HARVARD BIOSCIENCE INC
Form 10-Q
August 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2016

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 001-33957

HARVARD BIOSCIENCE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-3306140**
(State or Other Jurisdiction of	**(IRS Employer**
Incorporation or Organization)	**Identification No.)**

84 October Hill Road, Holliston, MA	**01746**
(Address of Principal Executive Offices)	**(Zip Code)**

(508) 893-8999

(Registrant's telephone number, including area code)

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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 29, 2016, there were 34,313,005 shares of common stock, par value $0.01 per share, outstanding.

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FORM 10-Q
For the Quarter Ended June 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HARVARD BIOSCIENCE, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share and per share data)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$3,631	$6,744
Accounts receivable, net of allowance for doubtful accounts of $363 and $310, respectively	16,347	17,547
Inventories	22,209	22,343
Deferred income tax assets - current	-	42
Other receivables and other assets	4,632	3,873
Total current assets	46,819	50,549
Property, plant and equipment, net	5,641	5,902
Deferred income tax assets - non-current	954	995
Amortizable intangible assets, net	19,617	20,872
Goodwill	39,735	40,357
Other indefinite lived intangible assets	1,225	1,223
Other assets	94	152
Total assets	$114,085	$120,050
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion, long-term debt	$2,389	$2,364
Accounts payable	6,577	8,782
Deferred revenue	913	752
Accrued income taxes	244	290
Accrued expenses	3,952	4,021
Deferred income tax liabilities - current	-	2,246
Other liabilities - current	775	868
Total current liabilities	14,850	19,323
Long-term debt, less current installments	13,774	16,369
Deferred income tax liabilities - non-current	6,070	3,775
Other long term liabilities	2,728	2,985
Total liabilities	37,422	42,452

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 5,000,000 shares authorized	-	-
Common stock, par value $0.01 per share, 80,000,000 shares authorized; 42,058,512 and 41,724,772 shares issued and 34,313,005 and 33,979,265 shares outstanding, respectively	417	416
Additional paid-in-capital	213,100	211,457
Accumulated deficit	(113,072)	(111,723)
Accumulated other comprehensive loss	(13,114)	(11,884)
Treasury stock at cost, 7,745,507 common shares	(10,668)	(10,668)
Total stockholders' equity	76,663	77,598
Total liabilities and stockholders' equity	$114,085	$120,050

See accompanying notes to unaudited consolidated financial statements.

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HARVARD BIOSCIENCE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$26,136	$28,800	$53,099	$54,563
Cost of revenues (exclusive of items shown separately below)	14,461	16,205	28,479	30,490
Gross profit	11,675	12,595	24,620	24,073
Sales and marketing expenses	5,086	5,128	10,188	10,327
General and administrative expenses	5,236	4,922	11,184	9,753
Research and development expenses	1,502	1,714	2,927	3,462
Restructuring charges	1	54	12	111
Amortization of intangible assets	690	678	1,370	1,471
Total operating expenses	12,515	12,496	25,681	25,124
Operating (loss) income	(840)	99	(1,061)	(1,051)
Other income (expense):				
Foreign exchange	282	(134)	273	89
Interest expense	(180)	(215)	(344)	(437)
Interest income	-	3	1	4
Other expense, net	(29)	(180)	(79)	(796)
Other income (expense), net	73	(526)	(149)	(1,140)
Loss before income taxes	(767)	(427)	(1,210)	(2,191)
Income tax (benefit) expense	(54)	(776)	139	(1,139)
Net (loss) income	$(713)	$349	$(1,349)	$(1,052)
(Loss) earnings per share:				
Basic (loss) earnings per common share	$(0.02)	$0.01	$(0.04)	$(0.03)
Diluted (loss) earnings per common share	$(0.02)	$0.01	$(0.04)	$(0.03)
Weighted average common shares:				
Basic	34,127	33,569	34,070	33,240
Diluted	34,127	35,026	34,070	33,240
Comprehensive (loss) income:				
Net (loss) income	$(713)	$349	$(1,349)	$(1,052)

Foreign currency translation adjustments	(1,821)	1,760	(1,205)	(2,737)
Derivatives qualifying as hedges, net of tax:				
Loss on derivative instruments designated and qualifying as cash flow hedges	(12)	(12)	(48)	(71)
Amounts reclassified from accumulated other comprehensive loss to net loss	10	24	23	50
Total comprehensive (loss) income	$(2,536)	$2,121	$(2,579)	$(3,810)

See accompanying notes to unaudited consolidated financial statements.

