December 31, 2023 and 2021. 2022. We maintain provisions for potential credit losses and evaluate on an ongoing basis the solvency of our customers and the impact of current and future conditions to determine if additional allowances for credit losses need to be recorded.

Inflation Risk

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the lack of precise estimates, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial. We cannot assure you our business will not be affected in the future by inflation.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Toast, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Toast, Inc. (the Company) as of December 31, 2022December 31, 2023 and 2021, 2022, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2022December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 December 31, 2023 and 2021 , 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control-Integrated Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 1, 2023 February 27, 2024 expressed an adverse unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2021.

Basis for Opinion

These financial statements are the responsibility of the Company’s Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts account or disclosures disclosure to which it relates.

Valuation of Toast Capital Contingent Liability for Expected Credit Losses
Valuation of Acquired Developed Technology

Description of the Matter	As described of December 31, 2023, the contingent liability for expected credit losses related to loan servicing activities through the Toast Capital loan program was $29 million. As discussed in Notes 2 and 5 to the business combinations footnote, consolidated financial statements, the Company acquired 100% records a contingent liability for expected credit losses accounted for under ASC 326 related to the Company's contingent obligation to purchase ineligible loans. Management's measurement of the outstanding capital stock of Sling, Inc. contingent liability for expected credit losses is based on July 6, 2022 for aggregate consideration of $49 million. The transaction was accounted for historical lifetime loss data, as a business combination. well as macroeconomic forecasts applied to the loan portfolio. Auditing the Company's accounting Company's contingent liability for its acquisition expected credit losses involved a high degree of Sling, Inc. was complex due to the significant estimation required by management to determine the fair value of identified intangible assets, including developed technology. The significant estimation was primarily the determination complexity in evaluating loss severity estimates and subjectivity in evaluating management's measurement of the underlying assumptions economic forecasts used within during the valuation model to measure the fair value of the developed technology intangible asset. applicable period.
How We Addressed the Matter in Our Audit	Our audit procedures included, among others, an evaluation of the key assumptions used in the calculation of the contingent liability for credit losses, including model estimates and qualitative factor adjustments, and whether the recorded contingent liability for credit losses appropriately reflects expected credit losses on the loan portfolio. We obtained an understanding, reviewed historical loss statistics, subsequent events and transactions and considered whether they corroborate or contradict the Company's measurement of the contingent liability for credit losses. To test the expected loss forecasting models, with the support of specialists, we evaluated the design model methodology and replicated a sample of models. We also tested the appropriateness of key inputs used in these models by agreeing a sample of inputs to supporting information and tested the operating effectiveness completeness and accuracy of controls the underlying data used by the Company. Our testing procedures over the Company's valuation of the acquired intangible asset, including controls over management's evaluation of underlying key assumptions used to develop

the estimated fair value of the acquired intangible asset.

Our audit procedures to test the estimated fair value of the acquired intangible asset included, among others, evaluating the significant assumptions used within the valuation model. When evaluating the assumptions related comparing forecasted losses and default probabilities to the inputs historical and economic trends, while also considering changes in the business that would drive these results, Company's loan portfolio.

Additionally, we performed evaluated the potential impact of imprecision in the quantitative models and hence the need to consider a sensitivity analysis qualitative adjustment to the contingent liability for credit losses. Regarding measurement of the significant assumptions qualitative factors, we evaluated the methodology applied and data utilized by management to evaluate estimate the change in appropriate level of the fair values that would result from changes in qualitative factors. We also considered if qualitative adjustments were consistent with external macroeconomic factors independently obtained during the assumptions.

audit.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Boston, Massachusetts
March 1, 2023 February 27, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Toast, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Toast Inc.'s internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Toast, Inc. (the

Company) has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management identified a material weakness in internal control related to ineffective information technology general controls, or ITGCs, in the area of user access over certain information technology, or IT, systems that support the Company's revenue financial reporting processes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2022, December 31, 2023 and the related notes (collectively referred to as the "consolidated financial statements"). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and this report does not affect our report dated March 1, 2023, which February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 1, 2023 February 27, 2024

TOAST, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except shares and per share values)

	December 31, 2022	December 31, 2021
Assets:		
Current Assets:		
Cash and cash equivalents	$ 547	$ 809
Marketable securities	474	457
Accounts receivable, net	77	55
Inventories, net	110	42
Deferred costs, net	44	30
Prepaid expenses and other current assets	155	92
Total current assets	1,407	1,485

Property and equipment, net	61	41
Operating lease right-of-use assets	77	79
Intangible assets, net	29	16
Goodwill	107	74
Restricted cash	28	8
Deferred costs, non-current	38	25
Other non-current assets	14	7
Total non-current assets	354	250
Total assets	$ 1,761	$ 1,735
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 30	$ 40
Operating lease liabilities	14	22
Deferred revenue	39	44
Accrued expenses and other current liabilities	413	246
Total current liabilities	496	352
Warrants to purchase common stock	68	181
Deferred revenue, non-current	7	12
Operating lease liabilities, non-current	80	77
Other long-term liabilities	12	22
Total liabilities	663	644
Commitments and Contingencies (Note 18)		
Stockholders' Equity:		
Preferred stock- par value $0.000001; 100,000,000 shares authorized, no shares issued or outstanding	—	—
Class A common stock, $0.000001 par value- 7,000,000,000 shares authorized , 353,094,009 shares issued and outstanding as of December 31, 2022; 7,000,000,000 shares authorized , 167,732,925 issued and outstanding at December 31, 2021	—	—
Class B common stock, $0.000001 par value- 700,000,000 shares authorized , 169,933,289 shares issued and outstanding as of December 31, 2022; 700,000,000 shares authorized , 339,437,440 issued and outstanding at December 31, 2021	—	—
Treasury stock, at cost- 225,000 shares outstanding at December 31, 2022 and 2021, respectively	—	—
Accumulated other comprehensive loss	(2)	(1)
Additional paid-in capital	2,477	2,194
Accumulated deficit	(1,377)	(1,102)
Total stockholders' equity	1,098	1,091
Total liabilities and stockholders' equity	$ 1,761	$ 1,735

	December 31,	
	2023	2022
Assets:		
Current Assets:		
Cash and cash equivalents	$ 605	$ 547
Marketable securities	519	474
Accounts receivable, net	69	77
Inventories, net	118	110
Other current assets	259	199
Total current assets	1,570	1,407
Property and equipment, net	75	61
Operating lease right-of-use assets	36	77
Intangible assets, net	26	29
Goodwill	113	107
Restricted cash	55	28
Other non-current assets	83	52
Total non-current assets	388	354
Total assets	$ 1,958	$ 1,761
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 32	$ 30
Deferred revenue	39	39
Accrued expenses and other current liabilities	592	427
Total current liabilities	663	496
Warrants to purchase common stock	64	68
Operating lease liabilities, non-current	33	80
Other long-term liabilities	4	19
Total liabilities	764	663
Commitments and Contingencies (Note 17)		
Stockholders' Equity:		
Preferred stock - par value $0.000001; 100 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.000001 par value: Class A - 7,000 shares authorized; 429 and 353 shares issued and outstanding as of December 31, 2023 and 2022, respectively; Class B - 700 shares authorized; 114 and 170 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—

Treasury stock, at cost - no and 0 shares outstanding as of December 31, 2023 and 2022, respectively	—	—
Accumulated other comprehensive loss	—	(2)
Additional paid-in capital	2,817	2,477
Accumulated deficit	(1,623)	(1,377)
Total stockholders’ equity	1,194	1,098
Total liabilities and stockholders’ equity	$ 1,958	$ 1,761

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

TOAST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except shares and per share amounts)

		Year Ended December 31,		
		2022	2021	2020
	Year Ended December 31,			
	2023			
		Year Ended December 31,		
	2023	2022	2021	
Revenue:	Revenue:			
Subscription services	Subscription services	$ 324	$ 169	$ 101
Subscription services				
Subscription services				
Financial technology solutions	Financial technology solutions	2,268	1,406	644
Hardware		113	112	64
Professional services		26	18	14
Hardware and professional services				
Total revenue				
Total revenue				
Total revenue	Total revenue	2,731	1,705	823

Costs of revenue:	Costs of revenue:			
Subscription services	Subscription services	112	63	40
Subscription services				
Subscription services				
Financial technology solutions	Financial technology solutions	1,792	1,120	509
Hardware		215	152	85
Professional services		96	52	45
Hardware and professional services				
Amortization of acquired intangible assets				
Amortization of acquired intangible assets				
Amortization of acquired intangible assets	Amortization of acquired intangible assets	5	4	4
Total costs of revenue	Total costs of revenue	2,220	1,391	683
Gross profit	Gross profit	511	314	140
Operating expenses:	Operating expenses:			
Sales and marketing				
Sales and marketing				
Sales and marketing	Sales and marketing	319	190	138
Research and development	Research and development	282	163	109
General and administrative	General and administrative	294	189	113
Total operating expenses	Total operating expenses	895	542	360

Loss from operations	Loss from operations	(384)	(228)	(220)
Other income (expenses):	Other income (expenses):			
Interest income (expense), net	Interest income (expense), net	11	(12)	(12)
Interest income (expense), net				
Interest income (expense), net				
Change in fair value of warrant liability				
Change in fair value of warrant liability				
Change in fair value of warrant liability	Change in fair value of warrant liability	95	(97)	(8)
Change in fair value of derivative liability	Change in fair value of derivative liability	—	(103)	(7)
Loss on debt extinguishment	Loss on debt extinguishment	—	(50)	—
Other income (expense), net	Other income (expense), net	1	—	(1)
Loss before benefit from income taxes		(277)	(490)	(248)
Benefit from income taxes		2	3	—
Loss before income taxes				
Income tax (expense) benefit				
Net loss	Net loss	(275)	(487)	(248)
Redemption of Series B Preferred Stock		—	—	(1)
Net loss attributable to common stockholders		$ (275)	$ (487)	$ (249)
Net loss per share attributable to common stockholders:	Net loss per share attributable to common stockholders:			

Net loss per share attributable to common stockholders:							
Net loss per share attributable to common stockholders:							
Basic							
Basic							
Basic	Basic	$	(0.54)	$	(1.68)	$	(1.25)
Diluted	Diluted	$	(0.72)	$	(1.68)	$	(1.25)
Weighted average shares used in computing net loss per share:	Weighted average shares used in computing net loss per share:						
Basic	Basic		511,754,986		289,584,001		199,982,965
Basic							
Basic							
Diluted	Diluted		512,243,106		289,584,001		199,982,965

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

TOAST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Year Ended December 31,					
	2022		2021		2020	
Net loss	$	(275)	$	(487)	$	(248)
Other comprehensive loss:						
Unrealized losses on marketable securities, net of tax effect of $0		(1)		(1)		—
Total other comprehensive loss		(1)		(1)		—
Comprehensive loss	$	(276)	$	(488)	$	(248)

	Year Ended December 31,					
	2023		2022		2021	
Net loss	$	(246)	$	(275)	$	(487)

Other comprehensive gain (loss):			
Unrealized gains (losses) on marketable securities, net of tax effect of $0	2	(1)	(1)
Total other comprehensive gain (loss)	2	(1)	(1)
Comprehensive loss	$ (244)	$ (276)	$ (488)

TOAST, INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in millions, except shares)

	Class A and Class B Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances at December 31, 2021	507,170,365	$ —	225,000	$ —	$ 2,194	$ (1,102)	$ (1)	$ 1,091
Repurchase of common stock	(33,475)	—	—	—	—	—	—	—
Issuance of common stock upon net exercise of common stock warrants	371,573	—	—	—	18	—	—	18
Issuance of common stock upon exercise of common stock options	7,633,661	—	—	—	15	—	—	15
Issuance of common stock upon vesting of restricted stock units	5,962,878	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	235	—	—	235
Vesting of restricted stock	—	—	—	—	4	—	—	4
Issuance of common stock for contingent consideration payment	37,179	—	—	—	1	—	—	1
Issuance of restricted stock in connection with business combination	1,338,228	—	—	—	—	—	—	—
Charitable contribution stock-based expense	546,889	—	—	—	10	—	—	10

Cumulative translation adjustment	—	—	—	—	—	—	—	—
Unrealized loss on marketable securities	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	(275)	—	(275)
Balances at December 31, 2022	523,027,298	$ —	225,000	$ —	$ 2,477	$ (1,377)	$ (2)	$ 1,098

	Convertible Preferred Preferred Stock		Class A and Class B Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**				
Balances at December 31, 2020	253,832,025	$ 849	219,755,430	$ —	225,000	$ —	$ 145	$ (616)	$ —	$ (471)
Cumulative adjustment due to adoption of ASC 842 and ASC 326	—	—	—	—	—	—	—	1	—	1
Repurchase of common stock	—	—	(35,665)	—	—	—	—	—	—	—
Issuance of common stock in connection with business combination	—	—	569,400	—	—	—	15	—	—	15
Issuance of common stock upon exercise of common stock options	—	—	6,307,785	—	—	—	7	—	—	7

Exercise of common stock options in connection with promissory notes repayment	—	—	—	—	—	—	14	—	—	14
Issuance of common stock upon vesting of restricted stock units	—	—	53,570	—	—	—	—	—	—	—
Vesting of restricted stock	—	—	—	—	—	—	4	—	—	4
Stock-based compensation expense (1)	—	—	—	—	—	—	141	—	—	141
Issuance of common stock upon net exercise of common stock warrants	—	—	1,140,931	—	—	—	56	—	—	56
Conversion of preferred stock	(253,832,025)	(849)	253,832,025	—	—	—	849	—	—	849
Issuance of common stock in connection with initial public offering, net of offering costs	—	—	25,000,000	—	—	—	944	—	—	944
Charitable contribution stock-based expense	—	—	546,889	—	—	—	19	—	—	19
Unrealized loss on marketable securities	—	—	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	—	—	(487)	—	(487)

	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
Balances at December 31, 2021	—	$ —	507,170,365	$ —	225,000	$ —	$ 2,194	$ (1,102)	$ (1)	$ 1,091

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

(1) During the year ended December 31, 2021, stock-based compensation expense recorded within additional paid-in capital does not include $2 of expense recognized as a result of the acquisition of xtraCHEF due to accelerated vesting of acquiree option awards on the acquisition date (see Note 3, "Business Combinations").

	Convertible Preferred Preferred Stock		Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2019	209,608,075	447	214,901,400	—	200,000	—	56	(386)	—	(330)
Cumulative adjustment due to adoption of ASC 606	—	—	—	—	—	—	—	18	—	18
Repurchase of common stock	—	—	(1,011,880)	—	25,000	—	—	—	—	—
Redemption of Series B preferred stock	(77,270)	—	—	—	—	—	(1)	—	—	(1)
Issuance of Series F preferred stock	44,301,220	403	—	—	—	—	—	—	—	—
Issuance cost of Series F preferred stock	—	(1)	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of common stock options	—	—	5,865,910	—	—	—	4	—	—	4

Stock-based compensation expense	—	—	—	—	—	—	86	—	—	86
Net loss	—	—	—	—	—	—	—	(248)	—	(248)
Balances at December 31, 2020	253,832,025	$ 849	219,755,430	$ —	225,000	$ —	$ 145	$ (616)	$ —	$ (471)

TOAST, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in millions)

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balances at December 31, 2020	$ 145	$ (616)	$ —	$ (471)
Issuance of common stock under equity plans	25	—	—	25
Cumulative adjustment due to adoption of ASC 842 and ASC 326	—	1	—	1
Issuance of common stock in connection with business combination	15	—	—	15
Stock-based compensation	141	—	—	141
Issuance of common stock upon net exercise of common stock warrants	56	—	—	56
Conversion of preferred stock	849	—	—	849
Issuance of common stock in connection with initial public offering, net of offering costs	944	—	—	944
Issuance of common stock in connection with charitable contribution	19	—	—	19
Other comprehensive loss, net of tax	—	—	(1)	(1)
Net loss	—	(487)	—	(487)
Balances at December 31, 2021	$ 2,194	$ (1,102)	$ (1)	$ 1,091
Issuance of common stock under equity plans	19	—	—	19
Issuance of common stock in connection with business combination	1	$ —	$ —	1
Issuance of common stock upon net exercise of common stock warrants	18	—	—	18

Stock-based compensation	235	—	—	235
Issuance of common stock in connection with charitable contribution	10	—	—	10
Other comprehensive loss, net of tax	—	—	(1)	(1)
Net loss	—	(275)	—	(275)
Balances at December 31, 2022	$ 2,477	$ (1,377)	$ (2)	$ 1,098
Issuance of common stock under equity plans	38	—	—	38
Issuance of common stock upon net exercise of common stock warrants	1	—	—	1
Stock-based compensation	290	—	—	290
Issuance of common stock in connection with business combination	1	—	—	1
Issuance of common stock in connection with charitable contribution	10	—	—	10
Other comprehensive gain, net of tax	—	—	2	2
Net Loss	—	(246)	$ —	(246)
Balances at December 31, 2023	$ 2,817	$ (1,623)	$ —	$ 1,194

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

TOAST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,	Year Ended December 31,		
	2023	2023	2022	2021
Cash flows from operating activities:				
Net loss				
Net loss				
Net loss				

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Stock-based compensation expense
Amortization of deferred contract acquisition costs
Change in fair value of derivative liability
Change in fair value of warrant liability
Loss on debt extinguishment
Loss on debt extinguishment
Loss on debt extinguishment
Credit loss expense
Non-cash interest on convertible notes
Stock-based charitable contribution expense
Asset impairments
Other non-cash items

Changes in operating assets and liabilities:
Account receivable, net
Account receivable, net
Account receivable, net
Other current assets
Other current assets
Other current assets
Deferred contract acquisition costs
Inventories, net
Accounts payable
Accounts payable
Accounts payable
Accrued expenses and other current liabilities
Deferred revenue
Operating lease right-of-use assets and operating lease liabilities, net
Other assets and liabilities
Net cash provided by (used in) operating activities
Cash flows from investing activities:
Cash paid for acquisition, net of cash acquired

Cash paid for acquisition, net of cash acquired
Cash paid for acquisition, net of cash acquired
Capital expenditures
Capital expenditures
Capital expenditures
Purchases of marketable securities
Purchases of marketable securities
Purchases of marketable securities
Proceeds from the sale of marketable securities
Maturities of marketable securities
Other investing activities
Net cash used in investing activities
Cash flows from financing activities:
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Change in customer funds obligations, net
Proceeds from initial public offering, net

	Year Ended December 31,

	2022	2021	2020
Cash flows from operating activities:			
Net loss	$(275)	$(487)	$(248)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	24	21	27
Stock-based compensation expense	228	140	86
Amortization of deferred costs	44	30	15
Change in fair value of derivative liability	—	103	7
Change in fair value of warrant liability	(95)	97	8
Change in deferred income taxes	(5)	(3)	—
Loss on debt extinguishment	—	50	—
Credit loss expense	34	4	—
Non-cash interest on convertible notes	—	12	8
Charitable contribution stock-based expense	10	19	—
Change in fair value of contingent consideration	3	3	—
Other non-cash items	5	2	—
Changes in operating assets and liabilities:			
Account receivable, net	(35)	(23)	(13)
Extinguishment of convertible notes			
Acquired loans and merchant cash advances repaid	4	1	9
Prepaid expenses and other current assets	(40)	(45)	18
Deferred costs, net	(71)	(56)	(25)
Inventories, net	(68)	(23)	(4)
Operating lease right-of-use assets	(4)	16	—

Accounts payable	(11)	15	(6)
Accrued expenses and other current liabilities	116	145	(3)
Deferred revenue	(11)	(2)	(8)
Operating lease liabilities	4	(16)	—
Other assets and liabilities	(13)	(1)	4
Net cash (used in) provided by operating activities	(156)	2	(125)
Cash flows from investing activities:			
Cash paid for acquisition, net of cash acquired	(46)	(26)	—
Capitalized software	(17)	(7)	(8)
Purchases of property and equipment	(16)	(12)	(28)
Purchases of marketable securities	(434)	(469)	—
Proceeds from the sale of marketable securities	46	5	—
Maturities of marketable securities	369	5	—
Other	—	1	—
Net cash used in investing activities	(98)	(503)	(36)
Cash flows from financing activities:			
Proceeds from initial public offering, net	—	950	—
Payment of deferred offering costs	—	(5)	—
Payment of contingent consideration	(2)	—	—
Repayments of secured borrowings	—	—	(9)
Extinguishment of convertible notes Extinguishment of convertible notes	—	(245)	—
Change in customer funds obligations, net	26	24	4
Proceeds from issuance of long-term debt	—	—	195
Proceeds from exercise of stock options	15	21	3

Proceeds from issuance of restricted stock	—	10	—
Proceeds from issuance of Series E and Series F Preferred	—	—	402
Redemption of Series B Preferred	—	—	(1)
Proceeds from exercise of common stock warrants	—	3	—

Extinguishment of convertible notes

Other financing activities

Other financing activities

Other financing activities	Other financing activities	(1)	1	—
Net cash provided by financing activities	Net cash provided by financing activities	38	759	594

Net (decrease) increase in cash, cash equivalents, cash held on behalf of customers and restricted cash	(216)	258	433

Net increase (decrease) in cash, cash equivalents, cash held on behalf of customers and restricted cash

Effect of exchange rate changes on cash and cash equivalents and restricted cash	Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	(1)	2
Cash, cash equivalents, cash held on behalf of customers and restricted cash at beginning of period	Cash, cash equivalents, cash held on behalf of customers and restricted cash at beginning of period	851	594	159

Cash, cash equivalents, cash held on behalf of customers and restricted cash at end period

Cash, cash equivalents, cash held on behalf of customers and restricted cash at end period	$	635	$	851	$	594
Reconciliation of cash, cash equivalents, cash held on behalf of customers and restricted cash						
Cash and cash equivalents						
Cash and cash equivalents	$	547	$	809	$	582
Cash held on behalf of customers		60		34		11
Restricted cash		28		8		1
Total cash, cash equivalents, cash held on behalf of customers and restricted cash	$	635	$	851	$	594
Supplemental disclosure of cash flow information						
Cash paid for interest	$	—	$	13	$	5
Cash paid for income taxes	$	1	$	—	$	—
Supplemental disclosure of non-cash investing and financing activities:						
Purchase of property and equipment included in accounts payable and accrued expenses	$	1	$	1	$	5

Stock-based compensation included in capitalized software		7	1	—
Supplemental disclosure of non-cash investing and financing activities:				
Supplemental disclosure of non-cash investing and financing activities:				
Issuance of Class B common stock upon exercise of common stock warrants	Issuance of Class B common stock upon exercise of common stock warrants	18	56	—
Issuance of Class B common stock for payment of contingent consideration		1	—	—
Issuance of Class B common stock upon exercise of common stock warrants				
Issuance of Class B common stock upon exercise of common stock warrants				
Common stock issued for acquisition	Common stock issued for acquisition	—	15	—
Deferred offering costs included in accounts payable and accrued expenses		—	1	—
Common stock issued for acquisition				
Common stock issued for acquisition				
Conversion of convertible preferred stock into Class B common stock upon initial public offering				
Conversion of convertible preferred stock into Class B common stock upon initial public offering				
Conversion of convertible preferred stock into Class B common stock upon initial public offering	Conversion of convertible preferred stock into Class B common stock upon initial public offering	—	849	—
Issuance of common stock warrants upon debt extinguishment	Issuance of common stock warrants upon debt extinguishment	—	125	—
Deferred payments included in purchase price		2	5	—

Contingent consideration included in purchase price	—	2	—

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

TOAST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share amounts)

1. Description of Business and Basis of Presentation

Toast Inc. ("we, Toast", "we," or the “Company”), is a cloud-based, all-in-one digital technology platform purpose-built for the entire restaurant community. Our platform provides We provide a comprehensive suite platform of software as a service, software-as-a-service, or SaaS, products and financial technology solutions, including integrated payment processing, restaurant-grade hardware, and a broad ecosystem of third-party partners. We serve as the restaurant operating system, connecting front of house and back of house operations across service models including dine-in, takeout, delivery, catering, and delivery channels. retail.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, and the rules and regulations of the Securities and Exchange Commission, or SEC. The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Initial Public Offering and Stock Split

On September 24, 2021, we completed our IPO where we sold 25,000,000 25 million shares of our Class A common stock at the public offering price of $40.00 per share, which included the full exercise of the underwriters’ option to purchase an additional 3,260,869 3 million shares. We received net proceeds of $944 $944 million after deducting underwriting discounts and commissions and other offering costs.