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HARVARD BIOSCIENCE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net loss	$(1,349)	$(1,052)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock compensation expense	1,653	1,272
Depreciation	809	769
Loss on disposal of fixed assets	-	11
Non-cash restructuring credits	-	(64)
Amortization of catalog costs	6	8
Provision for allowance for doubtful accounts	44	3
Amortization of intangible assets	1,370	1,471
Amortization of deferred financing costs	56	30
Deferred income taxes	4	(1,027)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	959	(2,136)
Increase in inventories	(95)	(1,242)
Increase in other receivables and other assets	(865)	(240)
(Decrease) increase in trade accounts payable	(2,459)	2,451
Decrease in accrued income taxes	(114)	(395)
Increase (decrease) in accrued expenses	13	(660)
Increase in deferred revenue	188	216
Decrease in other liabilities	(4)	(396)
Net cash provided by (used) in operating activities	216	(981)
Cash flows used in investing activities:		
Additions to property, plant and equipment	(402)	(1,640)
Additions to catalog costs	(10)	-
Proceeds from sales of property, plant and equipment	-	15
Acquisitions, net of cash acquired	-	(4,545)
Net cash used in investing activities	(412)	(6,170)
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of debt	2,000	4,050
Repayments of debt	(4,625)	(4,850)
Payments of debt issuance costs	-	(32)
Net (taxes paid for) proceeds from issuance of common stock	(9)	1,864
Net cash (used in) provided by financing activities	(2,634)	1,032
Effect of exchange rate changes on cash	(283)	(613)

Decrease in cash and cash equivalents	(3,113)	(6,732)
Cash and cash equivalents at the beginning of period	6,744	14,134
Cash and cash equivalents at the end of period	$3,631	$7,402
Supplemental disclosures of cash flow information:		
Cash paid for interest	$312	$427
Cash paid for income taxes, net of refunds	$452	$312

See accompanying notes to unaudited consolidated financial statements.

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HARVARD BIOSCIENCE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements of Harvard Bioscience, Inc. and its wholly-owned subsidiaries (collectively, "Harvard Bioscience" or the "Company") as of June 30, 2016 and for the three and six months ended June 30, 2016 and 2015 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The December 31, 2015 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the SEC on April 29, 2016.

In the opinion of management, all adjustments, which include normal recurring adjustments necessary to present a fair statement of financial position as of June 30, 2016, results of operations and comprehensive loss for the three and six months ended June 30, 2016 and 2015 and cash flows for the six months ended June 30, 2016 and 2015, as applicable, have been made. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Summary of Significant Accounting Policies

The accounting policies underlying the accompanying unaudited consolidated financial statements are those set forth in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on April 29, 2016.

2. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *"Revenue from Contracts with Customers,"* a new accounting standard that provides for a comprehensive model to use in the accounting for revenue arising from contracts with customers that will replace most existing revenue recognition guidance within generally accepted accounting principles in the United States. Under this standard, revenue will be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. At its July 2015 meeting, the FASB agreed to defer the mandatory effective date of ASU 2014-09 one year. Under the one year deferral, the standard will take effect in 2018 for calendar year-end public entities. The Company is assessing the new standard and has not yet determined the impact to the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying Measurement of Inventory*. The update requires measurement of most inventory "at the lower of cost and net realizable value", and applies to all entities that recognize inventory within the scope of ASC 330, except for inventory measured under the last-in, first-out (LIFO) method or the retail inventory method (RIM). ASU 2015-11 requires prospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. The Company is evaluating the impact of ASU 2015-11 on its consolidated financial statements and the possibility of early adoption by the Company.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The update requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. The update is effective for fiscal years beginning after December 15, 2018. The Company is evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2016 and early adoption is permitted. The Company is evaluating the impact of ASU 2016-09 on its consolidated financial statements.

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In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of credit losses on Financial Instruments.* The update amends the FASB's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is evaluating the impact of ASU 2016-13 on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*. Under this guidance, debt issuance costs related to a recognized debt liability should be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The provisions of this guidance are to be applied retrospectively and are effective for interim and annual periods beginning after December 15, 2015. The Company adopted this guidance during the six months ended June 30, 2016. The consolidated balance sheet as of December 31, 2015, included in these consolidated financial statements, reflects a restatement to reclassify unamortized deferred financing costs of approximately $0.2 million from other long-term assets to long-term debt. For deferred financing costs paid to secure long-term debt, the Company made a policy election to present such costs as a direct deduction from the debt liability on the consolidated balance sheet.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*. The update eliminates the requirement to retrospectively adjust financial statements for measurement-period adjustments that occur in periods after a business combination. Under the update, measurement-period adjustments are to be calculated as if they were known at the acquisition date, but are recognized in the reporting period in which they are determined. Additional disclosures are required about the impact on current-period earnings. ASU 2015-16 requires prospective application to adjustments of provisional amounts that occur after the effective date. The update was effective for fiscal years beginning after December 15, 2015. The Company adopted ASU 2015-16 on January 1, 2016. The adoption of ASU 2015-16 did not have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. The update requires all deferred income taxes to be presented on the balance sheet as noncurrent. The new guidance is intended to simplify financial reporting by eliminating the requirement to classify deferred taxes between current and noncurrent. The update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted at the beginning of an interim or annual period. During the six months ended June 30, 2016, the Company early adopted the new guidance on a prospective basis and has presented all deferred tax assets and deferred tax liabilities as noncurrent in the consolidated balance sheet at June 30, 2016. Prior periods presented in the consolidated financial statements were not retrospectively adjusted.

3. Accumulated Other Comprehensive Loss

Changes in each component of accumulated other comprehensive loss, net of tax are as follows:

(in thousands)	Foreign currency translation adjustments	Derivatives qualifying as hedges	Defined benefit pension plans	Total
Balance at December 31, 2015	$ (9,594)	$ (10)	$ (2,280)	$ (11,884)
Other comprehensive loss before reclassifications	(1,205)	(48)	-	(1,253)
Amounts reclassified from AOCI	-	23	-	23
Other comprehensive loss	(1,205)	(25)	-	(1,230)
Balance at June 30, 2016	$ (10,799)	$ (35)	$ (2,280)	$ (13,114)

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4. Acquisitions

The Company completed one acquisition during the six months ended June 30, 2015.

HEKA Elektronik

On January 8, 2015, the Company, through its wholly-owned Ealing Scientific Limited and Multi Channel Systems MCS GmbH ("MCS") subsidiaries, acquired all of the issued and outstanding shares of HEKA Elektronik ("HEKA") for approximately $5.9 million, or $4.5 million, net of cash acquired. Included in the acquisition of HEKA were: HEKA Electronik Dr. Schulze GmbH, based in Lambrecht, Germany ("HEKA Germany"); HEKA Electronics Incorporated, based in Chester, Nova Scotia, Canada ("HEKA Canada"); and HEKA Instruments Incorporated, based in Bellmore, New York. The Company funded the acquisition from its existing cash balances.

HEKA is a developer, manufacturer and marketer of sophisticated electrophysiology instrumentation and software for biomedical and industrial research applications. This acquisition is complementary to the electrophysiology line currently offered by the Company's wholly-owned Warner Instruments and MCS subsidiaries.

The aggregate purchase price for this acquisition was allocated to tangible and intangible assets acquired as follows:

	(in thousands)
Tangible assets	$ 4,165
Liabilities assumed	(2,426)
Net assets	1,739
Goodwill and intangible assets:	
Goodwill	1,668
Trade name	774
Customer relationships	1,627
Developed technology	1,338
Non-compete agreements	27
Deferred tax liabilities	(1,245)
Total goodwill and intangible assets, net of tax	4,189
Acquisition purchase price	$ 5,928

Goodwill recorded as a result of the acquisition of HEKA is not deductible for tax purposes.

At June 30, 2016, an immaterial correction was made to the allocation of the aggregate purchase price to the tangible and intangible assets acquired to increase both accrued liabilities and goodwill by $50,000 as of June 30, 2016. This correction has been reflected in the table above.

The results of operations for HEKA have been included in the Company's consolidated financial statements from the date of acquisition.

Direct acquisition costs recorded in other expense, net in the Company's consolidated statements of operations were immaterial for both the three and six months ended June 30, 2016, respectively. Direct acquisition costs recorded in other expense, net in the Company's consolidated statements of operations were $0.2 million and $0.8 million for the three and six months ended June 30, 2015, respectively.

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5. Goodwill and Other Intangible Assets

Intangible assets consist of the following:

	June 30, 2016 (in thousands)		December 31, 2015		Weighted Average Life (a)	
Amortizable intangible assets:	Gross	Accumulated Amortization	Gross	Accumulated Amortization		
Existing technology	$15,731	$(11,807)	$16,022	$(11,686)	7.2	Years
Trade names	7,666	(3,336)	7,636	(3,076)	8.5	Years
Distribution agreements/customer relationships	23,756	(12,506)	23,676	(11,849)	9.5	Years
Patents	222	(109)	245	(96)	2.7	Years
Total amortizable intangible assets	47,375	$(27,758)	47,579	$(26,707)		
Indefinite-lived intangible assets:						
Goodwill	39,735		40,357			
Other indefinite-lived intangible assets	1,225		1,223			
Total goodwill and other indefinite-lived intangible assets	40,960		41,580			
Total intangible assets, gross	$88,335		$89,159			

(a) Weighted average life as of June 30, 2016.