Immediately prior to the completion of our IPO, 253,832,025 254 million shares of convertible preferred stock were automatically converted into an equal number of shares of Class B common stock, and 1,002,035 1 million warrants to purchase shares of Series B and Series C convertible preferred stock were automatically exchanged or became exercisable for the same number of shares of Class B common stock. The holders of our convertible preferred stock had certain voting, conversion, dividend, and redemption rights, as well as liquidation preferences and conversion privileges in respect of the convertible preferred stock which were terminated upon IPO. Each share of Class A common stock entitles the holder to one vote per share and each share of Class B common stock entitles the holder to ten votes per share on all matters submitted to a vote of stockholders. Holders of Class A common stock and Class B common stock are entitled to receive dividends, when and if declared by the our Board of Directors, or the our Board.

Risks and Uncertainties

We are subject to a number of risks and uncertainties, including global events and macroeconomic conditions such as inflation and its potential impact on consumer spending, rising interest rates, global supply chain issues, and any public health concerns, which may also impact consumer behavior, the restaurant industry, and our business.

During 2020, we completed a significant reduction in workforce, pursuant to which we incurred severance costs of $10 and stock-based compensation expense of $3 in connection with the modification of previously issued employee stock option awards.

Reclassifications

Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation. None of the reclassifications materially affected previously reported amounts.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgements and assumptions that can affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from estimates.

Estimates, judgments, and assumptions in these consolidated financial statements include, but are not limited to, those related to revenue recognition, allowance for credit losses, liabilities associated with financial guarantees related to loan repurchase activities, incremental borrowing rates applied in valuation of lease liabilities, fair values and useful lives of assets acquired and liabilities assumed through business combinations, stock-based compensation expense, warrants, convertible debt, debt derivatives and allowance for credit losses, liabilities associated with financial guarantees related to loan purchase activities, incremental borrowing rates applied in valuation of lease liabilities, common stock valuation, as well as the amortization period for deferred contract acquisition costs.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under U.S. GAAP. These include cash and cash equivalents, marketable securities, and warrants to purchase common and preferred stock, contingent consideration liability, non-contingent stand-ready liabilities, and convertible debt-related derivative liabilities. Assets stock. We also measure certain assets and liabilities measured at fair value on a nonrecurring basis basis. These assets and liabilities primarily include assets acquired and liabilities assumed in business combinations. combinations and liabilities related to our obligation to perform under certain financial guarantees (See Note 2, "Summary of Significant Accounting Policies", "Assets and Liabilities Recorded with Loan Servicing Activities"). Impairments, if any, of property and equipment and/or intangible assets, are written down to fair value measured at such time on a nonrecurring basis. Other financial assets and liabilities are carried at cost with fair value disclosed, if required. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- *Level 1*—Quoted prices in active markets for identical assets or liabilities.
- *Level 2*—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The fair value of our marketable securities is determined based on quoted market prices of similar assets and classified as Level 2 within the fair value hierarchy. (See Note 4, 3, “Fair Value of Financial Instruments” Measurements”). The carrying values of accounts receivable, accounts payable, and accrued expenses approximate their fair values due to their short-term nature.

Foreign Currency Translation

The functional currency of our foreign subsidiaries is the local currency. The assets and liabilities of foreign subsidiaries are translated into U.S. dollars using exchange rates in effect at the Consolidated Balance Sheet date. Revenue and expenses are translated using the average exchange rates during the period. Equity transactions are translated using historical exchange rates. Exchange-rate differences resulting from translation adjustments are accounted for as a component of accumulated other comprehensive loss. Foreign currency transaction gains and losses are included in "Other income (expense), net" in the Consolidated Statements of Operations for the period.

Concentration of Credit Risk and Significant Customers

Financial instruments that subject us to significant concentrations of credit risk primarily consist of cash deposits and cash equivalents, marketable securities, and accounts receivable. We maintain a large portion of our cash deposits and cash equivalents with primarily one financial institution, which, at times, may exceed federally insured limits. We have not incurred any losses associated with this concentration of deposits. Our investment policy provides guidelines and limits regarding investment type, concentration, credit quality, and maturity aimed at maintaining sufficient liquidity to satisfy operating and working capital requirements along with strategic initiatives, preserving capital, and minimizing risk of capital loss while generating returns on our investments.

Accounts receivable are typically unsecured. We regularly monitor the creditworthiness of our customers and believe that we have adequately provided for exposure to potential credit losses. During the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, we had no customers that individually accounted for more than 10% of our total revenue. No revenue and no customers that individually accounted for more than 10% of our total receivables as of December 31, 2022 December 31, 2023 or 2021. 2022.

Segment Information

Our operations constitute a single operating segment. Operating segments are defined as components of an enterprise for which discrete financial information is available and is evaluated regularly by the chief operating decision maker, or CODM, in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer who reviews financial information presented on a consolidated basis for the purposes of allocating resources and evaluating financial performance.

Revenue Recognition

During the years ended December 31, 2022, 2021, and 2020, we generated four types of revenue, including: We principally generate revenues from: (1) subscription services from our SaaS products, (2) financial technology solutions, including loan servicing activities, and (3) hardware and (4) professional services.

Determining whether products and services are considered distinct performance obligations that should be accounted for separately as opposed to being combined requires judgment. We allocate total arrangement consideration at the inception of an arrangement to each performance obligation using the relative selling price allocation method based on each distinct performance obligation’s standalone selling price, or SSP. Judgment is required to determine the SSP for each distinct performance obligation. We determine SSP for hardware and professional services revenue using an adjusted market assessment approach which analyzes discounts provided to similar customers based on customer category, sales channel, and size. SSP for subscription services revenue was is also established using the adjusted market approach considering relevant information, such as current and new customer pricing, renewal pricing, competitor information, market trends and market share for similar services. SSP for financial technology solutions revenue was is determined using our own standalone sales data. We allocate variable fees earned from financial technology services revenue to those distinct performance obligations where pricing practices are consistent with the allocation objective under ASC 606. objective.

We measure revenues based on the amount of consideration we expect to receive in exchange for our products and/or services. Customer credits represent variable consideration which is estimated based on historical experience and accounted for as a reduction of to the transaction price. The provision We record reductions to revenues for these our estimates is recorded as a reduction of revenue customer credits and an increase to liabilities at in the time period that the related revenue is recognized. earned. Sales taxes collected from customers and remitted to government authorities are excluded from revenue and deferred revenue.

We also facilitate customers receiving financing from third-party financing firms for hardware, professional services, and the initial SaaS subscription services term. We pay the equivalent of an early payment discount to the third-party financing partners and recognize the payment as a reduction of revenue, as we believe these costs represent a customer sales incentive.

Subscription Services

Subscription services revenue is generated from fees charged to customers for access to our software applications. Subscription services revenue is primarily based on a rate per location, and this rate varies depending on the number of software products purchased, hardware configuration, and employee count. The performance obligation is satisfied ratably over the contract period as the service is provided, commencing when the subscription service is made available to the customer. Our contracts with customers are generally for a term ranging from 12 to 36 months.

Financial Technology Solutions

Financial technology solutions revenue includes transaction-based payment processing services for customers who are charged a transaction fee for payment-processing. This transaction fee is generally calculated as a percentage of the total transaction amount processed plus a fixed per-transaction fee, which is earned as transactions are authorized and submitted for processing. We incur costs of interchange and network assessment fees, processing fees, and bank settlement fees to the third-party payment processors and financial institutions involved in settlement, which are recorded as costs of revenues. We satisfy our payment processing performance obligations and recognize the transaction fees as revenue upon authorization by the issuing bank and submission for processing. The transaction fees collected are recognized as revenue on a gross basis as we are the principal in the delivery of the managed payments solutions to the customers.

We have concluded that we are the principal in this performance obligation to provide a managed payment solution because we control the payment processing services before the customer receives them, perform authorization and fraud check procedures prior to submitting transactions for processing in the payment network, have sole discretion over which third-party acquiring payment processors we will use and are generally ultimately responsible to the customers for amounts owed if those acquiring payment processors do not fulfill their obligations. We generally have full discretion in setting prices charged to the customers. Additionally, we are obligated to comply with certain payment card network operating rules and contractual obligations under the terms of our registration as a payment facilitator and as a master merchant under our third-party acquiring payment processor agreements, which make us liable for the costs of processing the transactions for our customers and chargebacks and other financial losses if such amounts cannot be recovered from the restaurant.

Financial technology solutions revenue is recorded net of refunds and reversals initiated by the restaurant and is recognized upon authorization by the issuing bank and submission for processing.

Financial technology solutions revenue also includes fees earned from marketing and servicing loans to customers through our wholly-owned subsidiary, Toast Capital, that are originated by a third-party banking partner. In these arrangements, Toast Capital's bank partner originates all loans, and Toast Capital then services the loans using Toast's payments infrastructure to remit a fixed percentage of daily sales to our bank partner until the loan is repaid. Toast Capital earns fees for the underwriting and marketing of loans, which are recognized upon origination of the loan, and loan servicing fees, based on a percentage of each outstanding loan, which are recognized as servicing revenue as the servicing is delivered in accordance with ASC 860, *Transfers and Servicing*. Servicing revenue is adjusted for the amortization of servicing rights carried at amortized cost. cost, included within other current assets. The marketing and facilitation fees earned upon execution of these loan agreements with its customers are recognized as revenue on a gross basis.

Hardware and Professional Services

Hardware revenue is generated from the sale of terminals, tablets, handhelds, and related devices and accessories, net of estimated returns. We invoice end-user customers upon shipment of the products. Revenue for hardware sales is recognized at the point in time when the transfer of control occurs, which is upon product shipment. We accept returns for hardware sales and recognize them estimate returns as a reduction to the transaction price, at the time of the sale as a reduction of transaction price based on historical returns data and experience.

Professional Services

Professional services revenue is generated from fees charged to customers for installation services, including business process mapping, configuration, and training. The duration of providing professional services to the customer is relatively short and completed in a matter of days. The performance obligation for professional services is considered to be satisfied upon the completion of the installation.

Cash, Cash Equivalents, Cash Held on Behalf of Customers and Restricted Cash

We define cash and cash equivalents as cash deposits, money market funds, and highly liquid investments with original maturities of 90 days or less at the time of purchase that are readily convertible to known amounts of cash.

Cash held on behalf of customers represents an asset that is restricted for the purpose of satisfying obligations to remit funds to various tax authorities to satisfy customers' payroll, tax and other obligations. Cash held on behalf of customers is included within "Prepaid expenses and other current assets," and the corresponding customer funds obligation is included within "Accrued accrued expenses and other current liabilities" liabilities on our Consolidated Balance Sheets.

Restricted cash represents cash held with commercial lending institutions. The restrictions are related to cash held as collateral pursuant to an agreement with the originating third-party bank for the working capital loans serviced by Toast Capital (See Note 6, 5, "Loan Servicing Activities and Acquired Loans Receivable, Net").

Marketable Securities

Our marketable securities are classified as available-for-sale. We classify our marketable securities as current assets, including those with maturities greater than 12 months, as they are available for use in current operations or to satisfy other liquidity requirements.

Marketable securities are carried at fair value, and we report unrealized gains and losses as a component of accumulated other comprehensive loss, net of tax, until the security is sold or matures, except for changes in allowance for expected credit losses, which are recorded in our results of operations. Gains or losses realized from sales of marketable securities are computed based on the specific identification method and recognized as a component of "Other other income (expense), net" net in the accompanying Consolidated Statements of Operations.

We review marketable securities for impairment during each reporting period to determine if any of the securities have experienced an other-than-temporary decline in fair value. Credit losses are recognized up to the amount equal to the difference between the fair value and the amortized cost basis and recorded as an allowance for credit losses in the Consolidated Balance Sheets with a corresponding adjustment to earnings. Unrealized losses that are not related to credit losses are recognized in accumulated other comprehensive loss.

Accounts Receivable, net

Accounts receivable, net consisted of the following:

	December 31,	
	2022	2021
Accounts receivable	$ 45	$ 20
Unbilled receivables	44	39
Less: Allowance for credit losses	(12)	(4)
Accounts receivable, net	$ 77	$ 55

Our allowance for credit losses was comprised of the following:

	Twelve Months Ended December 31,	
	2022	2021

Beginning balance	$ (4)	$ (4)
Impact of adopting ASU 2016-13	—	(2)
Additions	(13)	(1)
Write offs	5	3
Ending balance	$ (12)	$ (4)

Accounts receivable, net consists of trade accounts receivable and unbilled receivables (which we collectively refer to as accounts receivable), net of an allowance for credit losses. Unbilled receivables represent revenue recognized on a contract in excess of billings.

We record an allowance for expected credit losses for accounts receivable upon the initial recognition of an accounts receivable balance in accordance with ASC 326, *Financial Instruments - Credit Losses*, or ASC 326. The allowance for credit losses represents the best estimate of lifetime expected credit losses, based on customer-specific information, historical loss rates and the impact of current and future conditions, including an assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables. Accounts receivable balances are written off against the allowance for credit losses when we determine that the balances are not recoverable. Provisions for the allowance for expected credit losses are recorded in "General general and administrative" administrative expenses in the Consolidated Statements of Operations. We evaluate the allowance for credit losses for the entire portfolio of accounts receivable on an aggregate basis due to similar risk characteristics of our customers based on similar industry and historical loss patterns.

Inventory

Inventory, which consists of tablets, printers, and networking equipment, are stated at the lower of cost or net realizable value and are accounted for using the average cost method. Substantially all inventory consists of finished goods. We evaluate ending inventory for estimated excess and obsolete inventory based primarily on historical sales levels by product and projections of future demand, as well as the impact of changing product design and technology. We recognize outbound freight, handling costs, and damaged inventory as current-period costs. We recorded provisions for excess and obsolete inventory of $13 and $3, respectively, within "Costs of Revenue" for the years ended December 31, 2022 and 2021.

Assets and Liabilities Recorded with Loan Servicing Activities

We perform loan servicing activities through the Toast Capital loan program, where we partner with an industrial bank to provide working capital loans to qualified Toast customers based on the customer’s current payment processing and point of sale data. Under the program, our bank partner originates the loans and we market and service the loans and facilitate the loan application and origination process. These loans provide eligible customers with access to financing up to $300 thousand, and loan repayment occurs automatically through a fixed percentage of every payment transaction processed on Toast’s platform.

Under the terms of our agreement with our industrial bank partner, we are obligated to repurchase purchase certain loans originated by our industrial banking partner in cases where the customer's payments on the loan are missing or delayed for a defined period of time, and the loan is considered defaulted or delinquent (ineligible). Our obligation is limited to a specified percentage of the total loans originated, measured on a quarterly basis. The loan repurchase, purchase, net of expected recoveries, reduces our potential liability with respect to the quarterly cohort of loans from which the ineligible loan originated. Refer to Note 2, "Acquired Loans Receivable, Net" section within this note for information on our accounting for repurchased purchased loans.

This obligation represents a financial guarantee with two aspects: a contingent liability accounted for under ASC 326 related to our contingent obligation to purchase ineligible loans, and a non-contingent liability accounted for under ASC 460,*Guarantees*, or ASC 460, related to our obligation to stand-ready to perform under the obligation, both of which are included in “Accrued Expenses accrued expenses and other current liabilities” liabilities in the Consolidated Balance Sheets. We adopted ASC 326 effective January 1, 2021 which applies to the contingent component of the guarantee arrangement. We measure a contingent liability for expected credit losses which is based on historical lifetime loss data, as well as macroeconomic forecasts applied to the loan portfolio. Probability of default curves are generated using historical default data for portfolios of guaranteed loans with similar risk characteristics. Loss severity estimates are generated using historical collections data for the loans repurchased purchased by us. Additionally, we apply macroeconomic factors, such as forecasted trends in unemployment rates, which are sourced externally, using a single scenario that we believe is most appropriate to the economic conditions applicable to a particular period. Projected loss rates, inclusive of historical loss data and macroeconomic factors, are applied to the outstanding principal amounts of the guaranteed loans. We may also include qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of its current expected credit losses. The expected term of the loans guaranteed by us typically range from 90 to 360 days, and the reasonable and supportable forecast period we have included in our projected loss rates is approximately 12 months based on externally sourced data.

Contingent liabilities for expected credit losses are recorded as loans are originated, along with a corresponding non-cash charge recorded within "General general and administrative" administrative expense in the Consolidated Statements of Operations. We remeasure contingent liabilities each reporting period and reverse the liability upon loan purchase or upon the expiration of the obligation. We record a non-contingent liability at fair value as loans are originated, with a corresponding charge recorded within "General general and administrative" administrative expense in the accompanying Consolidated Statements of Operations. Subsequently, the liability is amortized on a straight-line basis over the average expected obligation term, which ranges from 90 to 360 days, and derecognized upon loan repurchase purchase. Fair value of a non-contingent liability is measured based on a discounted cash flow model under the income approach which reflects various inputs and assumptions, including the probability and amount of payments to be made under the guarantee based on probabilities of loan defaults and delinquency, as well as associated losses, and a discount rate reflecting our credit risk as the guarantor. The fair value measurement of the non-contingent liability is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy.

Please refer to Note 6, 5, “Loan Servicing Activities and Acquired Loans Receivable, Net” for additional information on the liabilities related to the financial guarantees.

We facilitate customers receiving financing from third-party financing firms for hardware, professional services, and the initial SaaS subscription services term and assume a limited portion of the risk of customer defaults under our arrangements. We recognize a contingent guarantee liability for expected credit losses and a non-contingent stand-ready liability related to the financial guarantees in accordance with ASC 460 along with a corresponding non-cash charge recorded as "General and administrative" expense in the Consolidated Statements of Operations. Costs incurred to date under such guarantees have not been material.

Acquired Loans Receivable, Net

We are obligated to purchase delinquent loans from our industrial bank partner. Such purchases, net of expected recoveries, are recorded as a reduction of contingent liabilities with respect to the quarterly cohort of loans from which the defaulted loan originated. We account for purchased loans in accordance with the guidance for purchased credit deteriorated, or PCD, assets as the loans experienced credit quality deterioration between their origination and purchase, and write off their unpaid principal balance at the time of purchase as collectability is not probable. However, when we have an expectation of collecting cash flows, a negative allowance is established for repurchased purchased loans based on our historical experience of expected recoveries across our portfolio. As of December 31, 2022 and 2021, we have established a negative allowance for expected recoveries which is included within "Prepaid expenses and other current assets" in the Consolidated Balance Sheets. We had $13 and $2 of acquired loans outstanding as of December 31, 2022 and 2021.

We estimate a negative allowance on an undiscounted basis using historical collections data for loans purchased by us and qualitative adjustments that incorporate incremental information not captured in the quantitative estimates of our current expected recoveries. Cash collections related to acquired loans receivable are first applied to the negative allowance balance, and when recoveries received exceed the negative allowance, we recognize amounts as reductions of operating expenses in the Consolidated Statements of Operations. Please refer to Note 6, "Loan Servicing Activities and Acquired Loans Receivable, Net" for additional information on the liabilities related to loan financial guarantees and negative allowance.

Deferred Contract Acquisition Costs Net

Based on ASC 340-40, *Other Assets and Deferred Costs*, we capitalize and amortize incremental costs of obtaining a contract, such as sales commissions and related payroll taxes, over the period we expect to derive benefits from the contract, which we have determined to be three four years. The period of benefit for commissions paid for the acquisition of initial subscription services is determined by taking into consideration the initial estimated customer life and the technological life of our subscription services platform and related significant features. We adjust the carrying value of the deferred commissions assets periodically to account for customer churn, which occurs when customers have ceased operations or otherwise discontinued using our subscription services and financial technology solutions. Amortization expense is included in "Sales sales and marketing" expense marketing expenses in the Consolidated Statements of Operations.

Property and Equipment Intangible Assets and Impairment of Long-lived Assets

Property and equipment are stated at cost, net of accumulated depreciation, and are depreciated using the straight-line method over their estimated lives, as follows:

Property and Equipment	Estimated Useful Life
Computer and other equipment	3 years
Office furniture and fixtures	3 years
Tooling and equipment	3-7 3 - 7 years
Capitalized software	2 years

Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining terms of the respective leases. Repair and maintenance costs are expensed as incurred, whereas major improvements are capitalized as additions to property and equipment.

We account for our internal use software and website development costs in accordance with the guidance in ASC 350-40, *Internal-Use Software*. The costs incurred prior to the application development stage and post implementation are expensed as incurred. Direct and incremental internal and external costs incurred during the application development stage are capitalized until the application is substantially complete and ready for its intended use, at which point amortization begins. Training and data conversion costs are expensed as incurred.

Operating Leases

We adopted ASU 2016-02, *Leases*, or ASC 842, effective January 1, 2021. We determine if an arrangement is or contains a lease at contract inception. Lease agreements generally contain lease and non-lease components, which we elect to combine for all asset classes as a single lease component. Payments under lease arrangements are primarily fixed. Variable payments typically represent non-lease components, which consist primarily of payments for maintenance, utilities, and management fees. Variable payments included in lease arrangements are expensed as incurred and excluded from the right of use right-of-use assets and lease liabilities.

Right-of-use assets and lease liabilities for operating leases are initially measured on the lease commencement date based on a present value of lease payments over the lease term, net of any lease incentives received by the lessor. Lease payments are discounted to present value using our estimated incremental borrowing rate, because a readily determinable implicit rate is not available. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

Lease term includes the non-cancelable term, unless it is reasonably certain that a renewal or termination option will be exercised.

We do not record right-of-use assets and lease liabilities for leases with an initial term of 12 months or less and recognize lease expense on a straight-line basis over the lease term.

Business Combinations and Goodwill

We account for business combinations using the acquisition method of accounting in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values on the acquisition date. The fair value of the consideration transferred in a business combination, including any contingent consideration, is allocated to the assets acquired and liabilities assumed based on their respective fair values. The excess of the consideration transferred over the fair values of the assets acquired and the liabilities assumed is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date or upon a final determination of asset and liability fair values, whichever occurs first, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Any subsequent adjustments are recorded on the Consolidated Statements of Operations.

Goodwill represents the excess of purchase price over the fair value of net tangible and identifiable intangible assets of the businesses acquired by us. Goodwill is tested for impairment annually during the fourth quarter or more often if impairment indicators are present, based on events and circumstances indicating that it is more likely than not that the fair value of the reporting unit is below its carrying value. There were no goodwill impairment losses recognized during the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020. We performed 2021. Based on our annual quantitative goodwill impairment test, as of December 31, 2022 and 2021 and determined that no adjustment to goodwill was necessary because the reporting unit's fair value significantly exceeded its book value. carrying value at December 31, 2023.

Intangible Assets and Impairment of Long-lived Assets

Intangible assets primarily consist of finite-lived acquired technology and customer relationships, and acquired trade names. relationships. Finite-lived intangible assets are valued based on estimated future cash flows and amortized on a straight-line basis over their estimated useful lives. We evaluate the remaining estimated useful life of our intangible assets on an ongoing basis to determine whether events and circumstances warrant a revision to the remaining amortization period.

Acquired technology and customer relationships amortization is recorded within "Costs costs of revenue" revenue and “Sales sales and marketing” marketing expenses, respectively, within the Consolidated Statements of Operations and amounted to $5, $4 and $4, respectively, during the years ended December 31, 2022, 2021, and 2020.

The estimated useful lives for acquired technology and customer relationship intangible assets are as follows:

	Estimated Useful Life
Acquired technology	3 - 10 years
Customer acquired intangible assets	5 - 6 years

We evaluate the recoverability of property and equipment and finite lived intangible assets for impairment whenever events or circumstances indicate that the carrying amounts of such assets may not be recoverable. For purposes of this assessment, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability is measured by comparing the carrying amount of an asset group to the estimated future undiscounted future net cash flows expected to be generated from their use and eventual disposal. If the carrying amount is not recoverable, the carrying amount is reduced to fair value and impairment loss is recognized. We did not identify any events or circumstances that indicated the carrying amounts of our long-lived assets may not be recoverable See Note 10, "Other Balance Sheet Information" for additional information related to property and did not recognize any impairment losses during the years ended December 31, 2022, 2021 and 2020. equipment impairments.

Deferred Revenue

Deferred revenue represents our obligation to transfer products or services to customers for which consideration has been received and consists of amounts deferred from subscription services contracts, professional service engagements, and customer deposits received in advance. Amounts deferred under subscription service contracts are recognized ratably over the respective term of the customer contract.

Costs of Revenue

Costs of revenue primarily consists of costs associated with payment processing, personnel, and related infrastructure for operation of our cloud-based platform, data center operations, customer support, loan servicing and allocated overhead. Hardware costs consist of all product and shipping costs associated with tablets, printers, and other peripherals. Employee-related costs consist of salaries, benefits, bonuses, and stock-based compensation expense. Overhead consists of certain facilities costs, depreciation expense, and amortization costs associated with internally developed software. software and acquired intangible assets.

Payment processing costs include interchange fees, network assessment fees and fees paid to the acquiring payment processors.

Stock-Based Compensation Expense

We grant equity awards, including stock options which vest upon the satisfaction of service conditions and restricted stock units, or RSUs, which vest upon the satisfaction of performance conditions service and/or service performance conditions. We account for stock-based compensation expense related to equity awards in accordance with ASC 718, *Compensation—Stock Compensation.* Stock-based awards are measured at fair value on the grant date and compensation cost is recognized over the requisite service period, net of estimated forfeitures. We estimate a forfeiture rate to calculate the stock-based compensation expense for all awards based on an analysis of actual historical experience and expected employee attrition rates.

Compensation cost is recognized on a straight-line basis for stock-options, RSUs, and our 2021 Employee Stock Purchase Plan, or ESPP, and on an accelerated attribution basis for awards with a performance condition for each separately vesting portion of the award over the applicable vesting period.

We use the Black-Scholes option-pricing model to determine the estimated fair value of stock option and ESPP awards. We estimate the following assumptions used in the option pricing model:

- *Expected Volatility*—We do not have sufficient history of market prices for our Class A common stock due to our recently IPO completed IPO. in 2021. As such, we estimate volatility for stock option grants by evaluating the average historical volatility of a peer group of similar public companies over a period commensurate with the options' expected term.

- *Expected Term*—The expected term of our stock options represents the period that the stock-based awards are expected to be outstanding. We do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. As such, we estimate the expected term of the options based on the simplified method determined based on the midpoint of the stock options vesting term and contractual expiration period.

- *Risk-Free Interest Rate*—The risk-free interest rate is based on the U.S. Treasury yield curve published as of the grant date, with maturities approximating the expected term of the options granted.

- *Dividend Yield*—We have not declared or paid dividends to date and do not anticipate declaring dividends. As such, the expected dividend is zero.

Prior to our IPO, the fair value of our common stock was determined by our Board, with the assistance of management, as there was no public market for the underlying common stock. Our Board determined the fair value of our common stock by considering a number of objective and subjective factors, such as contemporaneous third-party valuations of our common stock, the valuation of comparable companies, sales of our common and redeemable convertible preferred stock to outside investors in arms-length transactions, our operating and financial performance, the lack of marketability, and the general and industry specific economic outlook, amongst other factors. After the completion of the IPO, the fair value of our Class A common stock is determined based on the NYSE closing price on the date of grant.

RSUs granted by us prior to September 2021 commenced vesting upon the satisfaction of both the service-based vesting condition, which is typically four years, and liquidity event-related performance vesting condition related to IPO. Stock compensation expense is recognized when the performance condition becomes probable of achievement. All performance conditions were achieved upon the completion of our IPO, and we recorded a cumulative stock compensation expense of $63 during the year ended December 31, 2021 related to the awards with an IPO-related vesting condition.

The Amended and Restated 2014 Stock Incentive Plan, as amended, or the 2014 Plan, allows for early exercise of all granted options, before vesting requirements have been satisfied. Shares acquired through the early exercise of options which have not vested at the time of an employee's termination may be repurchased purchased by us at the lower of the original exercise price or the then current fair value. We have not recognized any tax benefits related to the effects of employee stock-based compensation expense.

Advertising Costs

We expense advertising costs as incurred. Advertising expense for the years ended December 31, 2022 December 31, 2023, 2022, and 2021, was $29 million, $25 million, and 2020, was $25, $17, and $6, $17 million, respectively, and is included in "Sales sales and marketing" marketing expense in the accompanying Consolidated Statements of Operations.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We account for uncertain tax positions recognized in the consolidated financial statements by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interest and penalties, if applicable, related to uncertain tax positions would be recognized as a component of income tax expense.

Net Loss Per Share

During the year ended December 31, 2021, we amended and restated our certificate of incorporation and created two classes of common stock: Class A common stock and Class B common stock (see Note 1, "Description of Business and Basis of Presentation"). Class A common stock and Class B common stock share proportionately, on a per share basis, in our net (losses) income (losses) and participate equally in the dividends on common stock, if declared. We allocate net losses attributable to common stock between the common stock classes on a one-to-one basis when computing net (loss) income (loss) per share. As a result, basic and diluted net (loss) income (loss) per share of Class A common stock and Class B common stock are equivalent.

We compute net loss (loss) income per common share based on the two-class method required for multiple classes of common stock and participating securities. The two-class method requires (loss) income (loss) available to common stockholders for the period to be allocated between multiple classes of common stock and participating securities based upon their respective rights to receive dividends as if all (loss) income (loss) for the period had been distributed.

We consider our currently outstanding restricted shares issued upon early exercise of stock options and our convertible preferred stock which was outstanding prior to the completion of the IPO to be participating securities. Restricted shares issued upon early exercise of stock options are considered participating securities because holders of such shares have non-forfeitable dividend rights in the event of a dividend declaration for common shares. The holders of our convertible preferred stock were entitled to non-cumulative dividends in preference to common stockholders, at specified rates, if declared. The holders of our convertible preferred stock were not, and restricted Restricted shares are not contractually obligated to participate in our losses. As such, our net losses for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020 2021 were not allocated to these participating securities.

Basic net loss (loss) income per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of our Class A and Class B common stock outstanding, adjusted for outstanding shares that are subject to repurchase purchase and Class A restricted common stock. Diluted net loss (loss) income per common share gives effect to all potentially dilutive securities which are excluded from the computation if the effect is antidilutive.

Recently Adopted Recent Accounting Pronouncements

In October 2021, November 2023, the Financial Accounting Standards Board, or FASB, issued ASU 2021-08, 2023-07,*Business Combinations Segment Reporting (Topic 805) 280): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers Improvements to Reportable Segment Disclosures*, or ASU 2021-08. The standard requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, as if it had originated the contracts, rather than at fair value on the acquisition date. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. 2023-07. The amendments in the ASU 2021-08 should be applied prospectively are intended to business combinations occurring on or after improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The annual disclosure amendments in this update are effective for us beginning in our fiscal year ending December 31, 2024. The interim disclosure amendments are effective for us beginning in fiscal year ending December 31, 2025. We are currently in the effective date process of evaluating the impacts of the standard. Early adoption is permitted. We early adopted ASU 2021-08 during the year ended December 31, 2022, which did not have a material impact new standard on the our consolidated financial statements, and related disclosures. We applied ASU 2021-08 which we expect to result in our acquisition enhanced financial statement disclosures only, however, we do not otherwise expect the adoption of Sling Inc. as discussed in Note 3, “Business Combinations”.

In August 2020, the FASB issued ASU No. 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity’s Own Equit*y, or ASU 2020-06. The new guidance simplifies the accounting for certain financial instruments by removing certain separation models required under current U.S. GAAP, including the beneficial conversion feature and cash conversion feature. ASU 2020-06 also improves and amends the related earnings per share guidance for both subtopics. ASU 2020-06 is effective for public business entities for fiscal years beginning after December 15, 2021 and interim periods within that fiscal year. We adopted ASU 2020-06 during the year ended December 31, 2022 which did not to have a material impact on our consolidated financial statements and related disclosures. businesses, results or operations.

We adopted the following accounting standards during the year ended December 31, 2021:

Leases

In February 2016, December 2023, the FASB issued ASC 842, as amended, which superseded ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, or ASU 2023-09. The new guidance requires that an entity, on an annual basis, disclose additional income tax information, primarily related to the guidance in former ASC 840, *Leases*. Based on ASC 842, a lessee is required to recognize rate reconciliation and income taxes paid. The amendments in the statement ASU are intended to enhance the transparency and decision usefulness of financial position a lease obligation related to making lease payments and a right-of-use asset representing its right to control income tax disclosures. The amendments in this update are effective for us beginning in fiscal year ending December 31, 2025. We are currently evaluating the use impact of the underlying asset during the lease term, including optional payments that are reasonably certain new standard on our consolidated financial statements which is expected to occur.

We adopted ASC 842 on January 1, 2021 and applied the following practical expedients:

- comparative periods prior to result in enhanced disclosures, however, we do not otherwise expect the adoption date are not adjusted to reflect of the new guidance (the modified retrospective method of transition); and
- the historical determination as to the existence and classification of leases and the accounting for initial direct costs is carried forward for existing contracts as of the adoption date.

The adoption of Topic 842 resulted in a recognition of operating lease right-of-use assets of $95, operating lease obligations of $115, and an immaterial cumulative-effect adjustment to accumulated deficit as of January 1, 2021. The adoption of Topic 842 did not have a material impact on our businesses, results of operations and cash flows. or operations.

Credit Losses

3. Fair Value Measurements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASC 326. The guidance and related amendments modify the accounting for credit losses for most following table presents information about our financial assets and require liabilities that were measured at fair value on a recurring basis and indicates the use level of an expected credit loss model replacing the currently fair value hierarchy used incurred loss method. The primary financial instruments in the scope of ASC 326 include cash equivalents, accounts receivable, off-balance sheet credit exposures under financial guarantee arrangements, and acquired loans receivable.to determine such fair values (in millions):

We adopted the standard as of January 1, 2021 and recognized a cumulative-effect adjustment of $1 to the opening accumulated deficit as of that date. Therefore, our Consolidated Financial Statements for the year ended December 31, 2021 are presented in accordance with ASC 326, while the prior comparative period has not been recast.

	Fair Value Measurements at December 31, 2023 Using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market funds	$ 267	$ —	$ —	$ 267
Commercial paper	—	53	—	53
Certificates of deposit	—	29	—	29
Corporate bonds	—	80	—	80
U.S. government agency securities	—	37	—	37
Treasury securities	—	213	—	213
Asset-backed securities	—	107	—	107
	$ 267	$ 519	$ —	$ 786
Liabilities:				
Warrants to purchase common stock	$ —	$ —	$ 64	$ 64
	$ —	$ —	$ 64	$ 64

	Fair Value Measurements at December 31, 2022 Using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market funds	$ 483	$ —	$ —	$ 483
Commercial paper	—	140	—	140

Certificates of Deposit	—	104	—	104
Corporate Bonds	—	109	—	109
U.S. government agency securities	—	33	—	33
Treasury securities	—	60	—	60
Asset-backed securities	—	28	—	28
	$ 483	$ 474	$ —	$ 957
Liabilities:				
Warrants to purchase common stock	$ —	$ —	$ 68	$ 68
	$ —	$ —	$ 68	$ 68

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1, Level 2 and Level 3.

Valuation of Warrants to Purchase Common Stock

The fair value of the warrants was determined using the Black-Scholes option-pricing model. The following table indicates the weighted-average assumptions made in estimating the fair value as of:

	December 31, 2023	December 31, 2022
Risk-free interest rate	4.0 %	4.1 %
Contractual term (in years)	3	4
Expected volatility	63.8 %	60.3 %
Expected dividend yield	— %	— %
Exercise price per share	$ 17.16	$ 17.16

The following table provides a roll-forward of the aggregate fair value of our warrant liability for which fair value is determined on recurring basis using Level 3 inputs (in millions):

	Common Stock Warrant Liability
Balance as of December 31, 2021	$ 181
Change in fair value	(95)
Settlement	(18)
Balance as of December 31, 2022	68
Change in fair value	(3)
Settlement	(1)
Balance as of December 31, 2023	$ 64

As of December 31, 2023 and 2022, the maximum number of shares that could be required to be issued in respect of outstanding warrants was 7 million.

4. Marketable Securities

The amortized cost, gross unrealized holding losses and fair value of marketable securities classified as available for sale, excluding accrued interest receivable, consisted of the following (in millions):

	December 31, 2023		
	Amortized Cost	Net Unrealized Gains / (Losses)	Fair Value
Commercial paper	$ 53	$ —	$ 53
Certificates of deposit	29	—	29
Corporate bonds	80	—	80
U.S. government agency securities	37	—	37
Treasury securities	213	—	213
Asset-backed securities	107	—	107
Total	$ 519	$ —	$ 519

	December 31, 2022		
	Amortized Cost	Net Unrealized Gains / (Losses)	Fair Value
Commercial paper	$ 140	$ —	$ 140
Certificates of deposit	104	—	104
Corporate bonds	110	(1)	109
U.S. government agency securities	33	—	33
Treasury securities	61	(1)	60
Asset-backed securities	28	—	28
Total	$ 476	$ (2)	$ 474

The fair values of the marketable securities by contractual maturities at December 31, 2023 were as follows (in millions):

	December 31, 2023
Due within 1 year	$ 309
Due after 1 year through 5 years	204
Due after 5 years and thereafter	6
Total marketable securities	$ 519

5. Loan Servicing Activities and Acquired Loans Receivable, Net

Changes in the contingent liability for expected credit losses for the years ended December 31, 2023 and 2022 were as follows (in millions):

	Year Ended December 31,	
	2023	2022
Beginning balance	$ 14	$ 2
Credit loss expense	54	20
Reductions due to loan purchases	(39)	(8)
Ending balance	$ 29	$ 14

The balance of the non-contingent stand-ready liability was $11 million and $6 million, as of December 31, 2023 and 2022, respectively.

6. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the periods presented were as follows (in millions):

	Amount
Balance as of December 31, 2021	$ 74
Acquisitions	33
Balance as of December 31, 2022	107
Acquisitions	6
Balance as of December 31, 2023	$ 113

Intangible assets, net consisted of the following (in millions):

	As of December 31, 2023		
	Technology Assets	Customer Assets	Total
Gross carrying amount	$ 40	$ 7	$ 47
Accumulated amortization	(18)	(3)	(21)
Intangible assets, net	$ 22	$ 4	$ 26

	As of December 31, 2022		
	Technology Assets	Customer Assets	Total
Gross carrying amount	$ 38	$ 6	$ 44
Accumulated amortization	(13)	(2)	(15)
Intangible assets, net	$ 25	$ 4	$ 29

The total estimated future amortization of intangible assets as of December 31, 2023 was as follows (in millions):

Year ended December 31,	Amount
2024	$ 6
2025	6
2026	6
2027	4
2028	1
Thereafter	3
	$ 26

7. Lessee Arrangements

The components of lease expense were as follows during the years ended December 31, 2023, 2022, and 2021 (in millions):

	Year Ended December 31,

	2023	2022	2021
Operating lease expense	$ 12	$ 21	$ 25
Variable lease expense	3	4	1
Total	$ 15	$ 25	$ 26

Operating lease expense reflects the non-cash amortization of right-of-use-assets recorded within operating lease right-of-use assets and operating lease liabilities, net on the consolidated statements of operations.

The weighted-average remaining lease term and discount rate for our operating leases were as follows:

	Year Ended December 31,	
	2023	2022
Weighted-average remaining lease term (years)	4.4	6.4
Weighted-average discount rate	6.34%	5.19%

At December 31, 2023, future lease payments under our operating leases were as follows (in millions):

	Amount
2024	$ 13
2025	11
2026	11
2027	8
2028	4
Thereafter	4
Total future minimum lease payments	51
Less: Imputed interest	7
Present value of future minimum lease payments	$ 44

The following table summarizes supplemental cash flow information related to operating leases during the years ended December 31, 2023, 2022, and 2021 (in millions):

	Year Ended December 31,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities	$ 14	$ 24	$ 25

Supplemental non-cash amounts of increases in lease liabilities from obtaining right-of-use assets/ (decreases) of lease liabilities from lease terminations and modifications:			
Upon the adoption of ASC 842	—	—	95
During the remainder of the period	(40)	14	4
Total	$ (40)	$ 14	$ 99

During the year ended December 31, 2023, we terminated the lease for a portion of our corporate headquarters in Boston, MA. As a result, we agreed to pay a net fee of $11 million. We recorded a net charge of $12 million within general and administrative expenses on our Consolidated Statement of Operations, inclusive of a loss on impairment of certain property and equipment associated with the terminated portion of the lease.

8. Debt

Revolving Line of Credit

During 2021, we entered into a senior secured credit facility, or the 2021 Facility, which we subsequently amended on March 2, 2023 to replace the London Interbank Offered Rate, or LIBOR, with the Secured Overnight Financing Rate, or SOFR. Under the terms of the amendment, interest on loans will be determined based on loan type and accrue at an annual rate, as defined in the agreement, of 1.50% per annum; or 0.5% per annum plus the highest of: (i) the Prime Rate, (ii) the Federal Reserve Bank of New York Rate plus 0.5%, or (iii) the Adjusted SOFR based upon loan duration plus 1.00%. The 2021 Facility is subject to a minimum liquidity covenant of $250 million. As of December 31, 2023 and 2022, total available funds under the 2021 Facility were $330 million and no amounts were drawn or outstanding.

9. Business Combinations

Delphi Display Systems, Inc.

On February 14, 2023, we acquired 100% of the outstanding capital stock of Delphi Display Systems, Inc., or Delphi, a provider of digital display solutions and drive-thru technology, for a total purchase price of $10 million, to extend our growing suite of products benefiting quick-service restaurants and enterprise brands.

The final purchase price was allocated to goodwill, intangible assets and other net assets of $6 million, $3 million and $1 million, respectively. Intangible assets consisted of $2 million of developed technology and $1 million of customer relationships, each with estimated useful lives of 5 years. Goodwill is not deductible for tax purposes, and primarily attributable to synergies expected to arise after the acquisition.

The operating results of Delphi have been reflected in our results of operations from the date of the acquisition, but were not material to our consolidated financial statements.

Sling Inc.

On July 6, 2022, we acquired 100% of the outstanding capital stock of Sling Inc., or Sling, an employee scheduling, communication and management solution, to expand our product portfolio in the team scheduling and communication space. The total purchase price of $49 $49 million consisted of cash payments of $38 $38 million on the acquisition date and $9 $9 million placed in escrow related to general representations, indemnities and warranties, as well as a deferred consideration of $2. $2 million. The escrow will be released between 18 months and 60 months following the acquisition date.

In conjunction with the acquisition, we issued 1,338,228 shares of Class A restricted common stock at a fair market value of $13.91 per share to certain members of Sling management for with a total fair market value of $19. $19 million. The shares vest over a service period of one to three years and are subject to forfeiture upon termination during the service period. No shares vested during the year ended December 31, 2022. Stock-based compensation expense for these shares is recognized on a straight line basis over the related service period and amounted to $3 during the year ended December 31, 2022.

We used a market participant approach to record the assets acquired and liabilities assumed in the acquisition of Sling. Due to the timing The final allocation of the acquisition, the accounting for this acquisition was not complete as of December 31, 2022 primarily for accounting for goodwill, deferred tax assets and deferred tax liabilities. The fair values of the assets acquired and the liabilities assumed have been determined provisionally and are subject to adjustments as we obtain additional information. In particular, additional time is needed to review and finalize the results of the valuation of assets acquired and liabilities assumed. Any adjustments to the purchase price allocation will be made as soon as practicable, but no later than one year from to the acquisition date.

The following table summarizes the preliminary acquisition date fair values of assets acquired and liabilities assumed at based on the acquisition date: date fair values was as follows (in millions):

	Amount
Cash	$ 1
Intangible assets:	
Developed technology, useful life of 5 years	17
Customer relationships, useful life of 5 years	2
Goodwill	33
Net working capital	1
Deferred tax liability	(5)
Net assets acquired	$ 49

The fair values of the developed technology and customer relationships intangible assets were based on Level 3 inputs using the cost and income approaches, respectively. The primary unobservable inputs were development effort and after tax cash flows, respectively.

Goodwill, which is not deductible for tax purposes, represents the excess of the consideration transferred over the fair value of the net assets acquired, and is primarily attributable to expected synergies between our operations and those of Sling, as well as the assembled workforce.

The operating results of Sling have been reflected in our results of operations from the date of the acquisition. Pro forma results of operations have not been presented as they are acquisition, but were not material to our consolidated results of operations for the years ended December 31, 2022 and 2021.

xtraCHEF

On June 8, 2021, we acquired 100% of the outstanding capital stock of xtraCHEF, Inc., or xtraCHEF, a provider of restaurant-specific invoice management software that automates the accounts payable and inventory workflow and improves efficiencies related to expense tracking and recording. The acquisition has expanded our product portfolio and enabled our customers to improve operational efficiencies and financial decision making.

The aggregate purchase price, net of cash acquired of $1, was subject to normal and customary purchase price adjustments and was as follows on the acquisition date:

		Amount
Cash consideration, net of cash acquired	$	24
Fair value of common stock issued		15
Fair value of settled stock option awards		1
Fair value of contingent consideration		2
Liabilities settled on behalf of xtraCHEF		1
Deferred payments for indemnity claims and working capital funds, net of adjustments (1)		5
Total purchase price	$	48

(1) In consideration for the acquisition of xtraCHEF, we issued 569,400 shares of common stock to the seller shareholders with a fair value of $26.10 per share on the acquisition date supported by a contemporaneous valuation. Additionally, we settled an immaterial amount of option awards that were subject to accelerated vesting on the acquisition date. Total consideration transferred for the settled option awards consisted of cash consideration of $3 and deferred consideration of $1. The consideration transferred for the settled option awards of $3 approximated the estimated fair value of the settled option awards on the acquisition date, of which $1 was attributable to pre-acquisition services and included in the purchase price. The remaining amount of $2 was recorded as a stock-based compensation expense on the acquisition date within "General and administrative" expenses in our Consolidated Statements of Operations.

Total contingent consideration obligation is limited to a maximum payment amount of $7. Refer to Note 4, “Fair Value of Financial Instruments” for more information on the contingent consideration. During the year ended December 31, 2022, $5 related to the indemnity fund was released to the sellers.

There were no purchase price adjustments recorded since the acquisition date upon finalizing the purchase price allocation and fair values of assets acquired and liabilities assumed.. The following table summarizes the allocation of the purchase price and the amounts of assets acquired and liabilities assumed for the acquisition:

	Amount
Developed technology, useful life of 10 years	13
Customer relationship, useful life of 6 years	1
Goodwill	38
Deferred tax liability	(3)
Other	(1)
Net assets acquired	$ 48

The fair values of the intangible assets, the developed technology and the customer relationships, were estimated using income approach, specifically, the relief-form royalty method and the excess-earnings income method, respectively.

The acquisition of xtraCHEF did not have a material impact on our reported revenue or net loss amounts. Accordingly, pro forma financial information has not been presented.

4. Fair Value of Financial Instruments

The following table presents information about our financial assets and liabilities that were measured at fair value on a recurring basis and indicates the level of the fair value hierarchy used to determine such fair values:

	Fair Value Measurements at December 31, 2022 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 483	$ —	$ —	$ 483
Commercial paper	—	140	—	140
Certificates of deposit	—	104	—	104
Corporate bonds	—	109	—	109
U.S. government agency securities	—	33	—	33
Treasury securities	—	60	—	60
Asset-backed securities	—	28	—	28
	$ 483	$ 474	$ —	$ 957

	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrants to purchase common stock	$ —	$ —	$ 68	$ 68
Contingent consideration	—	—	4	4
	$ —	$ —	$ 72	$ 72

	Fair Value Measurements at December 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 50	$ —	$ —	$ 50
Commercial paper	—	134	—	134
Certificates of Deposit	—	14	—	14
Corporate Bonds	—	193	—	193
Treasury Bonds	—	67	—	67
Asset-back securities	—	49	—	49
	$ 50	$ 457	$ —	$ 507
Liabilities:				
Warrants to purchase common stock	$ —	$ —	$ 181	$ 181
Contingent consideration	—	—	5	5
	$ —	$ —	$ 186	$ 186

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3.