The change in the carrying amount of goodwill for the six months ended June 30, 2016 is as follows:

	(in thousands)
Balance at December 31, 2015	40,357
Adjustment to purchase price allocation of prior year acquisition	50
Effect of change in currency translation	(672)
Balance at June 30, 2016	$ 39,735

Intangible asset amortization expense was $0.7 million for both the three months ended June 30, 2016 and 2015. Intangible asset amortization expense was $1.4 million and $1.5 million for the six months ended June 30, 2016 and 2015, respectively. Amortization expense of existing amortizable intangible assets is currently estimated to be $2.7 million for the year ending December 31, 2016, $2.5 million for the year ending December 31, 2017, $2.3 million for the year ending December 31, 2018, $2.2 million for the year ending December 31, 2019 and $2.2 million for the year ending December 31, 2020.

6. Inventories

Inventories consist of the following:

	June 30, 2016	December 31, 2015
	(in thousands)	
Finished goods	$ 10,093	$ 10,957
Work in process	1,084	888
Raw materials	11,032	10,498
Total	$ 22,209	$ 22,343

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7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 2016	December 31, 2015
	(in thousands)	
Land, buildings and leasehold improvements	$2,609	$2,825
Machinery and equipment	10,523	10,131
Computer equipment and software	7,482	7,503
Furniture and fixtures	1,339	1,358
Automobiles	115	103
	22,068	21,920
Less: accumulated depreciation	(16,427)	(16,018)
Property, plant and equipment, net	$5,641	$5,902

8. Restructuring and Other Exit Costs

Q4 2015 Restructuring Plan

The Company committed to a restructuring plan on October 27, 2015, which included eliminating certain positions made redundant as a result of its site consolidations, as well as a realignment of its commercial sales team. Payments related to this plan were made through the second quarter of 2016. Activity and liability balances related to these charges were as follows:

	Severance Costs (in thousands)
Restructuring balance at December 31, 2015	$ 90
Cash payments	(90)
Restructuring balance at June 30, 2016	$ -

Q2 2015 Restructuring Plan

During the second quarter of 2015, management of the Company initiated a plan to consolidate the manufacturing operations of HEKA Canada to HEKA Germany in order to create organizational efficiencies. No further charges are expected to be incurred on this matter. At June 30, 2016, the Company has no remaining liability related to this plan on its balance sheet. Activity and liability balances related to these charges were as follows:

	Severance Costs (in thousands)
Restructuring charges	$ 13
Cash payments	-
Restructuring balance at June 30, 2015	$ 13

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Q1 2015 Restructuring Plan

During the first quarter of 2015, the Company's management initiated a plan to relocate certain manufacturing operations in order to create organizational efficiencies and reduce operating expenses. The Q1 2015 restructuring plan included plans to consolidate the manufacturing operations of its Coulbourn subsidiary to its headquarters in Holliston, MA. Payments related to this plan are expected to be made through the third quarter of 2016. For the six months ended June 30, 2016, activity and liability balances related to these charges were as follows:

	Severance Costs	Other	Total
	(in thousands)		
Restructuring balance at December 31, 2015	$11	$-	$11
Restructuring charges	-	4	4
Cash payments	(8)	(4)	(12)
Restructuring balance at June 30, 2016	$3	$-	$3

For the six months ended June 30, 2015, activity and liability balances related to these charges were as follows:

	Severance Costs
	(in thousands)
Restructuring charges	88
Non-cash reversal of restructuring charges	(6)
Cash payments	-
Restructuring balance at June 30, 2015	$ 82

2014 Restructuring Plan

During the fourth quarter of 2014, the Company's management initiated a plan to relocate certain distribution and manufacturing operations in order to create organizational efficiencies and reduce operating expenses. The 2014 restructuring plan included plans to relocate the distribution operations of the Company's Denville Scientific subsidiary from New Jersey to North Carolina, as well as consolidating the manufacturing operations of its Biochrom subsidiary to its headquarters in Holliston, MA. Payments related to this plan are expected to be made through the third quarter of 2016. For the six months ended June 30, 2016, activity and liability balances related to these charges were as follows:

	Severance Costs	Other	Total
	(in thousands)		
Restructuring balance at December 31, 2015	$31	$ -	$31
Restructuring charges	-	8	8
Cash payments	-	(8)	(8)
Effect of change in currency translation	(3)	-	(3)
Restructuring balance at June 30, 2016	$28	$ -	$28

For the six months ended June 30, 2015, activity and liability balances related to these charges were as follows:

	Severance Costs	Other	Total
	(in thousands)		
Restructuring balance at December 31, 2014	$626	$-	$626
Restructuring charges	39	35	74
Non-cash reversal of restructuring charges	(58)	-	(58)
Cash payments	(129)	(35)	(164)
Effect of change in currency translation	3	-	3
Restructuring balance at June 30, 2015	$481	$-	$481

Aggregate net restructuring charges for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Restructuring charges	$1	54	$12	$111

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9. Related Party Transactions

As part of the acquisitions of MCS and Triangle BioSystems, Inc. (“TBSI”) in 2014, as well as HEKA in 2015, the Company signed lease agreements with the former owners of the acquired companies. The principals of such former owners of MCS, TBSI and HEKA were employees of the Company as of June 30, 2015, while the principals of such former owners of MCS and TBSI were employees of the Company as of June 30, 2016. Pursuant to a lease agreement, the Company incurred rent expense of approximately $58,000 and $10,000 to the former owners of MCS and TBSI, respectively, for the three months ended June 30, 2016. The Company incurred rent expense of approximately $113,000 and $21,000 to the former owners of MCS and TBSI, respectively, for both the six months ended June 30, 2016 and June 30, 2015. The Company incurred rent expense of approximately $81,000 to the former owners of HEKA for the six months ended June 30, 2015. Pursuant to a lease agreement, the Company incurred rent expense of approximately $58,000, $11,000 and $42,000 to the former owners of MCS, TBSI and HEKA, respectively, for the three months ended June 30, 2015.

10. Warranties

Warranties are estimated and accrued at the time revenues are recorded. A rollforward of the Company’s product warranty accrual is as follows:

	Beginning Balance	Payments	Additions/ (Credits)	Ending Balance
	(in thousands)			
Year ended December 31, 2015	$252	(81)	(24)	$ 147
Six months ended June 30, 2016	$147	(41)	87	$ 193

11. Employee Benefit Plans

Certain of the Company’s subsidiaries in the United Kingdom, or UK, Harvard Apparatus Limited and Biochrom Limited, maintain contributory, defined benefit or defined contribution pension plans for substantially all of their employees. These defined benefit pension plans are closed to new employees, as well as closed to the future accrual of benefits for existing employees. The components of the Company’s defined benefit pension expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			

Components of net periodic benefit cost:				
Interest cost	$168	$190	336	367
Expected return on plan assets	(181)	(179)	(362)	(345)
Net amortization loss	79	81	159	156
Net periodic benefit cost	$66	$92	$133	$178

For the three months ended June 30, 2016 and 2015, the Company contributed $0.2 million, for both periods, to its defined benefit pension plans. For the six months ended June 30, 2016 and 2015, the Company contributed $0.4 million, for both periods, to its defined benefit pension plans. The Company expects to contribute approximately $0.4 million to its defined benefit pension plans during the remainder of 2016.

The Company had an underfunded pension liability of approximately $2.6 million and $2.8 million, as of June 30, 2016 and December 31, 2015, respectively, included in the other long term liabilities line item in the consolidated balance sheets.

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12. Leases

The Company has noncancelable operating leases for office and warehouse space expiring at various dates through 2021 and thereafter. Rent expense, which is recorded on a straight-line basis, is estimated to be $1.9 million for the year ended December 31, 2016. Rent expense was approximately $0.5 million and $0.4 million for the three months ended June 30, 2016 and 2015, respectively. Rent expense was approximately $1.0 million and $0.8 million for the six months ended June 30, 2016 and 2015, respectively.

Future minimum lease payments for operating leases, with initial or remaining terms in excess of one year at June 30, 2016, are as follows:

	Operating Leases (in thousands)
2017	$ 1,711
2018	1,707
2019	1,600
2020	1,422
2021	1,210
Thereafter	3,552
Net minimum lease payments	$ 11,202

13. Capital Stock

Common Stock

On February 5, 2008, the Company's Board of Directors adopted a Shareholder Rights Plan and declared a dividend distribution of one preferred stock purchase right for each outstanding share of the Company's common stock to shareholders of record as of the close of business on February 6, 2008. Initially, these rights will not be exercisable and will trade with the shares of the Company's common stock. Under the Shareholder Rights Plan, the rights generally will become exercisable if a person becomes an "acquiring person" by acquiring 20% or more of the common stock of the Company or if a person commences a tender offer that could result in that person owning 20% or more of the common stock of the Company. If a person becomes an acquiring person, each holder of a right (other than the acquiring person) would be entitled to purchase, at the then-current exercise price, such number of shares of preferred stock which are equivalent to shares of the Company's common stock having a value of twice the exercise price of the right. If the Company is acquired in a merger or other business combination transaction after any such event, each holder of a right would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's common stock having a value of twice the exercise price of the right.