Valuation of Warrants to Purchase Common Stock

The fair value of the warrants was determined using the Black-Scholes option-pricing model. The following table indicates the weighted-average assumptions made in estimating the fair value for the years ended December 31, 2022 and 2021:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Risk-free interest rate	4.1 %	1.3 %
Contractual term (in years)	4	5

Expected volatility		60.3 %		50.8 %
Expected dividend yield		— %		— %
Exercise price	$	17.16	$	17.15

Valuations of Bifurcated Derivative Liability and Contingently Issuable Warrants Related to Convertible Notes

In June 2020, we issued $200 aggregate principal amount of senior unsecured convertible promissory notes, or the Convertible Notes. Upon a voluntary redemption of the Convertible Notes, we were obligated to issue warrants to the note holders to purchase common stock (see Note 9, "Debt").

The fair value of the bifurcated derivative liability related to the conversion option and contingently issuable warrants associated with the Convertible Notes was determined based on inputs not observable in the market, which represented a Level 3 measurement within the fair value hierarchy. Our valuations of the bifurcated derivative liability and contingently issuable warrants were measured using an income approach based on a discounted cash flow model, as well as a probability-weighted expected return method, or PWERM. We used various key assumptions, such as estimation of the timing and probability of expected future events, and selection of discount rates applied to future cash flows using a yield curve representative of our credit risk.

On June 21, 2021, we prepaid all of the then-outstanding Convertible Notes as an optional prepayment (see Note 9, "Debt"). In connection with the optional prepayment, we derecognized the bifurcated derivative liability and contingently issuable warrants which were remeasured at fair value on the settlement date.

Valuation of Warrants to Purchase Preferred Stock

The warrants were measured at fair value at issuance and subsequently remeasured at fair value at each reporting date. The fair value of the warrants are a Level 3 fair value measurement, determined using the Black-Scholes option-pricing model. The following table indicates the weighted-average assumptions made in estimating the fair value for the years ended December 31, 2021 and 2020:

	December 31,	
	2021(1)	**2020**
Risk-free interest rate	0.8%	0.3%
Expected term (in years)	5	5-7
Expected volatility	54%	60%
Expected dividend yield	0%	0%
Exercise price	$0.74	$0.74

(1) During the year ended December 31, 2021, fair value of the preferred stock warrants liability was measured based on the weighted average assumptions from January 1, 2021 through September 24, 2021, the date they were converted into common stock warrants.

Contingent Consideration Liability

Contingent consideration is based on a cumulative achievement of certain recurring revenue targets, as defined in the acquisition agreement, and represents a potential obligation by us to pay cash and issue shares of our common stock to the former xtraCHEF shareholders up to a certain amount based on the achievement of the required revenue targets during the years ended December 31, 2021 and 2022. Fair value of contingent consideration liability incurred in connection with the acquisition of xtraCHEF was estimated at $2 on the acquisition date based on a Monte Carlo simulation. The Monte Carlo simulation performs numerous simulations utilizing certain assumptions, such as projected revenue amounts over the related period, risk-free rate, and risk-adjusted discount rate. The fair value measurement of contingent consideration is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. At the conclusion of the performance period all required revenue targets were met resulting in recognizing the liability at the full payout amount as of December 31, 2022. We recognized $3 and $3 as the change in fair value of the contingent consideration liability within "General and administrative" expense in our Consolidated Statements of Operations for the years ended December 31, 2022 and 2021, respectively.

Fair Value of Liabilities

The following table provides a roll-forward of the aggregate fair value of our liabilities for which fair value is determined on recurring basis using Level 3 inputs:

	Preferred Stock Warrant Liability (1)	Common Stock Warrant Liability	Derivative Liability	Contingent Consideration Liability (2)
Balance as of December 31, 2020	$ 11	$ —	$ 37	$ —
Fair value at issuance	—	125	—	—
Fair value on the acquisition date	—	—	—	2
Change in fair value and other adjustments	38	59	103	3
Settlement	(43)	(9)	(140)	—
Conversion of preferred stock warrants into common stock warrants upon initial public offering	(6)	6	—	—
Balance as of December 31, 2021	—	181	—	5
Change in fair value	—	(95)	—	3
Settlement	—	(18)	—	(4)
Balance as of December 31, 2022	$ —	$ 68	$ —	$ 4

(1) Changes in the fair value of the preferred stock warrant liability were recognized as a component of “Other income (expenses)” in our Consolidated Statements of Operations. We recorded a loss of $8 during the year ended December 31, 2020.

(2) During the year ended December 31, 2022, we paid $2 in cash and issued 37,179 shares of our Class B common stock to settle a portion of the contingent consideration. In February 2023, we fully settled the contingent consideration liability via a cash payment of $2 and issuance of 38,908 shares of our Class B common stock.

5. Marketable Securities

The amortized cost, gross unrealized holding losses and fair value of marketable securities classified as available for sale, excluding accrued interest receivable, consisted of the following:

	December 31, 2022		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Commercial paper	$ 140	$ —	$ 140
Certificates of deposit	104	—	104
Corporate bonds	110	(1)	109
U.S. government agency securities	33	—	33
Treasury securities	61	(1)	60
Asset-backed securities	28	—	28
Total	$ 476	$ (2)	$ 474

	December 31, 2021		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Commercial paper	$ 134	$ —	$ 134
Certificates of deposit	14	—	14
Corporate bonds	194	(1)	193
Treasury securities	67	—	67
Asset-backed securities	49	—	49
Total	$ 458	$ (1)	$ 457

The fair values of the marketable securities by contractual maturities at December 31, 2022 were as follows:

	December 31, 2022
Due within 1 year	$ 442
Due after 1 year through 5 years	32
Due after 5 years through 10 years	—
Total marketable securities	$ 474

We review marketable securities for impairment during each reporting period to determine if any of the securities have experienced an other-than-temporary decline in fair value. Credit losses are recognized up to the amount equal to the difference between the fair value and the amortized cost basis and recorded as an allowance for credit losses in the Consolidated Balance Sheets with a corresponding adjustment to earnings. Unrealized losses that are not related to credit losses are recognized in accumulated other comprehensive loss. Unrealized losses were not significant for the securities held in our portfolio as of December 31, 2022 and 2021. There were no impairment losses or expected credit losses related to our marketable securities during the years ended December 31, 2022 and 2021.

6. Loan Servicing Activities and Acquired Loans Receivable, Net

Changes in the contingent liability for expected credit losses for the years ended December 31, 2022 and 2021 were as follows:

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 2	$ —
Impact upon ASC 326 adoption	—	1
Credit loss expense	20	2
Reductions due to loan purchases	(8)	(1)
Ending balance	$ 14	$ 2

The increase in the contingent liability for expected credit losses for the year ended December 31, 2022 was primarily driven by growth in bank partner loan originations.

The balance of the non-contingent stand-ready liability was $6 and $1, respectively, as of December 31, 2022 and 2021.

Changes in the negative allowance for acquired loans for the years ended December 31, 2022 and 2021 were as follows:

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 1	$ —
Impact of adopting ASC 326	—	3
Expected recoveries	5	1
Reduction due to cash collections	(4)	(3)
Ending balance	$ 2	$ 1

7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the periods presented were as follows:

	Amount
Balance as of December 31, 2020	$ 36
Acquisitions	38
Balance as of December 31, 2021	74
Acquisitions	33
Balance as of December 31, 2022	$ 107

Intangible assets, net consisted of the following:

	As of December 31, 2022		
	Technology Assets	Customer Assets	Total
Gross carrying amount	$ 38	$ 6	$ 44
Accumulated amortization	(13)	(2)	(15)
Intangible assets, net	$ 25	$ 4	$ 29

	As of December 31, 2021		
	Technology Assets	Customer Assets	Total
Gross carrying amount	$ 22	$ 4	$ 26

Accumulated amortization	(8)	(2)	(10)
Intangible assets, net	$ 14	$ 2	$ 16

The total estimated future amortization of intangible assets as of December 31, 2022 was as follows:

Year ended December 31,	Amount
2023	$ 6
2024	6
2025	5
2026	5
2027	3
Thereafter	4
	$ 29

8. Lessee Arrangements

The components of lease expense were as follows during the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Operating lease expense	$ 21	$ 25
Variable lease expense	4	1
Total	$ 25	$ 26

Weighted average remaining lease term and discount rate for our operating leases were as follows:

	Year Ended December 31,	
	2022	2021
Weighted-average remaining lease term (years)	6.4	6.9
Weighted-average discount rate	5.19%	2.62%

The following table summarizes maturities of our operating lease liabilities as of December 31, 2022:

	Amount
2023	$ 17

2024	18
2025	18
2026	17
2027	14
Thereafter	28
Total future minimum lease payments	112
Less: Imputed interest	18
Present value of future minimum lease payments	$ 94

The following table summarizes supplemental cash flow information related to operating leases during the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 24	$ 25
Operating lease right of use assets obtained in exchange for new or modified lease obligations:		
Upon the adoption of ASC 842	—	95
During the remainder of the period	14	4
Total	$ 14	$ 99

During 2020, we terminated leases for two office facilities and recognized termination costs of $3. In addition, we recognized $16 of accelerated depreciation on certain leasehold improvements and other property and equipment as a result of exiting the leased space. Depreciation expense was accelerated prospectively for the year ended December 31, 2020 based on the new remaining useful life of the related assets. Additionally, during the year ended December 31, 2020, we recognized total rent expense of $28 related to operating leases.

9. Debt

Revolving Line of Credit

On June 8, 2021, we entered into a revolving line of credit facility, or 2021 Facility, equal to $330. Interest on outstanding loans under the 2021 Facility is determined based on loan type and accrues at an annual rate, as defined in the agreement, of: (a) LIBO Rate multiplied by the Statutory Reserve Rate, plus 1.50% per annum; or 0.5% per annum plus the highest of: (i) the Prime Rate, (ii) the Federal Reserve Bank of New York Rate plus 0.5%, or (iii) the Adjusted LIBO Rate plus 1.00%. The 2021 Facility is subject to a minimum liquidity covenant of $250. As of December 31, 2022 and 2021, no amount was drawn and outstanding under the 2021 Facility which had $330 available for borrowings. As of December 31, 2022 and 2021, there were $8 and $13 of letters of credit outstanding, respectively. As a result of entering into a 2021 Facility, we became obligated to prepay or redeem the Convertible Notes which occurred on June 21, 2021.

Convertible Notes

In June 2020, we issued the Convertible Notes pursuant to the Senior Unsecured Convertible Promissory Note Purchase Agreement or the NPA. The aggregate principal amount of Convertible Notes issued at the time of closing of the convertible notes transaction was $200. The Convertible Notes bore interest at a rate of 8.5% per annum, 50% of which was payable in cash and the other 50% payable in kind. Interest was payable semi-annually in arrears, beginning on December 31, 2020. Unless earlier converted, redeemed, or repaid, the Convertible Notes would mature on June 19, 2027. The carrying value of the Convertible Notes was accreted to the principal amount along with the 15% exit fee payable at maturity as interest expense using the effective interest method over the term of the Convertible Notes. The effective interest rate on the Convertible Notes was 13.33%. Interest expense related to the Convertible Notes was $12 during each of the years ended December 31, 2021 and 2020.

Upon the issuance of the Convertible Notes, we identified and assessed the embedded features of the Convertible Notes. We concluded that certain conversion and redemption features were not clearly and closely related to the Convertible Notes and met the definition of a derivative which was bifurcated and accounted for separately based on its estimated fair value. Additionally, we concluded the contingently issuable warrants to purchase common stock met the definition of a derivative, and accounted for them separately based on their fair value, adjusted for the probability that there would be a voluntary redemption of the Convertible Notes. The bifurcated derivative liability and contingently issuable warrants were subsequently adjusted to their fair value during each reporting period with the change in fair value recorded in “Other income (expense), net” in the Consolidated Statements of Operations.

Upon a voluntary redemption of the Convertible Notes, we were obligated to pay an applicable premium, as further described in the NPA and in the Convertible Notes, and issue warrants to the note holders to purchase a number of shares of common stock. On June 21, 2021, we prepaid all of the outstanding Convertible Notes with a carrying amount of $183, including principal and accrued cash and paid in kind interest, net of an unamortized discount, for an aggregate amount equal to $249. In connection with the prepayment, we issued to the registered holders of the Convertible Notes the warrants to purchase 8,113,585 shares of our common stock with an exercise price of $17.51 per share. The fair value of the warrants of $125 was included in the Convertible Notes’ aggregate settlement consideration of $374. Additionally, we derecognized the liability for the bifurcated derivative and contingently issuable warrants of $141 which were remeasured at fair value on the settlement date. During the year ended December 31, 2021, we recognized a loss of $50 on the settlement of the Convertible Notes and a loss of $103 on the change in fair value of the bifurcated derivative liability and contingently issuable warrants which were recorded in "Other income (expense), net" in the Consolidated Statements of Operations. statements.

10. Other Balance Sheet Information

Prepaid expenses and other current assets consisted Accounts Receivable, net (in millions)

	December 31,	
	2023	2022
Accounts receivable	$ 57	$ 45
Unbilled receivables	23	44
Less: Allowance for credit losses	(11)	(12)
Accounts receivable, net	$ 69	$ 77

Our allowance for credit losses was comprised of the following:

	December 31,	
	2022	2021
Cash held on behalf of customers	$ 60	$ 34
Prepaid expenses	27	25
Deposits for inventory purchases	20	21
Other current assets	48	12
	$ 155	$ 92

following (in millions):

	Year Ended December 31,	
	2023	2022
Beginning balance	$ (12)	$ (4)
Additions	(10)	(13)
Write offs	11	5
Ending balance	$ (11)	$ (12)

Other Current Assets (in millions)

	December 31,	
	2023	2022
Cash held on behalf of customers	$ 87	$ 60
Deferred contract acquisition costs	60	44
Other receivables	58	32
Prepaid expenses	24	27
Deposits for inventory purchases	6	20
Other	24	16
	$ 259	$ 199

Property and equipment consisted of the following: Equipment (in millions)

	December 31,	December 31,	
	2023	2023	2022

		December 31,	
		2022	**2021**
Capitalized software			
Capitalized software			
Capitalized software			
Computer equipment			
Leasehold improvements	Leasehold improvements	$36	$29
Capitalized software		49	25
Computer equipment		14	8
Tooling and equipment			
Furniture and fixtures	Furniture and fixtures	8	8
Tooling and equipment		2	2
		109	72
Construction in process			
	136		
Less: Accumulated depreciation	Less: Accumulated depreciation	(48)	(31)
		$61	$41
	$		

Depreciation expense, which excludes amortization expense related to capitalized software, for the years ended December 31, 2023, 2022, and 2021, was $10 million, $10 million, and $9 million, respectively. Impairment expense for the year ended December 31, 2023 was $15 million, primarily related to the termination of the Boston lease (Note 7). There were no impairment expenses for the years ended December 31, 2022, 2021, and 2020, was $10, $9, and $19, respectively. 2021.

During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, we capitalized $24 $48 million and $8, $24 million, respectively, in capitalized software and website development costs. As of December 31, 2022 December 31, 2023 and 2021, capitalized 2022, property and equipment, net in the Consolidated Balance Sheets included unamortized software and website development costs of $25 $57 million and $10, respectively, are included in "Property and equipment, net" in the Consolidated Balance Sheets. Depreciation $25 million, respectively. Amortization expense attributable to capitalized software and website development costs was $9, $8, $16 million, $9 million, and $5, $8 million, respectively, for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

Accrued Expenses and Other Current liabilities (in millions)

	December 31, 2023	December 31, 2022
Accrued transaction-based costs	$ 253	$ 181
Customer funds obligation	87	60
Accrued payroll and bonus	78	59
Accrued expenses	68	45
Contingent liability for expected credit losses	29	14
Accrued commissions	25	15
Operating lease liability	11	14
Other	41	39
	$ 592	$ 427

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2022	December 31, 2021
Accrued transaction-based costs	$ 181	$ 120
Accrued payroll and bonus	59	24
Customer funds obligation	60	34
Accrued expenses	45	21
Accrued commissions	15	19
Contingent liability for expected credit losses	14	2
Other liabilities	39	26
	$ 413	$ 246

11. Warrants to Purchase Common Stock

In conjunction with the optional prepayment *Shares* *of* *the Convertible Notes on June 21, 2021, we issued warrants to purchase 8,113,585 shares of our common stock with an exercise price of $17.51 per share (see Note 9, "Debt"). These warrants became exercisable 50 trading days following the completion of the IPO.* *Stock*

We classify The following table shows the warrants as liabilities changes in Class A and recognize them at fair value in our Consolidated Balance Sheets because they meet the definition of a derivative. The warrants were initially measured at fair value upon their issuance and are subsequently measured at fair value during each reporting date. Changes in the fair value of the warrants liability are recognized as a component of "Other income (expense), net" in our Consolidated Statements of Operations. We evaluated the warrants and concluded that they do not meet the criteria to be classified within stockholders' equity (deficit). The agreement governing the warrants includes a provision that could result in a different exercise price and a settlement value depending on the assumption of the warrants by their holders. The warrants are not considered to be indexed to our own stock because the actions of the warrant holders do not represent an input into the pricing of a fixed-for-fixed option on our Class B shares of common stock which precludes us from classifying the warrants (in millions):

	Year Ended December 31,		
	2023	2022	2021
Class A and B Common Stock (in shares)			
Balance, beginning of period	523	507	220
Issuance of common stock under equity plans	19	14	6
Conversion of preferred stock	—	—	254
Issuance of common stock in connection with initial public offering	—	—	25
Issuance of common stock, other	1	2	2
Balance, end of period	543	523	507

Changes in stockholders' equity. Class B Common stock were as follows (in millions):

	Year Ended December 31,		
	2023	2022	2021
Class B Common Stock (in shares)			
Balance, beginning of period	170	339	—
Conversion of preferred stock upon Initial Public Offering	—	—	254
Conversion of common stock upon Initial Public Offering	—	—	225
Conversions to Class A common stock	(56)	(169)	(140)
Balance, end of period	114	170	339

During the year ended December 31, 2022 December 31, 2023, we issued 371,573 all Treasury Stock shares of Class B common stock as a result of warrants exercised and recognized a remeasurement gain of $6 for the fair value of warrant liability. The remaining outstanding warrants were remeasured at fair value resulting in a remeasurement gain of $89 during the year ended December 31, 2022.

fully retired. During the year ended December 31, 2021, 1,002,035 common immediately prior to the completion of our IPO, all shares of convertible preferred stock warrants were exercised for the same automatically converted into an equal number of shares of Class B Common common stock. The warrant liability was remeasured at fair value on the exercise dates resulting in a remeasurement loss of $19 for the warrants exercised during the year ended December 31, 2021. The remaining warrants were remeasured at December 31, 2021 resulting in a total remeasurement loss of $62 for the year ended December 31, 2021.

12. Common Stock

Shares Reserved for Charitable Donations

In recognition of our values and commitment to local communities, we joined the Pledge 1% movement to fund our social impact initiatives through Toast.org, our philanthropic branch. social impact arm. During the year ended December 31, 2021, the our Board approved reserving 5,468,890 5 million shares of Class A common stock that we may, but are not obligated to, issue over a period of ten years in ten equal installments as a bona fide gift to a charitable organization to fund its social impact initiatives through Toast.org. During each As of the years ended December 31, 2022 and 2021, we transferred 546,889 December 31, 2023, 4 million shares of our Class A common stock to an independent donor advised fund. were reserved for future issuances for charitable donations. During the years ended December 31, 2022 December 31, 2023, 2022, and 2021, we recognized a charitable contribution stock-based expense of $10 $10 million, $10 million and $19, $19 million, respectively, for the fair value of the donated shares, which was recorded within "General general and administrative" administrative expenses in the Consolidated Statements of Operations.

Restricted Stock and Promissory Notes

As of December 31, 2022, we issued 2,703,538 Restricted Stock

Issued and restricted shares of Class A common stock and Class B common stock subject relate to restrictions. This included 1,365,310 those issued upon early exercise of stock options under our 2014 Plan and certain shares issued as part of the consideration for acquisitions. The following table shows the changes in our restricted shares of Class A common stock and Class B common stock issued upon the early exercise of stock options and 1,338,228 shares of restricted Class A common stock issued to certain members of management of Sling in conjunction with its acquisition in 2022 (see Note 3, “Business Combinations”). As of December 31, 2021, we issued 4,133,955 shares of Class B common stock upon the early exercise of stock options. (in millions):

Pursuant to the associated agreements, upon termination of employment, unvested shares held by such individuals are subject to repurchase by us. As of December 31, 2022 and 2021, cash paid for unvested shares of $2 and $6, respectively, is included in "Other long-term liabilities" in the Consolidated Balance Sheets.

At each Consolidated Balance Sheet date, shares subject to restriction consisted of the following:

	Shares
Unvested as of December 31, 2021	4,133,955
Issuance of restricted stock for acquisition	1,338,228
Exercise of stock options	27,305
Repurchases	(33,475)
Vested	(2,762,475)
Unvested as of December 31, 2022	2,703,538 3
Issuance of restricted stock	—
Repurchases	—
Vested	(2)
Unvested as of December 31, 2023	1

In February 2019, the Board authorized certain senior executives to exercise an aggregate of 15,057,340 of stock options by issuing to us an aggregate of $23 in interest-bearing promissory notes (the “Promissory Notes”).

In May 2021, we issued 8,045,300 shares of common stock for the exercise of vested options upon the Promissory Notes full repayment of $23, which included outstanding principal and accrued interest, and recognized $14 of the associated cash proceeds in Additional Paid in Capital during the year ended December 31, 2021. Additionally, we recognized a liability of $9 related to unvested shares in "Other long-term liabilities" in the Consolidated Balance Sheets.

As of each Consolidated Balance Sheet date, we had reserved shares of Class A common stock and Class B common stock for issuance in connection with the following:

	December 31,	
	2022	2021
Options to purchase Class A common stock and Class B common stock	53,728,512	58,917,018
Restricted stock units	31,242,263	15,384,809
Warrants to purchase Class B common stock	6,902,633	7,961,455

Shares available for future grant under the 2021 Plan and 2014 Plan	55,009,136	53,916,105
Shares reserved for charitable donations	4,375,112	4,922,001
Shares available for issuance under 2021 Employee Stock Purchase Plan	16,709,893	11,638,189
	167,967,549	152,739,577

13. Revenue from Contracts with Customers

The following table summarizes the activity in deferred revenue:

	Year Ended December 31,	
	2022	2021
Deferred revenue, beginning of year	$ 56	$ 59
Deferred revenue, end of period	$ 46	$ 56
Revenue recognized in the period from amounts included in deferred revenue at the beginning of period	$ 51	$ 43

As of December 31, 2022, $480 of revenue is expected to be recognized from remaining performance obligations for customer contracts. We expect to recognize revenue on approximately $462 of these remaining performance obligations over the next 24 months, with the balance recognized thereafter.

The following table summarizes the activity in deferred contract acquisition costs:

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 55	$ 29
Capitalization of sales commissions costs	71	56
Amortization of sales commissions costs	(44)	(30)
Ending balance	$ 82	$ 55

	December 31,	
	2022	2021
Deferred costs, current	$ 44	$ 30
Deferred costs, non-current	38	25
Total	$ 82	$ 55

14. 12. Stock-Based Compensation Expense

Stock-based compensation expense recognized for the years ended December 31, 2023, 2022, and 2021, was as follows (in millions):

	Year Ended December 31,		
	2023	2022	2021
Costs of revenue	$ 43	$ 33	$ 12
Sales and marketing	58	50	24
Research and development	94	72	48
General and administrative	82	73	58
	$ 277	$ 228	$ 142

Stock-based compensation of $13 million, $7 million and $1 million, was capitalized as software development costs for the years ended December 31, 2023, 2022, and 2021, respectively.

Stock Option and Incentive Plan Plans

The 2021 Stock Option and Incentive Plan, or the 2021 Plan, was adopted and approved in 2021. The 2021 Plan replaced the 2014 Plan, which was initially adopted in 2014 and continues to govern outstanding equity awards granted thereunder. The 2021 Plan allows us to make equity-based and cash-based incentive awards to our officers, employees, directors, and consultants. We initially reserved 58,190,945 shares of Class A common stock for the issuance of awards under the 2021 Plan. The number of shares reserved and available for issuance under the 2021 Plan automatically increases each January 1, by 5% of the total outstanding number of shares of the Class A common stock and Class B common stock on the immediately preceding December 31, or such lesser number of shares as determined by the Compensation Committee of the our Board.

2014 Stock Incentive Plan

The 2014 Plan was initially adopted in 2014 and amended and restated in 2020. A total As of 167,777,810 December 31, 2023, 67 million shares of our Class B common stock were reserved authorized for issuance under the 2014 Plan. Shares of Class B common stock underlying any awards under the 2014 Plan that are forfeited, canceled, reacquired by us prior to vesting, satisfied without the issuance of stock or otherwise terminated (other than by exercise) were added to the shares of Class A common stock available for future issuance under the 2021 Plan.

Stock-based compensation expense recognized for December 31, 2022, 2021, and 2020, were as follows:

	Year Ended December 31,

	2022	2021	2020
Costs of revenue	$ 33	$ 12	$ 7
Sales and marketing	50	24	16
Research and development	72	48	30
General and administrative	73	58	33
	$ 228	$ 142	$ 86

Stock-based compensation expense of $7 and $1, respectively, was capitalized as software development costs for the years ended December 31, 2022 and December 31, 2021. There were no such costs during the year ended December 31, 2020.

2021 Employee Stock Purchase Plan

In 2021, our Board adopted, and our stockholders approved, the 2021 Employee Stock Purchase Plan, or ESPP. We initially reserved and authorized the issuance of up to a total of 11,638,189 shares of our Class A common stock to participating employees under the ESPP. The ESPP provides that the number of shares reserved and available for issuance will automatically increase on January 1 of each year through January 1, 2031, by the lesser of: (i) 11,638,189 12 million shares of our Class A common stock, (ii) 1% of the issued and outstanding total number of shares of Class A common stock and Class B common stock on the date immediately preceding December 31, or (iii) such lesser number of shares of Class A common stock as determined by the plan administrator of the ESPP.

As of December 31, 2022 December 31, 2023, 16,709,893 21 million shares of our Class A common stock were authorized for issuance to participating employees who are allowed to purchase shares of Class A common stock at a price equal to 85% of its fair market value at the beginning or the end of the offering period, whichever is lower. There were no shares of Class A common stock purchased under the ESPP during the year ended December 31, 2022.

ESPP expense was not material to our consolidated results of operations for the year ended December 31, 2022.

Stock Options

Our stock option awards generally have a requisite service period of four to five years and a contractual life of ten years.

The following table indicates the weighted-average assumptions made in estimating the fair value based on the Black-Scholes model as of December 31, 2022 December 31, 2023, 2021, 2022, and 2020: 2021:

	Year Ended December 31,

		2022	2021	2020				
	Year Ended December 31,					Year Ended December 31,		
	2023					2023	2022	2021
Risk-free interest rate	Risk-free interest rate	2.42%	1.00%	0.49%	Risk-free interest rate	3.90%	2.42%	1.00%
Expected term (in years)	Expected term (in years)	6.07	6.32	6.64	Expected term (in years)	6.08	6.07	6.32
Expected volatility	Expected volatility	52%	65%	63%	Expected volatility	56%	52%	65%
Expected dividend yield	Expected dividend yield	0%	0%	0%	Expected dividend yield	0%	0%	
Weighted-average fair value of common stock		$17.24	$17.00	$3.23				
Weighted-average fair value per share of common stock					Weighted-average fair value per share of common stock	$18.01	$17.24	$17.00
Weighted-average fair value per share of options issued	Weighted-average fair value per share of options issued	$8.94	$10.12	$1.95	Weighted-average fair value per share of options issued	$10.24	$8.94	$10.12

The following is a summary of stock option activity under our stock option plans:

	Number of Shares (in millions)	Number of Shares (in millions)	Weighted-Average Exercise Price (per share)	Weighted- Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in millions)(1)
Outstanding as of December 31, 2022					

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Outstanding as of December 31, 2022
Outstanding as of December 31, 2022
Granted
Granted
Granted
Exercised
Exercised
Exercised
Forfeited
Forfeited
Forfeited
Outstanding as of December 31, 2023
Outstanding as of December 31, 2023
Outstanding as of December 31, 2023

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
			(in years)	
Outstanding as of December 31, 2021	58,917,018	$ 4.53	7.65	$ 1,778
Granted	6,311,680	17.24		
Exercised	(7,633,661)	1.93		
Forfeited	(3,866,525)	10.21		

Outstanding as of December 31, 2022	53,728,512	$	5.98	6.94	$	655
Options vested and expected to vest as of December 31, 2023						
Options vested and expected to vest as of December 31, 2022	50,866,098	$	5.70	6.87	$	634
Options exercisable as of December 31, 2022	48,402,325	$	4.63	6.67	$	649
Options vested and expected to vest as of December 31, 2023						
Options vested and expected to vest as of December 31, 2023						
Options exercisable as of December 31, 2023						

(1) The aggregate intrinsic value was determined as the difference between the closing price of the Class A common stock on the last trading day of the month of December or the date of exercise, as appropriate, and the exercise price, multiplied by the number of in-the-money options that would have been received by the option holders had all option holders exercised their in-the-money options at period end.

As of December 31, 2022 and December 31, 2021, the total number of vested, unexercised options was 29,934,775 and 25,983,807, respectively, with an intrinsic value of $438 and $855, respectively. As of December 31, 2022 and December 31, 2021, the total number of unvested options was 23,793,737 and 37,106,955, respectively. The aggregate intrinsic values of options exercised was $134, $162, $137 million, $134 million, and $38, respectively, $162 million for the years ended December 31, 2022 December 31, 2023, 2022, and 2021, and 2020, respectively. Total exercise value of options vested during the years ended December 31, 2022, 2021, and 2020 was $82, $36, and $23, respectively.

As of December 31, 2022 December 31, 2023, total unrecognized stock-based compensation expense related to the options was $97 $83 million and is expected to be recognized over the remaining weighted-average service period of 3.1 2.5 years.

Restricted Stock Units

The majority of our RSU awards have a requisite service period of four years. We reflect RSUs as issued and outstanding shares of common stock when such units vest. The following table summarizes RSU activity as of December 31, 2022 December 31, 2023:

RSU (in millions)		RSU (in millions)	Weighted- Average Grant Date Fair Value (per share)
		RSU	**Weighted Average Grant Date Fair Value**
Outstanding balance as of December 31, 2021		15,384,809	$ 29.71
Outstanding balance as of December 31, 2022 Outstanding balance as of December 31, 2022 Outstanding balance as of December 31, 2022			
Granted	Granted	24,272,078	18.40
Vested	Vested	(5,981,213)	25.14
Forfeited	Forfeited	(2,433,411)	25.63
Outstanding balance as of December 31, 2022		31,242,263	$ 22.11
Outstanding balance as of December 31, 2023			

Expected to vest as of December 31, 2023

The weighted average grant-date fair value per share of RSUs granted during the years ended December 31, 2021 December 31, 2022 and 2020 2021 was $18.40 and $29.80, and $2.21, respectively. As of December 31, 2022, we issued 5,962,878 shares of Class A common stock and Class B common stock to settle RSUs upon vesting. The fair value of RSUs vested during the years ended December 31, 2022 December 31, 2023, 2022, and 2021 was $108 $208 million, $108 million, and $1, $1 million, respectively. No RSUs vested during the year ended December 31, 2020.

As of December 31, 2022 December 31, 2023, total unrecognized stock-based compensation expense related to the RSUs was $479 $490 million and is expected to be recognized over the remaining weighted-average service period of 3.31 2.8 years.

Secondary Sales and Tender Offer

During 2021 and 2020, the year ended December 31, 2021, secondary investors purchased 975,057 and 9,498,100 shares of common stock from certain employees, respectively. employees. Stock-based compensation expense related to these transactions totaled $46 million, representing amounts paid in excess of then current fair value, totaled $46 and $53, respectively, during the years ended December 31, 2021 and 2020, and is recorded in operating expenses in the accompanying Consolidated Statements of Operations.

During the year ended December 31, 2020, we facilitated a tender offer of common stock whereby certain third parties purchased an aggregate of 3,281,510 shares of common stock from certain eligible employees and non-employees for an aggregate purchase price of $49. We recognized stock-based compensation expense of $17 in connection with the tender offer which represented the difference between the purchase price and the fair value of common stock on the date of sale. value.

15.

13. Revenue from Contracts with Customers

The following table summarizes the activity in deferred revenue (in millions):

	Year Ended December 31,	
	2023	2022
Deferred revenue, beginning of year	$ 46	$ 56
Deferred revenue, end of period	$ 41	$ 46
Revenue recognized in the period from amounts included in deferred revenue at the beginning of period	$ 42	$ 51

Deferred revenue includes amounts classified within other long-term liabilities on our Consolidated Balance Sheets.

As of December 31, 2023, $678 million of revenue is expected to be recognized from remaining performance obligations for customer contracts. We expect to recognize revenue on approximately $618 million of these remaining performance obligations over the next 24 months, with the balance recognized thereafter.

The following table summarizes the activity in deferred contract acquisition costs (in millions):

	Year Ended December 31,	
	2023	2022
Beginning balance	$ 82	$ 55
Capitalization of sales commissions costs	107	71
Amortization of sales commissions costs	(62)	(44)
Ending balance	$ 127	$ 82

Deferred contract acquisition costs are classified within other current assets (Note 10) and other non-current assets, respectively.

14. Income Taxes

The components of income (loss) before provision for income taxes are as follows (in millions):

		Year Ended December 31,		
		2022	2021	2020
	Year Ended December 31, 2023	2023	2022	2021
United States	United States	$(286)	$(493)	$(249)
Foreign	Foreign	9	3	1
Total loss before income taxes	Total loss before income taxes	$(277)	$(490)	$(248)

The components of income tax (benefit) expense (expense) benefit for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, were as follows: follows (in millions):

	Year Ended December 31,		
	2022	2021	2020
	Year Ended December 31,	Year Ended December 31,	
	2023	2023	2022	2021
Current state Current state	$ 1	$—	$—
Current foreign Current foreign	2	—	—
Current tax expense	3	—	—
Current tax (expense) benefit			
Deferred federal Deferred federal	(4)	(2)	—
Deferred state Deferred state	(1)	(1)	—
Deferred tax benefit	(5)	(3)	—
Total income tax (benefit) expense	$ (2)	$ (3)	$—
Deferred tax (expense) benefit			
Total income tax (expense) benefit			

The tax effects of temporary differences that gave rise to a significant portion of the deferred tax assets and liabilities at December 31, 2022 December 31, 2023 and 2021, 2022, were as follows: follows (in millions):

December 31,	December 31,

	2023	2023	2022
Deferred tax assets:			

		December 31,	
Net operating loss carryforwards			
		2022	2021
Deferred tax assets:			
Net operating loss carryforwards			
Net operating loss carryforwards	Net operating loss carryforwards	$160	$150
Stock-based compensation expense	Stock-based compensation expense	34	19
Credit carryforward	Credit carryforward	42	24
Accrued expenses and reserves	Accrued expenses and reserves	28	13
Charitable contributions	Charitable contributions	8	5
Deferred revenue	Deferred revenue	2	7
Depreciation	Depreciation	1	2
Capitalized R&D	Capitalized R&D	57	—
Inventory reserve	Inventory reserve	2	1
Lease liability	Lease liability	23	25
Total deferred tax assets	Total deferred tax assets	357	246
Valuation allowance	Valuation allowance	(310)	(206)
Net deferred tax assets	Net deferred tax assets	47	40
Deferred tax liabilities:	Deferred tax liabilities:		

Depreciation Depreciation Depreciation			
Amortization	Amortization	(8)	(4)
Other		—	(2)
Capitalized contract acquisition costs	Capitalized contract acquisition costs	(21)	(14)
Right-of-use asset	Right-of-use asset	(18)	(20)
Total deferred tax liabilities	Total deferred tax liabilities	(47)	(40)
Net deferred tax asset (liability)	Net deferred tax asset (liability)	$ —	$ —

A reconciliation of our effective tax rate to the United States federal income tax rate were as follows:

		December 31,						
		2022	2021	2020				
	December 31,					December 31,		
	2023					2023	2022	2021
Tax provision at statutory rate	Tax provision at statutory rate	21.0%	21.0%	21.0%	Tax provision at statutory rate	21.0%		21.0%
State tax—net of federal	State tax—net of federal	7.8%	1.2%	5.4%	State tax—net of federal	5.4%	7.8%	1.2%
Permanent items - Other	Permanent items - Other	(1.5)%	(0.6)%	(0.8)%	Permanent items - Other	(1.8)%	(1.5)%	(0.6)%
Warrants	Warrants	7.3%	(4.2)%	—%	Warrants	0.3%	7.3%	(4.2)%
Convertible debt extinguishment	Convertible debt extinguishment	—%	(1.5)%	—%	Convertible debt extinguishment	—%	—%	(1.5)%
Research and development credits	Research and development credits	4.6%	1.0%	1.6%	Research and development credits	6.5%	4.6%	1.0%

Stock-based compensation expense	Stock-based compensation expense	(1.0)%	(0.8)%	(4.0)%	Stock-based compensation expense	3.1%	(1.0)%	(0.8)%
Derivative liability	Derivative liability	0.0%	(5.6)%	(1.3)%	Derivative liability	—%	—%	(5.6)%
Other, net		—%	—%	0.3%				
Change in valuation allowance								
Change in valuation allowance								
Change in valuation allowance	Change in valuation allowance	(37.5)%	(10.0)%	(22.3)%		(35.3)%	(37.5)%	(10.0)%
Effective Tax Rate	Effective Tax Rate	0.6%	0.5%	(0.1)%	Effective Tax Rate	(0.8)%	0.6%	0.5%

During the year ended December 31, 2022 December 31, 2023, we recorded an income tax benefit expense of $2, $2 million, which is primarily attributable to a non-recurring benefit of $5 for the release of a portion of our valuation allowance partially offset by U.S. state tax expense and the tax expense recorded on the earnings of our profitable foreign subsidiaries. subsidiaries, partially offset by a non-recurring benefit of $1 million for the release of a portion of our valuation allowance. The valuation allowance release was due to taxable temporary differences available as a source of income to realize the benefit of certain pre-existing Toast deferred tax assets as a result of the Sling Delphi acquisition.

Management has evaluated the positive and negative evidence bearing upon the realizability of its net deferred tax assets which are composed principally of net operating loss, tax credit carryforwards and capitalized research and development costs. Management has determined that it is more likely than not that we will not recognize the benefits of our deferred tax assets and, as a result, a full valuation allowance has been recorded retained against our net deferred tax assets as of December 31, 2022 and 2021. December 31, 2023. The valuation allowance increased by $104, $52 $87 million, $104 million and $50 $52 million during the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively, primarily due to the operating losses incurred and tax credits generated for the period ending December 31, 2022. during each year.

As of December 31, 2022 December 31, 2023, we had U.S. federal net operating loss carryforwards of $597 $720 million which may be able to offset future income tax liabilities. Of the federal net operating loss carryforward $513 $635 million has an indefinite carryforward period, and $85 $85 million will expire at various dates through 2037. As of December 31, 2022 December 31, 2023, we had U.S. state net operating loss carryforwards of $573, $773 million, of which $480 $641 million begin to expire in 2032 and the remaining $93 $132 million do not expire. As of December 31, 2022 December 31, 2023, we had U.S. federal tax credit carryforwards of $29 $45 million which expire between 2034 and 2042. 2043. As of December 31, 2022 December 31, 2023 we had U.S. state tax credit carryforwards of $17 $21 million which expire between 2031 and 2037. 2038.

Ownership changes, as defined in the Internal Revenue Code Section 382, could limit the amount of U.S. net operating loss and tax credit carryforwards that can be utilized annually to offset future taxable income. Generally, an ownership change occurs when the ownership percentage of 5% or greater stockholders increases by more than 50% over a three-year period. The Company has completed a historical ownership change analysis and while it has experienced ownership changes in the past none of its existing federal and state tax attributes are subject to historical limitations that are expected to materially limit their utilization. The company's ability to utilize its federal and state tax attributes may could be limited by ownership changes that have occurred in the past or may occur in the future.

As of December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, we had immaterial tax reserves for uncertain tax positions, none of which would impact the effective tax rate if recognized. We will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, we have accrued and recognized immaterial interest or penalties related to uncertain tax positions.

We file income tax returns in the United States (federal, and various state jurisdictions), as well as various foreign jurisdictions. The federal, state and foreign income tax returns are generally subject to tax examinations for the tax years ended December 31, 2019 December 31, 2020 through December 31, 2022 December 31, 2023. To the extent we have tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service, state or foreign tax authorities until utilized in a future period.

As of December 31, 2022 December 31, 2023, the Company has we have not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from unremitted earnings for certain non-U.S. subsidiaries, which are permanently reinvested outside of the U.S. The Due to a recent launch of foreign operations that remain insignificant to our overall activities, the amount of unrecognized deferred tax liability on these undistributed earnings basis difference is not material as of December 31, 2022 December 31, 2023.

16. 15. Loss Per Share

Basic net loss per share is determined by dividing net loss by the weighted average weighted-average shares outstanding for the period. We analyze the potential dilutive effect of stock options, unvested restricted stock, RSUs, shares under our ESPP, and warrants to purchase common stock (as applicable), during periods we generate net income, or when income is recognized related to changes in fair value of our warrant liability.

For the year years ended December 31, 2022, December 31, 2023 and 2022, we recorded a gain on fair value remeasurement of our warrant liability which was added back to the numerator net loss to adjust net loss for the incremental dilutive impact of shares using the warrants. treasury stock method. We adjusted the denominator weighted average shares outstanding for the incremental dilutive shares using the treasury stock method. During the years year ended December 31, 2021 and 2020, , we recorded a loss on fair value remeasurement of our warrant liability, which was excluded from the calculation of diluted earnings per share due to its antidilutive effect.

The following table sets forth the computation of net loss per share attributable to common stockholders: stockholders (in millions, except per share amounts):

	Year Ended December 31,			Year Ended December 31,	
	2023		2023	2022	2021
Numerator:					
Net loss attributable to common stockholders- basic					
Net loss attributable to common stockholders- basic					
Weighted-average shares of common stock outstanding - basic					

	Year Ended December 31,		
	2022	2021	2020
Numerator:			
Net loss	$ (275)	$ (487)	$ (248)
Redemption of Series B Preferred Stock	—	—	(1)
Net loss attributable to common stockholders- basic	(275)	$ (487)	$ (249)
Gain on change in fair value of warrant liability	95	—	—
Net loss attributable to common stockholders- diluted	$ (370)	$ (487)	$ (249)
Denominator:			
Weighted average shares of common stock outstanding - basic	511,754,986	289,584,001	199,982,965

Weighted-average shares of common stock outstanding - basic					
Weighted-average shares of common stock outstanding - basic			532	512	290
Effect of dilutive securities:	Effect of dilutive securities:				
Warrants to purchase Class B common stock	Warrants to purchase Class B common stock	488,120	—	—	
Weighted average shares of common stock outstanding - diluted		512,243,106	289,584,001	199,982,965	
Warrants to purchase Class B common stock					
Warrants to purchase Class B common stock					
Weighted-average shares of common stock outstanding - diluted					
Net loss per share attributable to common stockholders - basic	Net loss per share attributable to common stockholders - basic	$ (0.54)	$ (1.68)	$ (1.25)	
Net loss per share attributable to common stockholders - diluted	Net loss per share attributable to common stockholders - diluted	$ (0.72)	$ (1.68)	$ (1.25)	

We excluded the following potential shares of common stock from the computation of diluted net loss per share because including them would have an antidilutive effect for the years ended December 31, 2022 December 31, 2023, 2022, and 2021 and 2020: (in millions):

		Year Ended December 31,					
		2022	2021	2020			
	Year Ended December 31,				Year Ended December 31,		
	2023				2023	2022	2021
Options to purchase Class A common stock, Class B common stock, and common stock	Options to purchase Class A common stock, Class B common stock, and common stock	53,728,512	58,917,018	58,035,220			
Unvested restricted stock	Unvested restricted stock	2,703,538	4,133,955	1,096,800			
Unvested restricted stock units	Unvested restricted stock units	31,242,263	15,384,809	—			
Shares issued for exercise of non-recourse notes		—	—	14,267,650			
Convertible preferred stock (as converted to common stock)		—	—	253,832,025			

Warrants to purchase Class B common stock and common stock and preferred stock (as if converted to warrants to purchase common stock)	Warrants to purchase Class B common stock and common stock and preferred stock (as if converted to warrants to purchase common stock)	—	7,961,455	1,002,035
Employee Stock Purchase Plan		169,448		
Warrants to purchase Class B common stock and common stock and preferred stock (as if converted to warrants to purchase common stock)				
Warrants to purchase Class B common stock and common stock and preferred stock (as if converted to warrants to purchase common stock)				
Total	Total	87,843,761	86,397,237	328,233,730
Total				
Total				

Potential shares issuable based on the contingent conversion features under the Convertible Notes prior to their repayment were also excluded from the computation of diluted net loss per share because the number of shares issuable was contingent on the enterprise value of the business and number of shares outstanding at the time of conversion, and such shares would be antidilutive as of December 31, 2021 and 2020 (see Note 9, "Debt").

17. 16. Segment Information

We have significant operations in the United States, Ireland, and India. We did not earn material revenue in any country other than the United States during the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020. 2021.

The following table sets forth the breakdown of long-lived assets based on geography: geography (in millions):

		December 31,			
		2022		2021	
		December 31,			
		December 31,			
		December 31,			
	2023				
United States					
United States					
United States	United States	$	122	$	119
Ireland	Ireland		10		1
Ireland					
Ireland					
India					
India					
India	India		5		—
Other	Other		1		—
Other					
Other					
Total long-lived assets	Total long-lived assets	$	138	$	120
Total long-lived assets					
Total long-lived assets					

Tangible long-lived assets consist of property and equipment and operating lease right-of-use assets. Long-lived assets attributed to specific countries are based upon the country in which the asset is located.

18.

17. Commitments and Contingencies

Purchase Commitments

We had non-cancelable purchase obligations to hardware suppliers and cloud service providers of $231 and $315 as of December 31, 2022 and 2021, respectively. As of December 31, 2022, $196 of our non-cancelable purchase obligations are due in 2023 and $35 thereafter.

As of December 31, 2022 and 2021, we had issued standby letters of credit in the amount of $8 and $13, respectively, held as collateral for various real estate leases.

Legal Proceedings

From time to time, we may be involved in legal actions arising in the ordinary course of business. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably. We establish accruals for losses that management deems to be probable and subject to reasonable estimates. As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, we do not expect any claims with a reasonably possible adverse outcome to have a material impact to us, and accordingly, have not accrued for any material claims.

19. Retirement Plan 18. Subsequent Events (unaudited)

Substantially In February 2024, we announced a restructuring plan, or the Restructuring Plan, designed to promote overall operating expense efficiency, including a reduction in force and certain other actions to reorganize our facilities and operations. As part of this Restructuring Plan, we expect to incur restructuring and restructuring-related charges of approximately $45 to $55 million, primarily related to severance and severance related costs and certain other costs related to facilities. We expect to complete the Restructuring Plan by the end of fiscal year 2024 and expect to incur substantially all employees are eligible to participate of these charges in the 401(k) defined contribution plan which is sponsored by us. Participants may contribute first quarter of fiscal year 2024.