Preferred Stock

The Company's Board of Directors has the authority to issue up to 5.0 million shares of preferred stock and to determine the price privileges and other terms of the shares. The Board of Directors may exercise this authority without any further approval of stockholders. As of June 30, 2016, the Company had no preferred stock issued or outstanding.

Employee Stock Purchase Plan (as amended, the "ESPP")

In 2000, the Company approved the ESPP. Under this ESPP, participating employees can authorize the Company to withhold a portion of their base pay during consecutive six-month payment periods for the purchase of shares of the Company's common stock. At the conclusion of the period, participating employees can purchase shares of the Company's common stock at 85% of the lower of the fair market value of the Company's common stock at the beginning or end of the period. Shares are issued under the ESPP for the six-month periods ending June 30 and December 31. Under this plan, 750,000 shares of common stock are authorized for issuance of which 683,364 shares were issued as of June 30, 2016. During the three months ended June 30, 2016 and 2015, the Company issued 39,353 shares and 26,181 shares, respectively, of the Company's common stock under the ESPP.

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Stock Option and Equity Incentive Plans

Third Amended and Restated 2000 Stock Option and Incentive Plan (as amended, the “Third A&R Plan”)

The Second Amendment to the Third A&R Plan (the “Amendment”) was adopted by the Board of Directors on April 3, 2015. Such Amendment was approved by the stockholders at the Company’s 2015 Annual Meeting of Stockholders. Pursuant to the Amendment, the aggregate number of shares authorized for issuance under the Third A&R Plan was increased by 2,500,000 shares to 17,508,929.

Restricted Stock Units with a Market Condition (the “Market Condition RSU’s”)

On August 3, 2015, the Compensation Committee of the Board of Directors of the Company approved and granted deferred stock awards of Market Condition RSU’s to members of the Company’s management team under the Third A&R Plan. The vesting of these Market Condition RSU’s is cliff-based and linked to the achievement of a relative total shareholder return of the Company’s common stock from August 3, 2015 to the earlier of (i) August 3, 2018 or (ii) upon a change of control (measured relative to the Russell 3000 index and based on the 20-day trading average price before each such date). As of June 30, 2016, the target number of these restricted stock units that may be earned is 182,150 shares; the maximum amount is 150% of the target number.

Stock-Based Payment Awards

The Company accounts for stock-based payment awards in accordance with the provisions of FASB ASC 718, which requires it to recognize compensation expense for all stock-based payment awards made to employees and directors including stock options, restricted stock units, Market Condition RSU’s and employee stock purchases related to the ESPP.

Stock option and restricted stock unit activity under the Company’s Third A&R Plan for the six months ended June 30, 2016 was as follows:

	Stock Options		Restricted Stock Units		Market Condition RSU's	
		Weighted				
	Stock	Average	Restricted		Market	
	Options	Exercise	Stock Units	Grant Date		Grant Date

	Outstanding	Price	Outstanding	Fair Value	Condition RSU's Outstanding	Fair Value
Balance at December 31, 2015	5,022,186	$ 3.85	313,559	$ 5.29	185,538	$ 4.81
Granted	28,000	3.24	941,190	2.93	-	-
Exercised	(338,532)	2.83	-	-	-	-
Vested (RSUs)	-	-	(251,320)	-	-	-
Cancelled / forfeited	(369,270)	3.79	(25,636)	4.07	(3,388)	4.81
Balance at June 30, 2016	4,342,384	$ 3.93	977,793	$ 3.20	182,150	$ 4.81

The weighted average fair value of the options granted under the Third A&R Plan during the three months ended June 30, 2016 and 2015 was $1.48 and $2.08, respectively. The weighted average fair value of the options granted under the Third A&R Plan during the six months ended June 30, 2016 and 2015 was $1.26 and $2.21, respectively. The following assumptions were used to estimate the fair value, using the Black-Scholes option pricing model, of stock options granted during the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Volatility	42.91 %	39.35 %	41.39 %	41.08 %
Risk-free interest rate	1.40 %	1.70 %	1.45 %	1.72 %
Expected holding period (in years)	5.16 years	5.28 years	5.27 years	5.52 years
Dividend yield	- %	- %	- %	- %

The Company used historical volatility to calculate the expected volatility for each grant as of the grant date. Historical volatility was determined by calculating the mean reversion of the daily adjusted closing stock price. The risk-free interest rate assumption is based upon observed U.S. Treasury bill interest rates (risk-free) appropriate for the term of the Company’s stock options and Market Condition RSU’s. The expected holding period of stock options represents the period of time options are expected to be outstanding and is based on historical experience. The vesting period ranges from one to four years and the contractual life is ten years. The correlation coefficient, used to value the Market Condition RSU’s, represents the way in which entities move in relation to the Russell 3000 index as a whole.