In February 2024, we also announced the authorization of a portion share repurchase program for the repurchase of their compensation to the plan, shares of our Class A common stock, in an aggregate amount of up to the maximum $250 million. The repurchase program has no expiration date, does not obligate us to acquire any particular amount permitted under Section 401(k) of the Internal Revenue Code. At our discretion, we can match Class A common stock, and it may be suspended at any time at our discretion. The timing and actual number of shares repurchased may depend on a portion variety of the participants' contributions. During the years ended December 31, 2022, 2021, factors, including price, general business and 2020, we recognized $14, $6, market conditions, and $2, respectively, of expense for the defined contribution plans. This matching program was temporarily suspended from April 1, 2020 through December 31, 2020 and was reinstated on January 1, 2021. alternative investment opportunities.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Principal Executive Officer and Chief Principal Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act,as of December 31, 2022 December 31, 2023. Based on management's review, with participation of this evaluation, our Chief Principal Executive Officer and Chief Principal Financial Officer, the Chief Executive Officer and Chief Financial Officer together with management, have concluded that, as of the quarter ended December 31, 2022 December 31, 2023, our disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting as described below.effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(e) of the Exchange Act). Management, with the participation of our Chief Principal Executive Officer and Chief Principal Financial Officer, has assessed the effectiveness of internal control over financial reporting as of December 31, 2022 December 31, 2023, based upon the framework in*Internal Control- Integrated Framework (2013) (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based upon such evaluation under this evaluation and the material weakness identified below, framework, our management concluded that our internal control over financial reporting was not effective as of December 31, 2022 December 31, 2023.

Material Weakness in Internal Control

We identified amaterial weakness in internal control related to ineffective information technology general controls, or ITGCs, in the area of user access over certain information technology, or IT, systems that support the Company's revenue financial reporting processes. As a result, the related process-level IT dependent manual controls, certain change management controls,and automated application controls for certain key IT systems were also ineffective.

The material weakness identified above did not result in any material misstatements in our financial statements or disclosures, and there were no changes to previously released financial results. Our management concluded that the consolidated financial statements included in this Annual Report on Form 10-K, present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023, has been audited by Ernst & Young LLP as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Remediation Planof Previously Reported Material Weakness in Internal Control over Financial Reporting

Our management is committed to maintaining We disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, that we identified a strong internal control environment. In response to the identified material weakness above, management will take comprehensive actions to remediate the material weakness in our internal control related to ineffective information technology general controls, or ITGCs, in the area of user access over certain information technology, or IT, systems that support our revenue financial reporting.reporting processes. As a result, the related process-level IT dependent manual controls, certain change management controls, and automated application controls for certain key IT systems were also ineffective as of December 31, 2022.

The During the fiscal year ended December 31, 2023, management implemented our previously disclosed remediation actions include: plan that included: (i) creating and filling an IT Compliance Oversight function; (ii) developing and implementing additional training and awareness programs addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on user access; (iii) increasing the extent of oversight and verification checks included inoperation of user access controls and processes; (iv) deploying additional tools to support administration of user access; and (v) enhancing quarterly management reporting on the remediation measures to the Audit Committee of our Board. During the Board fourth quarter of Directors.

We believe fiscal 2023, we completed our testing of the operating effectiveness of the controls and concluded that these actions, when fully implemented, will remediate the material weakness. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period they were effective as of time December 31, 2023, and management has concluded, through testing, that these controls are operating effectively. As we continue to evaluate and improve the applicable controls, management may determine to take additional measures to modify the remediation plan described above. We expect that the remediation of this previously identified material weakness will be completed prior to the end of fiscal year 2023.

Remediation of Previously Reported Material Weaknesses in Internal Control over Financial Reporting

We disclosed in our Registration Statement on Form S-1 (File No. 333-259104) and Annual Report on Form 10-K for the year ended December 31, 2021, that material weaknesses in our internal control over financial reporting existed as of December 31, 2021. These material weaknesses relate to the controls for the financial statement close process and the controls related to unusual and infrequent transactions (including accounting for complicated stock transactions and the adoption of ASU 2014-09, Revenue from Contracts with Customers or ASC 606).

We implemented a number of measures to address the material weaknesses identified as of December 31, 2021 through development and implementation of systems, processes, and controls over the financial close and reporting process. In addition, we hired additional qualified accounting and financial reporting personnel and engaged external consultants with appropriate expertise for more challenging technical accounting issues.

We completed the necessary testing to conclude that the material weakness identified as of December 31, 2021 has been remediated as of December 31, 2022, except insofar as those controls are impacted by the ITGC-related material weakness noted above. December 31, 2023.

Changes in Internal Control over Financial Reporting

Except for the items referred to as described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

134 121

Inherent Limitation on the Effectiveness of Internal Control

Our management, including our Chief Principal Executive Officer and Chief Principal Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None. (c) On December 14, 2023, Elena Gomez, our Chief Financial Officer, entered into a trading plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. Ms. Gomez's Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 91,664 shares of our Class A common stock pursuant to the terms of the plan. Ms. Gomez's Rule 10b5-1 trading plan expires on March 31, 2025, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

On December 14, 2023, Jonathan Vassil, our Chief Revenue Officer, entered into a trading plan pursuant to Rule 10b5-1 of the Exchange Act. Mr. Vassil's Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 300,000 shares of our Class A common stock pursuant to the terms of the plan. Mr. Vassil's Rule 10b5-1 trading plan expires on August 30, 2024, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

On December 1, 2023, Aman Narang, our co-founder and board member, serving then as our Chief Operating Officer and currently as our Chief Executive Officer, terminated a pre-arranged stock trading plan pursuant to Rule 10b5-1 under the Exchange Act, which was adopted on February 24, 2023 with an original expiration date of October 16, 2024. The trading arrangement was intended to satisfy the affirmative defense in Rule 10b5-1(c). Mr. Narang's pre-arranged stock trading plan provided for the sale of up to 5,446,666 shares of our Class A common stock pursuant to the terms of the plan, an aggregate of 248,509 shares were sold during the time period from February 24, 2023 through December 1, 2023.

During the fiscal quarter ended December 31, 2023, other than described in the statements above, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or any "non-Rule 10b5-1 trading agreement" (as defined in Item 408(c) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not Applicable. applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022 December 31, 2023.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022 December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022 December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022 December 31, 2023.

Item 14. Principal Accountant Fees and Services

Our independent public accounting firm is Ernst & Young LLP, Boston, Massachusetts, PCAOB Auditor ID 42.

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022 December 31, 2023.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this Annual Report on Form 10-K:

(a) Financial Statements

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or shown either in the Consolidated Financial Statements or notes thereto.

(c) Exhibits

The documents listed in the exhibit index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated herein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. Form 10-K Summary

None None.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40819), filed with the Securities and Exchange Commission on September 27, 2021).
3.2	Second Third Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 3.1 to the Registrant's Current Report on Form 8-K(File 10-Q (File No. 001-40819), filed with the Securities and Exchange Commission on September 27, 2021). May 10, 2023).
4.1	Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Commission on September 13, 2021).
4.2	Form of warrant certificate of the Registrant(incorporated (incorporated by reference to Exhibit 4.2 4.2 to the Registrant's Annual Report on Form 10-K10-K (File No. 001-40819) 001-40819), filed with the Securities and Exchange Commission on March 1, 2022). March 1, 2022).
4.3	Description of Capital Stock (incorporated by reference to Exhibit 4.34.3 to the Registrant's Annual Report on Form 10-K (File No. 001-40819), filed with the Securities and Exchange Commission on March 1, 2022).
4.4	Fifth Amended and Restated Investors' Rights Agreement, dated April 27, 2020, by and among the Registrant and certain of its stockholders (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed

	4.2 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Committee Commission on August 27, 2021).
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Commission on September 13, 2021).
10.2#	Amended and Restated 2014 Stock Option and Grant Plan, as amended, and forms of award agreements thereunder (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Commission on August 27, 2021).
10.3# 10.3*#	2021 Stock Option and Incentive Plan, and forms of award agreements thereunder (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Commission on September 13, 2021)..
10.4#	2021 Employee Stock Purchase Plan,, as amended (incorporated by reference to Exhibit 10.110.1 to the Registrant's Quarterly Report on Form 10-Q (File (File No. 001-40819)001-40819), filed with the Securities and Exchange Commission on August 12, 2022). August 12, 2022).
10.5#	Severance and Change in Control Policy (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Commission on August 27, 2021).
10.6#	Toast, Inc. Chief Executive Officer Severance Letter (incorporated by reference to Exhibit 10.6 10.1 to the Registrant's Registration Statement Current Report on Form S-1/A 8-K (File No. 333-259104) 001-40819), filed with the Securities and Exchange Commission on August 27, 2021 September 5, 2023).
10.7#	Toast, Inc. Senior Executive Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40819) filed with the Securities and Exchange Commission on December 10, 2021).
10.8*#	Toast, Inc. Non-employee Director Compensation Policy

10.9† 10.9†	Lease, dated June 12, 2015, by and between Registrant and Landmark Center Park Drive LLC, as amended (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Committee Commission on August 27, 2021).
10.10	Revolving Credit and Guaranty Agreement, dated June 8, 2021, by and among the

Registrant, the guarantors party thereto, the lenders and issuing banks party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259104), filed with the Securities and Exchange Committee Commission on August 27, 2021).

10.11	Amendment Agreement dated as of March 2, 2023, relating to the Revolving Credit and Guaranty Agreement, dated June 8, 2021, by and among the Registrant, the guarantors party thereto, the lenders and issuing banks party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, (File No. 001-40819), filed with the Securities and Exchange Commission on May 10, 2023.
10.12†	Agreement for Termination of Lease and Voluntary Surrender of Premises, dated May 4, 2023, by and between the Registrant and ARE-MA Region No. 88 Tenant, LLC. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40819) filed with the Securities and Exchange Commission on May 8, 2023).
10.13†	Sublease Agreement, effective as of August 7, 2023, by and between the registrant and GOTO GROUP, INC., (as successor-in-interest to LogMeIn, Inc.) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40819), filed with the Securities and Exchange Commission on November 8, 2023.
10.14†	Amendment to the Agreement for Termination of Lease and Voluntary Surrender of Premises, dated September 28, 2023, by and between the Registrant and ARE-MA Region No. 88 Tenant, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40819), filed with the Securities and Exchange Commission on November 8, 2023.
10.15*#	Toast, Inc. Deferred Compensation Program.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm.
24.1*	Power of Attorney (included in the signature page to this Annual Report on Form 10-K).
31.1*	Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

97*	Toast, Inc. Clawback Policy.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

# Indicates management contract or compensatory plan, contract or agreement.

* Filed herewith.

** Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

† Portions of this exhibit (indicated by asterisks) have been omitted in accordance with the rules of the Securities anc Exchange Commission.

SIGNATURES

Pursuant to requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Boston, Massachusetts, on March 1, 2023 February 27, 2024.

TOAST, INC.

By: /s/ Aman Narang

By: /s/ Christopher P. ComparatoAman Narang
Christopher P. Comparato
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Elena Gomez
Elena Gomez
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Michael Matlock
Michael Matlock
Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher Comparato Aman Narang and Elena Gomez, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Aman Narang Aman Narang	Chief Executive Officer, Co-Founder, and Director	February 27, 2024
/s/ Elena Gomez Elena Gomez	Chief Financial Officer	February 27, 2024
/s/ Michael Matlock Michael Matlock	Chief Accounting Officer	February 27, 2024
/s/ Paul Bell Paul Bell	Director	February 27, 2024
/s/ Kent Bennett Kent Bennett	Director	February 27, 2024
/s/ Susan E. Chapman-Hughes Susan E. Chapman-Hughes	Director	February 27, 2024
/s/ Christopher P. Comparato Christopher P. Comparato	Director	February 27, 2024
/s/ Stephen Fredette Stephen Fredette	Co-President, Co-Founder, and Director	February 27, 2024
/s/ Mark Hawkins Mark Hawkins	Chair of the Board, Director	February 27, 2024
/s/ Hilarie Koplow-McAdams Hilarie Koplow-McAdams	Director	February 27, 2024
/s/ Deval L. Patrick Deval L. Patrick	Director	February 27, 2024
/s/ David Yuan David Yuan	Director	February 27, 2024

Exhibit 10.3

TOAST, INC.

2021 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Toast, Inc. 2021 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Toast, Inc. (the "Company") and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company or one of its Affiliates.

The following terms shall be defined as set forth below:

"Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Administrator" means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

"*Affiliate*" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 of the Act. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

"Award" or *"Awards,"* except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights.

"Award Agreement" means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Agreement is subject to the terms and conditions of the Plan.

"Board" means the Board of Directors of the Company.

"Cash-Based Award" means an Award entitling the recipient to receive a cash-denominated payment.

"*Cause*" has the meaning set forth for such term in any employment contract, severance policy, or similar agreement or plan in effect between the Company and the grantee, or if no such contract, policy, agreement or plan is in effect, then shall mean: (i) material dishonesty in the performance of grantee’s duties with respect to the Company or any Affiliate of the Company; (ii) the grantee’s commission of (A) a felony or (B) any misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (iii) failure to perform to the Company’s reasonable satisfaction a substantial portion of the grantee’s duties and responsibilities assigned or delegated which failure continues, in the Company’s reasonable judgment, after the Company gives the grantee written notice; (iv) gross negligence or willful misconduct with respect to the Company or any Affiliate of the Company; or (v) a violation of any provision of any agreement(s) between grantee and the Company relating to non-competition, non-solicitation, confidentiality and/or assignment of inventions.

“Code” means the U.S. Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“Consultant” means a consultant or adviser who provides *bona fide* services to the Company or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Act.

“*Disability*” has the meaning set forth in Section 22(e)(3) of the Code.

“Dividend Equivalent Right” means an Award entitling the grantee to receive credits based on ordinary cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

“Effective Date” means the date on which the Plan becomes effective as set forth in Section 19.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“Fair Market Value” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is listed on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Market, The New York Stock Exchange or another national securities exchange or traded on any established market, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations; provided further, however, that if the date for which Fair Market Value is determined is the Registration Date, the Fair Market Value shall be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus relating to the Company’s initial public offering.

“Incentive Stock Option” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

"Non-Employee Director" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

"Option" or *"Stock Option"* means any option to purchase shares of Stock granted pursuant to Section 5.

"Registration Date" means the date upon which the registration statement on Form S-1 that is filed by the Company with respect to its initial public offering is declared effective by the U.S. Securities and Exchange Commission.

"Restricted Shares" means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company's right of repurchase.

"Restricted Stock Award" means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

"Restricted Stock Units" means an Award of stock units subject to such restrictions and conditions as the Administrator may determine at the time of grant.

"Sale Event" means the occurrence of any one of the following events: (i) the sale or exclusive out-license of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and fair market value of the stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company (for the avoidance of doubt, any change in majority voting power resulting from the conversion of Class B common stock of the Company to Class A common stock of the Company by an individual stockholder shall not, on its own, constitute a Sale Event). Notwithstanding any other provision of this Plan, "Sale Event" shall be interpreted, administered and applied in a manner consistent and in compliance with a "change in control event" as set forth in Treasury Regulation Section 1.409A-3(i)(5).

"*Sale Price*" means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

"Section 409A" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

"Service Relationship" means any relationship as an employee, Non-Employee Director or Consultant of the Company or any Affiliate. Unless as otherwise set forth in the Award Agreement, a Service Relationship shall be deemed to continue without interruption in the event a grantee's status changes from full-time employee to part-time employee or a grantee's status changes from employee to Consultant or Non-Employee Director or vice versa, provided that there is no interruption or other termination of Service Relationship in connection with the grantee's change in capacity.

"Stock" means the Class A Common Stock, par value $0.000001 per share, of the Company, subject to adjustments pursuant to Section 3.

"Stock Appreciation Right" means an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Agreement) having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

"Subsidiary" means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

"Ten Percent Owner" means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

"Unrestricted Stock Award" means an Award of shares of Stock free of any restrictions.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Agreements;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;
(vi) subject to the provisions of Section 5(c) or 6(d), to extend at any time the period in which Stock Options or Stock Appreciation Rights, respectively, may be exercised; and

(vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Delegation of Authority to Grant Awards. Subject to applicable law, the Administrator, in its discretion, may delegate to a committee consisting of one or more officers of the Company, including the Chief Executive Officer of the Company, all or part of the Administrator's authority and duties with respect to the granting of Awards to individuals who are (i) not subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) not members of the delegated committee. Any such delegation by the Administrator shall include a limitation as to the amount of Stock underlying Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(d) Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event the Service Relationship terminates.

(e) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) Non-U.S. Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Affiliates operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Affiliates shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be incorporated into and made part of this Plan); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or afteran Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 58,190,945 shares (the "Initial Limit"), plus on January 1, 2022 and on each January 1 thereafter, the number of shares of Stock reserved and available for issuance under the Plan shall be cumulatively increased by 5 percent of the number of shares of Class A and Class B common stock issued and outstanding on the immediately preceding December 31, or such lesser number of shares as approved by the Administrator, in all cases subject to adjustment as provided in Section 3(c) (the "Annual Increase"). Subject to such overall limitation, the maximum aggregate number of shares of Stock that may be issued in the form of Incentive Stock Options shall not exceed the Initial Limit cumulatively increased on January 1, 2022 and on each January 1 thereafter by the lesser of the Annual Increase for such year or 58,190,945 shares of Stock, subject in all cases to adjustment as provided in Section 3(c). For purposes of this limitation, the shares of Stock underlying any awards under the Plan and the shares of Class B common stock of the Company underlying any awards under the Company's Amended and Restated 2014 Stock Incentive Plan, as amended, that are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan (provided, that any such shares of Class B common stock of the Company shall first be converted to shares of Class A common stock of the Company). In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award.The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company. Awards that may be settled solely in cash shall not be counted against the share reserve, nor shall they reduce the shares of Stock authorized for grant to a grantee in any calendar year.

(b) Maximum Awards to Non-Employee Directors. Notwithstanding anything to the contrary in this Plan, the value of all Awards awarded under this Plan and all other cash compensation paid by the Company to any Non-Employee Director in any calendar year for services as a Non-Employee Director shall not exceed $1,200,000. For the purpose of this limitation, the value of any Award shall be its grant date fair value, as determined in accordance with ASC Topic 718 or successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

(c) Changes in Stock. Subject to Section 3(d) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the

Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iii) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (iv) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of shares subject to Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(d) Mergers and Other Transactions. In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate. In such case, except as may be otherwise provided in the relevant Award Agreement, all Options and Stock Appreciation Rights with time-based vesting conditions or restrictions that are not vested and/or exercisable immediately prior to the effective time of the Sale Event shall become fully vested and exercisable as of the effective time of the Sale Event, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of the Sale Event, and all Awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in connection with a Sale Event in the Administrator’s discretion or to the extent

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specified in the relevant Award Agreement. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights (provided that, in the case of an Option or Stock Appreciation Right with an exercise price equal to or greater than the Sale Price, such Option or Stock Appreciation Right shall be cancelled for no consideration); or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights (to the extent then exercisable) held by such grantee. The Company shall also have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding other Awards in an amount equal to the Sale Price multiplied by the number of vested shares of Stock under such Awards.

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such employees, Non-Employee Directors or Consultants of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion; provided that Awards may not be granted to employees, Non-Employee Directors or Consultants who are providing services only to any “parent” of the Company, as such term is defined in Rule 405 of the Act, unless (i) the stock underlying the Awards is treated as “service recipient stock” under Section 409A or (ii) the Company has determined that such Awards are exempt from or otherwise comply with Section 409A.

SECTION 5. STOCK OPTIONS

(a) Award of Stock Options. The Administrator may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee’s election, subject to such terms and conditions as the Administrator may establish.

(b) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the date of grant. Notwithstanding the foregoing, Stock Options may be granted with an exercise price per share that is less than 100 percent of the Fair Market Value on the date of grant (i) pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code, (ii) to individuals who are not subject to U.S. income tax on the date of grant or (iii) if the Stock Option is otherwise compliant with Section 409A.

(c) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(d) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the date of grant. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods except to the extent otherwise provided in the Award Agreement:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership following such procedures as the Company may prescribe) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure; or

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(iv) With respect to Stock Options that are not Incentive Stock Options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Award Agreement or applicable provisions of laws (including the satisfaction of any taxes that the Company or an Affiliate is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed $100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) Award of Stock Appreciation Rights. The Administrator may grant Stock Appreciation Rights under the Plan. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Agreement) having a value equal to the excess of the Fair Market Value of a share of Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(c) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan.

(d) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined on the date of grant by the Administrator. The term of a Stock Appreciation Right may not exceed ten years. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of performance goals, any dividends paid by the Company during the performance period shall accrue and shall not be paid to the grantee until and to the extent the performance goals are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 7(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Agreement. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, if a grantee’s employment (or other Service Relationship) with the Company and its Affiliates terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee’s legal representative simultaneously with such termination of employment (or other Service Relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder.

Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed "vested."

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator may grant Restricted Stock Units under the Plan. A Restricted Stock Unit is an Award of stock units that may be settled in shares of Stock (or cash, to the extent explicitly provided for in the Award Agreement) upon the satisfaction of such restrictions and conditions at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Restricted Stock Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Agreement.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the stock units underlying his or her Restricted Stock Units, subject to the provisions of Section 11 and such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Affiliates for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

SECTION 10. CASH-BASED AWARDS

Grant of Cash-Based Awards. The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the grantee to a payment in cash upon the attainment of specified performance goals, including continued employment (or other Service Relationship). The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

SECTION 11. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. The Administrator may grant Dividend Equivalent Rights under the Plan. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which it relates) if such shares had been issued to the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Agreement. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if

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any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an Award of Restricted Stock Units shall provide that such Dividend Equivalent Right shall be settled only upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) Termination. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, a grantee’s rights in all Dividend Equivalent Rights shall automatically terminate upon the grantee’s termination of employment (or cessation of Service Relationship) with the Company and its Affiliates for any reason.

SECTION 12. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 12(b) below, during a grantee’s lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee’s legal representative or guardian in the event of the grantee’s incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 12(a), the Administrator, in its discretion, may provide either in the Award Agreement regarding a given Award or by subsequent written approval that the grantee (who is an employee or Non-Employee Director) may transfer his or her Non-Qualified Stock Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award Agreement. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 12(b), “family member” shall mean a grantee’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee’s household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company and valid under applicable law, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee’s death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee’s estate or legal heirs.

SECTION 13. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for tax purposes, pay to the Company or any applicable Affiliate, or make arrangements satisfactory to the Administrator regarding payment of, any U.S. and non-U.S. federal, state, or local taxes of any kind required by law to be withheld by the Company or any applicable Affiliate with respect to such income. The Company, in its sole discretion, shall have the authority to determine the method regarding payment of such tax withholding obligations. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee or to satisfy any applicable withholding obligations by any other method of withholding that the Company and its Affiliates deem appropriate. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. The Administrator may cause any tax withholding obligation of the Company or any applicable Affiliate to be satisfied, in whole or in part, by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory rate or such lesser amount as is necessary to avoid liability accounting treatment. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includible in income of the grantees. The Administrator may also require any tax withholding obligation of the Company or any applicable Affiliate to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares of Stock issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company or any applicable Affiliate in an amount that would satisfy the withholding amount due.

SECTION 14. SECTION 409A AWARDS

Awards are intended to be exempt from Section 409A to the greatest extent possible and to otherwise comply with Section 409A. The Plan and all Awards shall be interpreted in accordance with such intent. To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from

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time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 15. TERMINATION OF SERVICE RELATIONSHIP, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Termination of Service Relationship. If the grantee's Service Relationship is with an Affiliate and such Affiliate ceases to be an Affiliate, the grantee shall be deemed to have terminated his or her Service Relationship for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of a Service Relationship:

(i) a transfer to the Service Relationship of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(ii) an approved leave of absence, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 16. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall materially and adversely affect rights under any outstanding Award without the holder's consent. The Administrator is specifically authorized to exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or effect the repricing of such Awards through cancellation and re-grants or cancellation of Stock Options or Stock Appreciation Rights in exchange for cash or other Awards. To the extent required under the rules of any securities exchange or market system on which the Stock is listed or to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by Company stockholders. Nothing in this Section 16 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c) or 3(d).

SECTION 17. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 18. GENERAL PROVISIONS

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Issuance of Stock. To the extent certificated, stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any evidence of book entry or certificates evidencing shares of Stock pursuant to the exercise or settlement of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. Any Stock issued pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate or notations on any book entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 18(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Incentive Arrangements; No Rights to Continued Service Relationship. Nothing contained in this Plan shall prevent the Board from adopting other or additional incentive arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any grantee any right to continued employment or other Service Relationship with the Company or any Affiliate.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

SECTION 19. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon the date immediately preceding the Registration Date subject to prior stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules. No grants of Awards may be made hereunder after the tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board.

SECTION 20. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of the State of Delaware applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS:

DATE APPROVED BY STOCKHOLDERS:

INCENTIVE STOCK OPTION AGREEMENT
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the "Stock"), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates: .

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; or (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the

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Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements and that ***this Stock Option must be exercised within three months after termination of employment as an employee (or 12 months in the case of death or Disability) to qualify as an "incentive stock option."*** To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to

dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

7. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a

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Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Signature	Title	Date
/s/ Christopher P. Comparato Christopher P. Comparato	Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2023
/s/ Elena Gomez Elena Gomez	Chief Financial Officer (Principal Financial Officer)	March 1, 2023
/s/ Michael Matlock Michael Matlock	Chief Accounting Officer	March 1, 2023
/s/ Paul Bell Paul Bell	Director	March 1, 2023
/s/ Kent Bennett Kent Bennett	Director	March 1, 2023
/s/ Susan E. Chapman-Hughes Susan E. Chapman-Hughes	Director	March 1, 2023

Dated:

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Optionee's Signature

Optionee's name and address:

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INCENTIVE STOCK OPTION AGREEMENT
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

/s/ Stephen Fredette	Co-President, Co-Founder, and Director	March 1, 2023

Stephen Fredette

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Toast, Inc. (the “Company”) hereby grants to the Optionee named above an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the “Stock”), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company's Severance and Change in Control Policy, as amended from time to time (the "Severance Policy")), this Stock Option and the Shares shall be subject to Section 6 of the Severance Policy.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; or (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through

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the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan.

The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable,

during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements and that ***this Stock Option must be exercised within three months after termination of employment as an employee (or 12 months in the case of death or Disability) to qualify as an "incentive stock option.***" To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

7. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in

whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement and the Severance Policy constitute the entire agreement between the parties with respect to this Stock Option and supersede all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the

Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

/s/ Mark HawkinsDated:	Director	March 1, 2023	
Mark Hawkins			Optionee's Signature
/s/ Hilarie Koplow-McAdams	Director	March 1, 2023	
Hilarie Koplow-McAdams			
/s/ Aman Narang	Co-President, Co-Founder, Chief Operating Officer, Optionee's name and Director	March 1, 2023 address:	
Aman Narang			
/s/ Deval L. Patrick	Director	March 1, 2023	
Deval L. Patrick			
/s/ David Yuan	March 1, 2023	Director	
David Yuan			

141 INCENTIVE STOCK OPTION AGREEMENT
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Toast, Inc. (the “Company”) hereby grants to the Optionee named above an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the “Stock”), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company’s Severance and Change in Control Policy, as amended from time to time (the “Severance Policy”) and as amended by the letter agreement by and between the Optionee and the Company, dated as of [__] (the “CEO Severance Letter”)), the Stock Option and the Shares shall be subject to Section 6 of the Severance Policy, as amended by the CEO Severance Letter.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; or (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or

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provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the

Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy, as amended by the CEO Severance Letter. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements and that ***this Stock Option must be exercised within three months after termination of employment as an employee (or 12 months in the case of death or Disability) to qualify as an "incentive stock option.***" To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

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7. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement and the Severance Policy, as amended by the CEO Severance Letter constitute the entire agreement between the parties with respect to this Stock Option and supersede all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes

the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated:

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Optionee's Signature

Optionee's name and address:

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NON-QUALIFIED STOCK OPTION AGREEMENT
FOR COMPANY EMPLOYEES AND CONSULTANTS
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through

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the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. To the extent applicable, the Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause any required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

7. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

8. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company’s instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated:

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Optionee’s Signature

Optionee’s name and address:

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NON-QUALIFIED STOCK OPTION AGREEMENT
FOR COMPANY EXECUTIVES
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company's Severance and Change in Control Policy, as amended from time to time (the "Severance Policy")), this Stock Option and the Shares shall be subject to Section 6 of the Severance Policy.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company’s receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee’s name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate

Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

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7. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

8. Integration. This Agreement and the Severance Policy constitute the entire agreement between the parties with respect to this Stock Option and supersede all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ________________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: ______________________	______________________
	Optionee’s Signature
	Optionee’s name and address:
	______________________
	______________________
	______________________

NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Toast, Inc. (the “Company”) hereby grants to the Optionee named above, who is a Non-Employee Director of the Company but is not an employee of the Company, an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the “Stock”), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee remains in service as a member of the Board on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding the foregoing, in the event of a Sale Event, 100% of the then-outstanding and unvested Option Shares shall immediately be deemed vested and exercisable on the date of such Sale Event; provided, that the Optionee remains in service as a member of the Board until the date of such Sale Event. Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company’s receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock

Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Non-Employee Director. If the Optionee ceases to be a Non-Employee Director of the Company, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's service as a Non-Employee Director terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Other Termination. If the Optionee ceases to be a Non-Employee Director for any reason other than the Optionee's death, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date the Optionee ceased to be a Non-Employee Director, for a period of six months from the date the Optionee ceased be a Non-Employee Director or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date the Optionee ceases to be a Non-Employee Director shall terminate immediately and be of no further force or effect.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. No Obligation to Continue as a Non-Employee Director. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as a Non-Employee Director.

7. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

8. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

9. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company’s instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: ______________________________

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Optionee’s Signature

Optionee’s name and address:

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NON-QUALIFIED STOCK OPTION AGREEMENT
FOR COMPANY EXECUTIVES
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee:	###PARTICIPANT_NAME###
No. of Option Shares:	###TOTAL_AWARDS###
Option Exercise Price per Share:	$ ###GRANT_PRICE###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE##
Expiration Date:	###EXPIRY_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Toast, Inc. (the “Company”) hereby grants to the Optionee named above an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Class A Common Stock, par value $0.00001 per share (the “Stock”) of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended.

Unless the Optionee affirmatively declines this Stock Option within 30 days of the Grant Date, the Optionee shall be deemed to have automatically accepted this Stock Option and all the terms and conditions set forth in this Agreement.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as Optionee continues to have a Service Relationship with the Company or a Subsidiary on such dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company’s Severance and Change in Control Policy, as amended from time to time (the “Severance Policy”) and as amended by the letter agreement by and between the Optionee and the Company, dated as of [__] (the “CEO Severance Letter”)), the Stock Option and the Shares shall be subject to Section 6 of the Severance Policy, as amended by the CEO Severance Letter.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company’s receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the

Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's Disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of Disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's Disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy, as amended by the CEO Severance Letter. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such transfer.

7. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.

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8. Integration. This Agreement and the Severance Policy, as amended by the CEO Severance Letter constitute the entire agreement between the parties with respect to this Stock Option and supersede all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: ______________________________ ______________________________

Optionee's Signature

Optionee's name and address:

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RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR COMPANY EMPLOYEES AND CONSULTANTS
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Restricted Stock Units:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such Dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Service Relationship. If the Grantee's Service Relationship with the Company or a Subsidiary terminates for any reason (including death or Disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Tax Withholding. To the extent applicable, the Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause any required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Grantee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Grantee on account of such transfer.

7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee's Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee's Service Relationship with the Company or a Subsidiary at any time.

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9. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information").

By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ________________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated:

Grantee's Signature

Grantee's name and address:

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR NON-EMPLOYEE DIRECTORS
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Restricted Stock Units:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee remains in service as a member of the Board on such Dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding the foregoing, in the event of a Sale Event, 100% of the then-outstanding and unvested Restricted Stock Units shall immediately be deemed vested on the date of such Sale Event; provided, that the Grantee remains in service as a member of the Board until the date of such Sale Event. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Service as a Non-Employee Director. If the Grantee's service with the Company and its Subsidiaries as a member of the Board terminates for any reason (including death or Disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

7. No Obligation to Continue as a Non-Employee Director. Neither the Plan nor this Award confers upon the Grantee any rights with respect to continuance as a Non-Employee Director.

8. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary

or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company’s instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: ________________________________ ________________________________

Grantee’s Signature

Grantee’s name and address:

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RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR COMPANY EXECUTIVES
UNDER THE TOAST, INC.

2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Restricted Stock Units:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE##
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such Dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company's Severance and Change in Control Policy, as amended from time to time (the "Severance Policy")), this Award shall be subject to Section 6 of the Severance Policy.

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Service Relationship. If the Grantee's Service Relationship with the Company or a Subsidiary terminates for any reason (including death or Disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Grantee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Grantee on account of such transfer.

7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as “short-term deferrals” as described in Section 409A of the Code.

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8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee’s Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee’s Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement and the Severance Policy constitute the entire agreement between the parties with respect to this Award and supersede all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: ______________________________ ______________________________

Grantee's Signature

Grantee's name and address:

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RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR COMPANY EXECUTIVES
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Restricted Stock Units:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE##
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Toast, Inc. (the “Company”) hereby grants an award of the number of Restricted Stock Units listed above (an “Award”) to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Class A Common Stock, par value $0.00001 per share (the “Stock”) of the Company.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such Dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company’s Severance and Change in Control Policy, as amended from time to time (the “Severance Policy”) and as amended by the letter agreement by and between the Optionee and the Company, dated as of [__] (the “CEO Severance Letter”)), the Award shall be subject to Section 6 of the Severance Policy, as amended by the CEO Severance Letter.

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Service Relationship. If the Grantee’s Service Relationship with the Company or a Subsidiary terminates for any reason (including death or Disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan and Severance Policy. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan, and the Severance Policy, as amended by the CEO Severance Letter. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The

Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Grantee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Grantee on account of such transfer.

7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

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8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee's Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee's Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement and the Severance Policy, as amended by the CEO Severance Letter constitute the entire agreement between the parties with respect to this Award and supersede all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ______________

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company’s instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated:

____

Grantee’s Signature

Grantee’s name and address:

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RESTRICTED STOCK AWARD AGREEMENT
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Shares:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan (the “Plan”) as amended through the date hereof, Toast, Inc. (the “Company”) hereby grants a Restricted Stock Award (an “Award”) to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Class A Common Stock, par value $0.00001 per share (the “Stock”) of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Administrator.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Award. The shares of Restricted Stock awarded hereunder shall be issued and held by the Company's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below. The Grantee shall (i) sign and deliver to the Company a copy of this Award Agreement and (ii) deliver to the Company a stock power endorsed in blank.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) If the Grantee's Service Relationship with the Company or a Subsidiary is voluntarily or involuntarily terminated for any reason (including death) prior to vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Company.

3. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such Dates:

###VEST_SCHEDULE_TABLE_WITH_PERFORMANCE_RULE###

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends. Dividends on shares of unvested Restricted Stock shall accrue and shall not be paid to the Grantee unless and until such shares of Restricted Stock vest in accordance with this Agreement. If any shares of Restricted Stock are forfeited hereunder, the Grantee shall have no rights to any such accrued dividends and such accrued dividends shall be forfeited in their entirety.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. To the extent applicable, the Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 8 below, the Company shall have the authority to cause any required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares

of Stock to be issued or released by the transfer agent a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell

from the number of shares of Stock to be issued or released to the Grantee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Grantee on account of such transfer.

8. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may, within 30 days following the Grant Date of this Award, file with the Internal Revenue Service and the Company an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Company. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with regard to such election.

9. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee's Service Relationship with the Company or a Subsidiary at any time.

10. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By: ________________
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated:

____
Grantee's Signature

Grantee's name and address:

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RESTRICTED STOCK AWARD AGREEMENT (DEFERRED)
UNDER THE TOAST, INC.
2021 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:	###PARTICIPANT_NAME###
No. of Restricted Stock Units:	###TOTAL_AWARDS###
Grant Date:	###GRANT_DATE###
Vesting Commencement Date:	###ALTERNATIVE_VEST_BASE_DATE###

Pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan, as amended through the date hereof (the "Plan"), Toast, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Class A Common Stock, par value $0.00001 per share (the "Stock") of the Company. Reference is also made to the Rules and Conditions for the Toast, Inc. Deferred Compensation Program (the "Program") and the Grantee's deferral election thereunder.

Unless the Grantee affirmatively declines this Award within 30 days of the Grant Date, the Grantee shall be deemed to have automatically accepted this Award and all the terms and conditions set forth in this Agreement.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan, this Agreement, and the Program.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse as follows: [INSERT VESTING SCHEDULE].

[Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company's Severance and Change in Control Policy, as amended from time to time (the "Severance Policy")), this Award shall be subject to Section 6 of the Severance Policy.] [1] [Notwithstanding anything in the Agreement to the contrary, in the event of a Termination Event (as defined in the Company's Severance and Change in Control Policy, as amended from time to time (the "Severance Policy") and as amended by the letter agreement by and between the Grantee and the Company, dated as of [] (the "CEO Severance Letter")),

[1] For Executives who participate in the Severance and CIC Policy.

the Award shall be subject to Section 6 of the Severance Policy, as amended by the CEO Severance Letter.][2]

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2. [In the event of a Sale Event, the Restricted Stock Units shall become 100% vested.][3]

3. <u>Termination of Service</u>. [If the Grantee's service with the Company and its Subsidiaries as a member of the Board][4][If the Grantee's Service Relationship with the Company or its Subsidiaries][5] terminates for any reason (including death or Disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. The Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date as specified in the Program in accordance with the terms and conditions of the Program and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan and Program. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan and the Program, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan and the Program, unless a different meaning is specified herein.

6. [Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Grantee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Grantee on account of such transfer.][6]

[2] For the CEO.

[3] For directors.

[4] For directors.

[5] For employees.

[6] Delete for directors.

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7. Section 409A of the Code. This Agreement is intended to be a compliant deferred compensation plan under Section 409A and shall be administered and interpreted in accordance with the requirements of Section 409A. If

the Grantee is a specified employee (as defined in Section 409A of the Code) at the time of his or her separation from service and the Restricted Stock Units are settled on account of such separation from service, then the settlement shall be delayed for six months or until the Grantee's death, if earlier, to the extent required to avoid adverse taxation under Section 409A of the Code.

8. No Obligation to Continue Service Relationship. Neither the Plan nor this Award confers upon the Grantee any rights with respect to continuance of Service Relationship with the Company or any of its Subsidiaries.

9. Integration. This Agreement and the Program (including any elections thereunder) constitute the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

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11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

Toast, Inc.

By:______________________________________
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

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Grantee's Signature

Grantee's name and address:

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Dated: ______________________________

Exhibit 10.8

TOAST, INC.

Non-employee Director Compensation Policy

The purpose of this Non-Employee Director Compensation Policy (the "Policy") of Toast, Inc. (the "Company") is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high-caliber directors who are not employees or officers of the Company or its subsidiaries ("Outside Directors"). In furtherance of the purpose stated above, all Outside Directors shall be paid compensation for services provided to the Company as set forth below:

Cash Retainers

Annual Retainer for Board Membership: The annual cash compensation amount set forth on Annex A attached hereto shall be paid to each Outside Director for general availability and participation in meetings and conference calls of our Board of Directors, to be paid quarterly in arrears, prorated based on the nearest whole number of months served by the director during such calendar quarter. No additional compensation will be paid for attending individual meetings of the Board of Directors.

The Chair and committee member retainers set forth in Annex A are in addition to the retainer for general membership on the Board of Directors. No additional compensation will be paid for attending individual committee meetings of the Board of Directors.

Equity Retainers

Initial Award: An initial, one-time award of restricted stock units (the "Initial Award") with a Value (as defined below) set forth in Annex A will be granted to each new Outside Director upon his or her initial election to the Board of Directors, which shall vest in substantially equal annual installments over three years, provided, however, that all vesting shall cease if the director ceases to have a Service Relationship (as defined in the Company's 2021 Stock Option and Incentive Plan), unless the Board of Directors determines that the circumstances warrant continuation of vesting.

This Initial Award applies only to Outside Directors who are first elected to the Board of Directors subsequent to the Effective Date.

Annual Award: On the date of each Annual Meeting of Stockholders of the Company following the Effective Date (the "Annual Meeting"), each continuing Outside Director, other than a director receiving an Initial Award in connection with such Annual Meeting, will receive an annual award of restricted stock units (the "Annual Award") with a Value set forth in Annex A, which shall vest in full upon the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next Annual Meeting; provided, however, that all vesting shall cease if the director ceases to have a Service Relationship, unless the Board of Directors determines that the circumstances warrant continuation of vesting.

Value: For purposes of this Policy, "Value" means with respect to any award of restricted stock units the product of (A) the average closing market price on the NYSE (or such other market on which the Company's Common Stock is then principally listed) of one share of the Company's Class A Common Stock over the trailing 90 trading days ending on the last trading day immediately prior to the grant date, and (B) the aggregate number of shares of Class A Common Stock underlying such award.

Acceleration: All outstanding Initial Awards and Annual Awards issued following the Effective Date and held by an Outside Director shall become fully vested and nonforfeitable upon a Sale Event (as defined in the Company's 2021 Stock Option and Incentive Plan), provided that such Outside Director remains in service as a member of the Board until the date of such Sale Event.

Expenses

The Company will reimburse all reasonable out-of-pocket expenses incurred by Outside Directors in attending meetings or otherwise in connection with such individual's services on the Board of Directors or any committee thereof.

Adopted: November 8, 2022

Effective Date: January 1, 2023

Annex A

(As amended on November 2, 2023 and effective as of January 1, 2024)

Cash Compensation for Board and Committee Services

Annual Retainer for Board Membership		
Annual service on the board of directors	$	50,000
Annual service as the chairperson of board orlead independent director	$	40,000
Additional Annual Retainer for Committee Membership		
Annual service as audit committee chairperson	$	25,000
Annual service as member of the audit committee (other than chair)	$	10,000
Annual service as compensation committee chairperson	$	20,000
Annual service as member of the compensation committee (other than chair)	$	10,000
Annual service as nominating and governance committee chairperson	$	10,000
Annual service as member of the nominating and governance committee (other than chair)	$	5,000

Equity Retainers for Board Members

Type of Equity Retainer		**Value**
Initial Award	$	400,000
Annual Award	$	225,000

Exhibit 10.15

RULES AND CONDITIONS FOR THE TOAST, INC. DEFERRED COMPENSATION PROGRAM (THE "PROGRAM")

The following rules and conditions have been adopted by the Board of Directors of Toast, Inc. (the "Company") to govern the deferral of Restricted Stock Units by certain employees with a position of SVP and higher (such employees, “Executives”) and/or certain Non-Employee Directors, as well as the deferral of cash retainers by certain Non-Employee Directors, in each case pursuant to the Toast, Inc. 2021 Stock Option and Incentive Plan, as amended from time to time (the “Stock Plan”) and/or the Toast, Inc. Non-Employee Director Compensation Policy, as amended from time to time (the “Policy”), as applicable. Capitalized terms used but not defined herein shall have the meaning given such terms in the Stock Plan. The Program is an unfunded arrangement established and maintained primarily for the benefit of a select group of management and highly compensated employees and directors and is intended to be exempt from the participation, vesting, funding, and fiduciary requirements set forth in Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). To the extent required by law, the terms of this Program applicable to Non-Employee Directors shall also constitute a separate written plan document with its terms set forth in the applicable portions of this Program. The Administrator shall have sole discretion to determine which Non-Employee Directors and/or Executives, if any, participates in the Program.

1. Election for Non-Employee Director to Defer the Cash Retainer. If permitted by the Administrator, a Non-Employee Director may elect in advance to defer the receipt of the cash retainers to be made to such Non-Employee Director pursuant to the Policy (such amount, the “Cash Retainer”). To make such an election, the Non-Employee Director must execute and deliver to the Company a deferral election form before the end of the calendar year preceding the calendar year in which the applicable Cash Retainer relates. An election shall remain in effect from year to year until revoked in writing by the Non-Employee Director, but any revocation shall become effective only with respect to Cash Retainers that are earned in calendar years beginning after receipt and acceptance by the Company of a written revocation.

2. Election to Defer Restricted Stock Units.

(a) Non-Employee Director Annual Equity Retainers. If permitted by the Administrator, a Non-Employee Director may elect in advance to defer the receipt of the annual Restricted Stock Unit Grant to be made to such Non-Employee Director pursuant to the Policy under the Stock Plan (such grant, the “Annual Equity Retainer”). To make such an election, the Non-Employee Director must execute and deliver to the Company a deferral election form before the end of the calendar year preceding the calendar year in which the applicable Annual Equity Retainer is scheduled to be granted. An election shall remain in effect from year to year until revoked in writing by the Non- Employee Director, but any revocation shall become effective only with respect to Annual Equity Retainers that are granted in calendar years beginning after receipt and acceptance by the Company of a written revocation. All elections (including revocation thereof) must be made during an open window period while the Non-Employee Director is not in possession of any material non-public information relating to the Company.

(b) Executive Restricted Stock Units. If permitted by the Administrator an Executive may elect in advance to defer the receipt of the annual Restricted Stock Unit Grant to be made to such Executive under the Stock Plan (such grant, the "Refresh Award"). To make such an election, the Executive must execute and deliver to the Company a deferral election form before the end of the calendar year preceding the calendar year in which the applicable Refresh Award is scheduled to be granted. An election shall remain in effect from year to year until revoked in writing by the Executive, but any revocation shall become effective only with respect to Refresh Awards that are granted in calendar years beginning after receipt and acceptance by the Company of a written revocation. All elections (including revocation thereof) must be made during an open window period while the Executive is not in possession of any material non-public information relating to the Company.

3. Deferred Account.

(a) DSU Accounts. Upon the vesting of any Annual Equity Retainer awarded to any Non-Employee Director or Refresh Award awarded to any Executive, as applicable, who has elected to defer his or her Annual Equity Retainer(s) or Refresh Awards(s), as applicable, pursuant to this Program, any shares of Stock that would otherwise have been issued to the Non-Employee Director or Executive, as applicable, upon such vesting shall be converted to deferred stock units on a one-to-one basis and credited to the deferred account of the applicable Non-Employee Director or Executive (the "DSU Account").

(b) Cash Accounts. Any Cash Retainer earned by any Non-Employee Director who has elected to defer his or her Cash Retainer(s) pursuant to this Program shall be credited to his or her deferred account (the "Cash Account" and together with the DSU Account, the "Accounts" and each an "Account"). The Non-Employee Director shall have the right to direct the Administrator as to how his or her Cash Account shall be deemed to be invested among select investment alternatives, as determined by the Administrator, subject to any operating rules and procedures imposed by the Administrator. For the avoidance of doubt, the Administrator shall determine the available investment alternatives and may discontinue, substitute or add investments in its sole discretion on a prospective basis, and any discontinuance, substitution or addition of investment alternatives shall take place as soon as administratively practicable. The investment alternatives are to be used for measurement purposes only, and the Administrator's selection of any such investment alternatives, the allocation of such investment alternatives to the Cash Account, and the crediting and debiting of such amounts in the Cash Account shall not be considered or construed in any manner as an actual investment of the Cash Account. The Administrator shall not be responsible in any manner to any Non-Employee Director, beneficiary or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any designation or elimination of an investment alternative. Without limiting the foregoing,

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the Cash Account shall at all times be a bookkeeping entry only and shall not represent any investment made on the Non-Employee Director's behalf by the Administrator, or trust if any. The Non-Employee Director, or his or her beneficiary, shall at all times remain an unsecured creditor of the Company. Any liability or obligation of the Company to any Non-Employee Director, former Non-Employee Director or beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by this Program. The Cash Account shall be credited or debited to reflect the performance of the investment alternatives elected by the Non-Employee Director. If an investment alternative selected by the Non-Employee Director sustains a loss, then the Non-Employee Director's Cash Account shall be reduced to reflect such loss. If a Non- Employee Director fails to elect an investment alternative, then the investment alternative shall be selected by the Administrator. Each Non-Employee Director is solely responsible for any and all consequences of his or her investment directions and neither the Company, nor any of its directors, officers or employees, nor the Administrator, has any responsibility to the Non-Employee Director or any other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any investment direction made by a Non-Employee Director pursuant to this Section.