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Stock-based compensation expense related to stock options, restricted stock units, Market Condition RSU's and the ESPP for the three and six months ended June 30, 2016 and 2015 was allocated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Cost of revenues	$16	$15	$27	$36
Sales and marketing	141	107	242	194
General and administrative	713	548	1,335	997
Research and development	29	22	49	45
Total stock-based compensation	$899	$692	$1,653	$1,272

The Company did not capitalize any stock-based compensation.

Earnings per share

Basic earnings per share is based upon net income divided by the number of weighted average common shares outstanding during the period. The calculation of diluted earnings per share assumes conversion of stock options, restricted stock units and Market Condition RSU's into common stock using the treasury method. The weighted average number of shares used to compute basic and diluted earnings per share consists of the following:

	Three Months Ended June 30,	
	2016	2015
Basic	34,127,131	33,569,180
Effect of assumed conversion of employee and director stock options, restricted	-	1,456,470

Target Annual Cash Bonus Opportunities

In May 2017, the Compensation Committee reviewed the target annual cash bonus oppo officers, including the Named Executive Officers, taking into consideration the competi its compensation consultant, the recommendations of our CEO and Chief Financial Offi own target annual cash bonus opportunities), and the other factors described above in C Compensation Program. Target annual cash bonus opportunities were expressed as a p officer s base salary.

stock units and Market Condition RSU's

Following this review, the Compensation Committee adjusted the target annual cash bon our executive officers to maintain the competitiveness of these amounts by increasing th opportunities from their fiscal 2017 levels. Mr. Gochee s target annual cash bonus oppo 50%, and Ms. Schulman s target annual cash bonus opportunity increased from 40% to target total cash compensation in line with that of similarly positioned executive officers compensation peer group. Mr. Cirne s target annual cash bonus opportunity was mainta Mr. Sachleben s target annual cash bonus opportunity was maintained at 60%.

The target annual cash bonus opportunities of the Named Executive Officers for purpose Opportunity were as follows:

Named Executive Officer	Fiscal 2017 Target Annual Cash Bonus Opportunity	Fiscal 2018 Target Annua Cash Bonus Opportunity (as a percentag of base salary
Mr. Cirne	100%	100%
Mr. Sachleben	60%	60%
Mr. Gochee	45%	50%
Ms. Schulman	40%	45%

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Corporate Performance Objectives and Bonus Formula

In May 2017, the Compensation Committee, after receiving input from our CEO and Ch
annual recurring revenue (ARR) and non-GAAP operating income as the corporate p
of determining potential quarterly bonus payouts under the Fiscal 2018 Bonus Opportun
Committee believed that these were appropriate corporate performance measures to use
be clear indicators of our successful operation of our business. For purposes of these pot

ARR, which was based on our net incremental annual recurring revenue, is calcu
to measure our sales growth. For this purpose, we define ARR as the revenue we w
receive from those customers over the following 12 months, without any increase o
subscriptions.

Non-GAAP operating income, which was calculated as our GAAP loss from ope
compensation expense, amortization of stock-based compensation capitalized in so
amortization of purchased intangibles, lawsuit litigation expense and employer pay
incentive plans.

For each of these performance measures, the Compensation Committee established a tar
payment schedule for each fiscal quarter, as well as the target weighting for each measu

For ARR (70% weighting), payments were to be based on our actual ARR for a qua
ARR target level for the quarter, raised to the 1.5 power.

For non-GAAP operating income (30% weighting), payments were to be based on a

For the first three quarters of fiscal 2018:

Non-GAAP Operating Income as a Percentage of Target	Non-GAAP Operat Income Attainmen Percentage
120% or more	40%
110% - <120%	35%
100% -<110%	30%
95% - <100%	25%
90% - <95%	20%
85% - <90%	15%
80% - <85%	10%
<80%	0%

For the fourth quarter of fiscal 2018:

Non-GAAP Operating Income as a Percentage of Target	Non-GAAP Operat Income Attainmen Percentage
120% or more	40%
110% - <120%	35%
100% -<110%	30%
95% - <100%	15%
90% - <95%	0%

The Fiscal 2018 Cash Bonus Opportunity also contained a profitability bonus provision, incremental 5% would be added to the non-GAAP operating income component in the e income was greater than zero in any of the first, second or third fiscal quarters. The prof paid out for the third fiscal quarter.