4. Dividend Equivalent Amounts. If dividends (other than dividends payable only in shares of Stock) are paid with respect to Stock, each DSU Account shall be credited with a number of whole and fractional stock units determined by multiplying the dividend value per share by the stock unit balance of the DSU Account on the record date and dividing the result by the Fair Market Value of a share of Stock on the dividend payment date.

5. Period of Deferral. The deferred stock units in each DSU Account and the cash amounts in each Cash Account shall be deferred until, and the period of deferral shall cease upon, the earliest of (a) the date a Non-Employee Director ceases to serve as a member of the Board of Directors of the Company or an Executive ceases his or her Service Relationship with the Company, as applicable, and incurs a “separation from service” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“Section 409A”), (b) the consummation of a Sale Event (as defined in the Stock Plan), so long as such Sale Event constitutes a “change in control event” within the meaning of Section 409A (a “Change in Control”), (c) the date of the death of the Non-Employee Director or Executive, as applicable, or (d) the date the Non-Employee Director or Executive, as applicable, experiences a Disability, as determined by the Social Security Administration, so long as such Disability constitutes a “disability” within the meaning of Section 409A.

6. Unforeseeable Emergency. Notwithstanding the foregoing, the Administrator may cancel a Non-Employee Director’s or Executive’s, as applicable, deferral election: (a) for the balance of the calendar year in which an Unforeseeable Emergency occurs in accordance with Treas. Reg. §1.409A-3(j)(4)(viii), (b) if the Executive receives a hardship distribution under the 401(k) Plan or any other qualified 401(k) plan maintained by the Company in accordance with Treas. Reg. §1.401(k)-1(d)(3) (relating to in-service distributions of 401(k) plan elective contributions as a result of an immediate and heavy financial need), in accordance with Treas. Reg. §1.409A-3(j)(4)(viii),

or (c) during periods in which the Non-Employee Director or Executive, as appliable, is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Non-Employee Director or Executive, as applicable, or the 15th day of the third month following the date the Non-Employee Director or Executive, as applicable, incurs the disability in accordance with Treas. Reg. §1.409A-3(j)(4)(xii). "Unforeseeable Emergency" shall mean a severe financial hardship to the Non-Employee Director or Executive, as applicable, resulting from an illness or accident of the Non- Employee Director or Executive, as applicable, the Non-Employee Director's or Executive's, as applicable, spouse, the Non-Employee Director' or Executive', as applicable, dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), or the Non-Employee Director's or Executive's, as applicable, beneficiary; loss of the Non-Employee Director's or Executive's, as applicable, property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Non-Employee Director or Executive, as applicable. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Administrator. The determination of whether a Non-Employee Director or Executive, as applicable, has had an Unforeseeable Emergency shall be made in compliance with Treas. Reg. §1.409A- 3(i)(3). A Non-Employee Director or Executive, as applicable, who experiences an Unforeseeable Emergency may submit a written request to the Administrator to receive payment of all or any portion of his or her vested Accounts. Whether a Non-Employee Director or Executive, as applicable, is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Administrator based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Non-Employee Director's or Executive's, as applicable, assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under this Program. If an emergency payment is approved by the Administrator, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Non-Employee Director or Executive, as applicable, as the result of cancellation of deferrals under the

Program, including amounts necessary to pay any taxes or penalties that the Non-Employee Director or Executive, as applicable, reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the vested portion of the Non- Employee Director or Executive, as applicable, DSU Account until depleted and then from the vested portion(s) of the Cash Account, beginning with the with the latest payment commencement date. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Administrator. No Non-Employee Director or Executive, as applicable, may receive more than one distribution on account of an Unforeseeable Emergency in any calendar year. A Non-Employee Director or Executive, as applicable, who receives a distribution on account of an Unforeseeable

Emergency, and who is still a service provider of the Company shall be prohibited from making deferrals for the remainder of the calendar year in which the distribution is made.

7. Designation of Beneficiary. A Non-Employee Director or Executive, as applicable, may designate one or more beneficiaries to receive payments from his or her Account in the event of his or her death. A designation of beneficiary may apply to a specified percentage of a Non-Employee Director's or Executive's, as appliable, entire interest in his or her Account. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of beneficiary, or if no beneficiary survives the Non-Employee Director or Executive, as applicable, then the estate of the Non-Employee Director or Executive, as applicable, shall be deemed to be the beneficiary. All payments to a beneficiary or estate shall be made in a lump sum (a) from a DSU Account, in shares of Stock, with any fractional shares paid in cash and (b) from a Cash Account, in cash.

8. Payment.

(a) DSU Accounts. All amounts credited to a DSU Account shall be paid in shares of Stock to the Non-Employee Director or Executive, as applicable, or his or her designated beneficiary (or beneficiaries) or estate, in a single lump sum as soon as practicable (but in no event later than 30 days deferral) after the end of the first applicable period of deferral specified in Section 5 (above) occurs; provided, however, that fractional shares shall be paid in cash.

(b) Cash Accounts. All amounts credited to a Cash Account shall be paid in cash to the Non-Employee Director, or his or her designated beneficiary (or beneficiaries) or estate, in a single lump sum as soon as practicable (but in no event later than 30 days deferral) after the end of the first applicable period of deferral specified in Section 5 (above) occurs.

9. Adjustments. In the event of a stock dividend, stock split or similar change in capitalization affecting the Stock, the Company shall make appropriate adjustments in the number of stock units credited to the DSU Accounts.

10. Non-transferability of Rights. During a Non-Employee Director's or Executive's, as applicable, lifetime, any payment under this Program shall be made only to the Non-Employee Director or Executive, as applicable. No sum or other interest under this deferred compensation arrangement shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a Non-Employee Director or Executive, as applicable, or any beneficiary under this Program to do so shall be void. No interest under this deferred compensation arrangement shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Non-Employee Director or Executive, as applicable, or beneficiary entitled thereto. Notwithstanding the foregoing, the Company may make payments to an individual other than a Non-Employee Director or Executive, as applicable, to the extent required by a domestic relations order.

11. Company’s Obligations to Be Unfunded and Unsecured. The Accounts maintained under this Program shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company for payment of any amounts hereunder. No Non-Employee Director or Executive, as applicable, or other person shall have any interest in any particular assets of the Company by reason of the right to receive payment under this Program, and any Non-Employee Director or Executive, as applicable, or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under this Program.

12. Rabbi Trust. The Company may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Program. Payments under the Program may be paid from the general assets of the Company or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Executive or his or her beneficiary under the Program.

13. Section 409A. This Program is intended to be a compliant deferred compensation plan under Section 409A and shall be administered in accordance with the requirements of Section 409A. Notwithstanding anything in this Program to the contrary, if at the time of an Executive’s or a Non-Employee Director’s, as applicable, separation from service within the meaning of Section 409A, the Company determines that the Executive or Non-Employee Director, as applicable, is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive or Non-Employee Director, as applicable, becomes entitled to under this Program on account of such separation from service would be considered deferred compensation otherwise subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the such separation from service, or (B) the Executive’s or Non-Employee Director’s, as applicable, death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h). To the extent that any provision of this Program is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of

the Code. This Program may be amended, as reasonably determined by the Company, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

14. Incorporation of Plan. This Program shall be subject to the terms and conditions of the Stock Plan and the Policy, as applicable. Capitalized terms in this

document shall have the meaning specified in the Stock Plan, unless a different meaning is specified herein.

15. Claims Procedures.

(a) Filing a Claim. Any Non-Employee Director, Executive or other person claiming an interest in the Program (the “Claimant”) may file a claim in writing with the Administrator. The Administrator shall review the claim itself or appoint an individual or entity to review the claim.

(b) Claim Decision. The Claimant shall be notified within ninety (90) days after the claim is filed whether the claim is approved or denied, unless the Administrator determines that special circumstances beyond the control of the Program require an extension of time, in which case the Administrator may have up to an additional ninety (90) days to process the claim. If the Administrator determines that an extension of time for processing is required, the Administrator shall furnish written or electronic notice of the extension to the Claimant before the end of the initial ninety (90) day period. Any notice of extension shall describe the special circumstances necessitating the additional time and the date by which the Administrator expects to render its decision.

(c) Notice of Denial. If the Administrator denies the claim, it must provide to the Claimant, in writing or by electronic communication, a notice which includes:

(i) The specific reason(s) for the denial;

(ii) Specific reference to the pertinent Program provisions on which such denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary;

(iv) A description of the Program's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of the claim on appeal; and

(v) If an internal rule was relied on to make the decision, either a copy of the internal rule or a statement that this information is available at no charge upon request.

(d) Appeal Procedures. A request for appeal of a denied claim must be made in writing to the Administrator within sixty (60) days after receiving notice of denial. The decision on appeal will be made within sixty (60) days after the Administrator's receipt of a request for appeal, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of a request for appeal. A notice of such an extension must be provided to the Claimant within the initial sixty (60) day period and must explain the special circumstances and provide an expected date of decision. The reviewer shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing to the Administrator. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

(e) Notice of Decision on Appeal. If the Administrator denies the appeal, it must provide to the Claimant, in writing or by electronic communication, a notice which includes:

(i) The specific reason(s) for the denial;

(ii) specific references to the pertinent Plan provisions on which such denial is based;

(iii) a statement that the Claimant may receive on request all relevant records at no charge;

(iv) a description of the Program's voluntary procedures and deadlines, if any;

(v) a statement of the Claimant's right to sue under Section 502(a) of ERISA; and

(vi) if an internal rule was relied on to make the decision, either a copy of the internal rule or a statement that this information is available at no charge upon request.

(f) Claims Procedures Mandatory. The internal claims procedures set forth in this Section 15 are mandatory. If a Claimant fails to follow these claims procedures, or to timely file a request for appeal in accordance with this Section 15, the denial of the Claim shall become final and binding on all persons for all purposes.

Adopted as of November 2, 2023 (the "Effective Date")

Exhibit 21.1

SUBSIDIARIES

Subsidiary	**Jurisdiction of Organization**
Toasttab Ireland Limited	Ireland
Toast Capital LLC	Delaware
Toast Processing Services LLC	Delaware
Toast MSC, Inc.	Massachusetts
Stratex HoldCo, LLC	Delaware
OAE Software, LLC	Illinois
Strategy Execution Partners LLC	Delaware
xtra CHEF, LLC	Delaware
Toast Tab Private Limited	India
Toast International, Inc.	Delaware
Toasttab UK Limited	United Kingdom
Toast Canada, Inc.	Canada
Toast Employee Cloud, Inc.	Delaware
Toast Insurance Services, Inc.	Delaware
Sling Inc.	Delaware
Sling ehf.	Iceland
Delphi Display Systems, Inc.	Delaware
Toast Tab Poland sp.zo.o.	Poland

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-259720) pertaining to the: Amended and Restated 2014 Stock Incentive Plan, 2021 Stock Option and Incentive Plan, 2021 Employee Stock Purchase Plan,
(2) Registration Statement (Form S-8 No. 333-260926) pertaining to the Amended and Restated 2014 Stock Incentive Plan, andPlan;
(3) Registration Statement (Form S-8 No. 333-264940) pertaining to the: 2021 Stock Option and Incentive Plan, 2021 Employee Stock Purchase Plan; and
(4) Registration Statement (Form S-8 No. 333-271789) pertaining to the: 2021 Stock Option and Incentive Plan, 2021 Employee Stock Purchase Plan

of our reports dated March 1, 2023, February 27, 2024 with respect to the consolidated financial statements of Toast, Inc., and the effectiveness of internal controls over financials reporting of Toast, Inc., included in this Annual Report (Form 10-K) of Toast, Inc. for the year ended December 31, 2022 December 31, 2023.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 1, 2023 February 27, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Christopher Comparato, Aman Narang, certify that:

1. I have reviewed this Annual report on Form 10-K of Toast, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant'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

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 1, 2023 February 27, 2024

/s/ Christopher P. Comparato Aman Narang

Christopher P. Comparato Aman Narang
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Elena Gomez, certify that:

1. I have reviewed this Annual report on Form 10-K of Toast, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant'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

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 1, 2023 February 27, 2024

/s/ Elena Gomez

Elena Gomez
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher Comparato, Aman Narang, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Toast, Inc. for the period ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Toast, Inc.

Date: March 1, 2023 February 27, 2024

By: /s/ Christopher P. Comparato Aman Narang
Name: Christopher P. Comparato Aman Narang
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elena Gomez, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Toast, Inc. for the period ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Toast, Inc.

Date: March 1, 2023 February 27, 2024	By:	/s/ Elena Gomez
	Name:	Elena Gomez
	Title:	Chief Financial Officer
		(Principal Financial Officer)

Exhibit 97

TOAST, INC.

COMPENSATION RECOVERY POLICY

Adopted as of November 2, 2023

Toast, Inc., a Delaware corporation (the "Company"), has adopted a Compensation Recovery Policy (this "Policy") as described below.

1. Overview

The Policy sets forth the circumstances and procedures under which the Company shall recover Erroneously Awarded Compensation from Covered Persons (as defined below) in accordance with rules issued by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the New York Stock Exchange. Capitalized terms used and not otherwise defined herein shall have the meanings given in Section 3 below. For the avoidance of doubt, this Policy is intended to comply and should be interpreted in a manner consistent with the requirements of Section 10D of the Exchange Act, Exchange Act Rule 10D-1 and the listing standards of the New York Stock Exchange, including any interpretive guidance provided thereunder.

2. Compensation Recovery Requirement

In the event the Company is required to prepare a Financial Restatement, the Company shall recover reasonably promptly all Erroneously Awarded Compensation with respect to such Financial Restatement.

3. Definitions

a. "Applicable Recovery Period" means the three completed fiscal years immediately preceding the Restatement Date for a Financial Restatement. In addition, in the event the Company has changed its fiscal year: (i) any transition period of less than nine months occurring within or immediately following such three completed fiscal years shall also be part of such Applicable Recovery Period and (ii) any transition period of nine to 12 months will be deemed to be a completed fiscal year.

b. "Applicable Rules" means any rules or regulations adopted by the Exchange pursuant to Rule 10D-1 under the Exchange Act and any applicable rules or regulations adopted by the SEC pursuant to Section 10D of the Exchange Act.

c. "Board" means the Board of Directors of the Company.

d. "Committee" means the Compensation Committee of the Board or, in the absence of such committee, a majority of independent directors serving on the Board.

e. "Covered Person" means any Executive Officer and any other person designated by the Board or the Committee as being subject to this Policy as set forth on Schedule A hereto, as may be amended from time to time by the Committee or Board. A person's status as a Covered Person with respect to Erroneously Awarded Compensation shall be determined as of the time of receipt of such Erroneously Awarded Compensation regardless of the person's current role or status with the Company (e.g., if a person began service as an Executive Officer after the beginning of an Applicable Recovery Period, that person would not be considered a Covered Person with respect to Erroneously Awarded Compensation received before the person began service as an Executive Officer, but would be considered a Covered Person with respect to Erroneously Awarded Compensation received after the person began service as an Executive Officer where such person served as an Executive Officer at any time during the performance period for such Erroneously Awarded Compensation).

f. "Effective Date" means October 2, 2023.

g. "Erroneously Awarded Compensation" means the amount of any Incentive-Based Compensation received by a Covered Person on or after the Effective Date and during the Applicable Recovery Period that exceeds the amount that otherwise would have been received by the Covered Person had such compensation been determined based on the restated amounts in a Financial Restatement, computed without regard to any taxes paid. Calculation of Erroneously Awarded Compensation with respect to Incentive-Based Compensation based on stock price, total shareholder return, or any other metric identified by the U.S. Securities and Exchange Commission, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Financial Restatement, shall be based on a reasonable estimate of the effect of the Financial Restatement on the stock price, total shareholder return or applicable metric upon which the Incentive-Based Compensation was received, and the Company shall maintain documentation of the determination of such reasonable estimate and provide such documentation to the Exchange in accordance with the Applicable Rules. Incentive-Based Compensation is deemed received, earned, or vested when the Financial Reporting Measure is attained, not when the actual payment, grant, or vesting occurs.

h. "Exchange" means the New York Stock Exchange.

i. An "Executive Officer" means any person who served the Company in any of the following roles at any time during the performance period applicable to Incentive-Based Compensation such person received after beginning service in such role: the president, principal financial officer, principal accounting officer (or if there is no such accounting officer the controller), any vice president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the Company. Executive officers of parents or subsidiaries of the Company may be deemed executive officers of the Company if they perform such policy making functions for the Company.

j. "Financial Reporting Measures" mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, any measures that are derived wholly or in part from such measures (including, for example, a non-GAAP financial measure), stock price and total shareholder return, and any other metric identified by the U.S. Securities and Exchange Commission.

k. "Incentive-Based Compensation" means any compensation provided, directly or indirectly, by the Company or any of its subsidiaries that is granted, earned, or vested based, in whole or in part, upon the attainment of a Financial Reporting Measure.

l. A "Financial Restatement" means a restatement of previously issued financial statements of the Company due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required restatement to correct an error in previously-issued financial statements that is material to the previously-issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

m. "Restatement Date" means, with respect to a Financial Restatement, the earlier to occur of: (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required concludes, or reasonably should have concluded, that the Company is required to prepare the Financial Restatement or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare the Financial Restatement.

4. Exception to Compensation Recovery Requirement

The Company may elect not to recover Erroneously Awarded Compensation pursuant to this Policy if the Committee determines that recovery would be impracticable, and one or more of the following conditions, together with any further requirements set forth in the Applicable Rules, are met: (i) the direct expense paid to a third party, including outside legal counsel, to assist in enforcing this Policy would exceed the amount to be recovered, and the Company has made a reasonable attempt to recover such Erroneously Awarded Compensation; or (ii) recovery would likely cause an otherwise tax-qualified retirement plan to fail to be so qualified under applicable regulations.

5. Tax Considerations

To the extent that, pursuant to this Policy, the Company is entitled to recover any Erroneously Awarded Compensation that is received by a Covered Person, the gross amount received (i.e., the amount the Covered Person received, or was entitled to receive, before any deductions for tax withholding or other payments) shall be returned by the Covered Person.

6. Method of Compensation Recovery

The Committee shall determine, in its sole discretion, the method for recovering Erroneously Awarded Compensation hereunder, which may include, without limitation, any one or more of the following:

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a. requiring reimbursement of cash Incentive-Based Compensation previously paid;

b. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;

c. cancelling or rescinding some or all outstanding vested or unvested equity-based awards;

d. adjusting or withholding from unpaid compensation or other set-off;

e. cancelling or offsetting against planned future grants of equity-based awards; and/or

f. any other method permitted by applicable law or contract.

Notwithstanding the foregoing, a Covered Person will be deemed to have satisfied such person's obligation to return Erroneously Awarded Compensation to the Company if such Erroneously Awarded Compensation is returned in the exact same form in which it was received; provided that equity withheld to satisfy tax obligations will be deemed to have been received in cash in an amount equal to the tax withholding payment made.

7. Policy Interpretation

This Policy shall be interpreted in a manner that is consistent with the Applicable Rules and any other applicable law. The Committee shall take into consideration any applicable interpretations and guidance of the SEC in interpreting this Policy, including, for example, in determining whether a financial restatement qualifies as a Financial Restatement hereunder. To the extent the Applicable Rules require recovery of Incentive-Based Compensation in additional circumstances besides those specified above, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Incentive-Based Compensation to the fullest extent required by the Applicable Rules.

8. Policy Administration

This Policy shall be administered by the Committee. The Committee shall have such powers and authorities related to the administration of this Policy as are consistent with the governing documents of the Company and applicable law. The Committee shall have full power and authority to take, or direct the taking of, all actions and to make all determinations required or provided for under this Policy and shall have full power and authority to take, or direct the taking of, all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of this Policy that the Committee deems to be necessary or appropriate to the administration of this Policy. The interpretation and construction by the Committee of any provision of this Policy and all determinations made by the Committee under this policy shall be final, binding and conclusive.

9. Compensation Recovery Repayments Not Subject to Indemnification or Insurance

Notwithstanding anything to the contrary set forth in any agreement with, or the organizational documents of, the Company or any of its subsidiaries, Covered Persons are not entitled to indemnification or reimbursement for Erroneously Awarded Compensation or for any claim or losses arising out of or in any way related to Erroneously Awarded Compensation recovered under this Policy. In addition, the Company shall not pay, or reimburse any Covered Person for, any insurance premiums intended to fund any of the Covered Person’s potential recovery obligation under this Policy.

10. Other Compensation Recovery Rights

Any right of recovery under this Policy is in addition to, and not in lieu of, any other rights, remedies or requirements with respect to the recovery or recoupment of any compensation that may be available to the Company (or any of its affiliates) that may be in effect from time to time, in any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations, including but not limited to the requirements with respect to Section 304 of the Sarbanes-Oxley Act of 2002 with respect to the Chief Executive Officer and Chief Financial Officer of the Company. Further, any amounts recovered under any other policy that would be recoverable under this Policy should count toward any required recovery under this Policy and vice versa.

11. No "Good Reason" for Covered Persons

Any action by the Company to recoup or any recoupment of Erroneously Awarded Compensation under this Policy from a Covered Person shall not be deemed (i) "good reason" for resignation or to serve as a basis for a claim of constructive termination under any benefits or compensation arrangement applicable to such Covered Person, or (ii) to constitute a breach of a contract or other arrangement to which such Covered Person is party.

12. Acknowledgment

To the extent required by the Board or Committee, each Covered Person shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Person will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Person will be fully bound by, and must comply with, the Policy, whether or not such Covered Person has executed and returned such acknowledgment form to the Company.

13. Amendment; Termination

The Board or Committee may amend, terminate or replace this Policy or any portion of this Policy at any time and from time to time in its sole discretion. The Board or Committee shall amend this Policy as it deems necessary to comply with applicable law or any listing standard.

EXHIBIT A

ACKNOWLEDGEMENT

- I acknowledge that I have received and read the Compensation Recovery Policy (the "**Policy**") of Toast, Inc. (the "**Company**").
- I understand and acknowledge that the Policy applies to me, and all of my beneficiaries, heirs, executors, administrators or other legal representatives and that the Company's right to recovery in order to comply with applicable law will apply, regardless of the terms of any release of claims or separation agreement I have signed or will sign in the future.
- I agree to be bound by and to comply with the Policy and understand that determinations of the Committee (as such term is used in the Policy) will be final and binding and will be given the maximum deference permitted by law.
- I agree to cooperate with the Company and take any actions reasonably requested of me to effectuate the return or recovery of any Erroneously Awarded Compensation subject to this policy, and I consent to the return or recovery of any such Erroneously Awarded Compensation under this policy.
- I understand and agree that any current indemnification rights I may have, whether in an individual agreement or the Company's organizational documents, exclude the right to be indemnified for amounts required to be recovered under the Policy.
- I understand that my failure to comply in all respects with the Policy is a basis for termination of my employment with the Company and any affiliate of the Company as well as any other appropriate discipline.
- I understand that neither the Policy, nor the application of the Policy to me, gives rise to a resignation for good reason (or similar concept) by me under any applicable employment agreement or arrangement.
- I acknowledge that if I have questions concerning the meaning or application of the Policy, it is my responsibility to seek guidance from the Company's Chief Legal Officer and/or Chief People Officer or my own personal advisers.
- I acknowledge that neither this Acknowledgement nor the Policy is meant to constitute an employment contract.

Please review, sign and return this form to the Vice President, Total Rewards.

Executive

(print name)

(signature)

(date)

Schedule A

None.

DISCLAIMER

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