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The target levels established for each of these performance measures were intended to re
part of our executive officers and, therefore, were set at levels the Compensation Comm
to achieve and for which average or below-average performance would result in smaller
aggregate target levels for these performance measures represented a significant increas

Using these aggregate target levels, the Compensation Committee established quarterly
performance measure that were consistent with our past experience, our existing new bu
understanding of our current business environment and competitive factors. During fisca
Committee recommended, and the Board approved, adjustments for the second, third an
to reflect business expectations, but the targets remained at levels the Compensation Co
difficult to achieve.

The amount that each executive officer, including our Named Executive Officers, was e
based on our actual achievement with respect to each of these performance measures. T
quarterly bonuses awarded to each executive officer for fiscal 2018 could have been mo
annual cash bonus opportunity depending on whether and what extent we achieved our
the Compensation Committee retains the ability, in its sole discretion, to increase or dec
to any executive officer regardless of the actual performance against these measures. Ac
performance bonus is paid for any year, and the amount of any such bonus, is within the
Committee.

Fiscal 2018 Bonus Decisions

Our actual performance against the relevant target level for each corporate performance
as well as the determination of the amount to be received by each executive officer, wer
Compensation Committee after taking into consideration the recommendations of our C
(other than with respect to their own quarterly bonuses) and subject to the discretion of t
adjust any payment based on corporate financial or other considerations. The Compensa
any discretionary adjustments to the quarterly bonuses paid to the Named Executive Off

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The following table provides information regarding the quarterly bonus awards earned b
during fiscal 2018:

Named Executive Officer	Performance Period	Target Quarterly Bonus	Target Pe Level Ac
Mr. Cirne	First Quarter	$ 78,750	
	Second Quarter	$ 78,750	
	Third Quarter	$ 78,750	
	Fourth Quarter	$ 78,750	
	Total 2018	$ 315,000	
Mr. Sachleben	First Quarter	$ 51,000	
	Second Quarter	$ 51,000	
	Third Quarter	$ 51,000	
	Fourth Quarter	$ 51,000	
	Total 2018	$ 204,000	
Mr. Gochee	First Quarter	$ 41,875	
	Second Quarter	$ 41,875	
	Third Quarter	$ 41,875	
	Fourth Quarter	$ 41,875	
	Total 2018	$ 167,500	
Ms. Schulman	First Quarter	$ 34,875	
	Second Quarter	$ 34,875	
	Third Quarter	$ 34,875	
	Fourth Quarter		
	Total 2018	$ 104,625	

The aggregate cash bonus payments earned by the Named Executive Officers for fiscal 2
Fiscal 2018 Summary Compensation Table below.

Long-Term Incentive Compensation

The Compensation Committee believes that long-term incentive compensation is an effe
our executive officers, including the Named Executive Officers, to increase stockholder
provides a meaningful reward for appreciation in our stock price and long-term value cr
remain employed with us. Our equity award grant practices are designed to reflect a bala

- our desire to motivate, retain, and reward executive talent;

- our need to remain competitive in recruiting; and effectively managing the dilution of stockholders interests.

We use equity awards in the form of options to purchase shares of our common stock an settled for shares of our common stock to deliver the annual long-term incentive compe executive officers, including the Named Executive Officers, and to address special situa time to time. The Compensation Committee believes that stock options, when granted w fair market value of our common stock on the date of grant, provide an appropriate long executive officers, since the options reward them only to the extent that our stock price i realize value following their grant date. The Compensation Committee believes that RS executive officers and reward them for long-term stock price appreciation while

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at the same time providing some value to the recipient even if the market price of our co
Compensation Committee also believes that RSU awards helps us to manage dilution to
provide greater transparency and predictability to our executive officers regarding the ul
compensation opportunities.

In determining the appropriate mix of stock options and RSU awards, the Compensation
current stock and other equity holdings of each executive officer and competitive marke
compensation provided to executive officers by the companies in our compensation peer
a mix that would provide the appropriate incentives while staying competitive in our ma

As discussed above, the Compensation Committee determines the amount of long-term
executive officers as part of its annual compensation review and after taking into consid
analysis prepared by its compensation consultant, the recommendations of our CEO (exc
long-term incentive compensation), the outstanding equity holdings of each executive of
the proposed awards on our earnings, our burn rate in relation to the median practice
compensation peer group, our overhang in relation to the median practice of the comp
group, and the other factors described above in Governance of Executive Compensatio

In May 2017, after considering the factors described above, the Compensation Committe
officers, including the Named Executive Officers, options to purchase shares of our com
exception of our CEO, RSU awards that may be settled for shares of our common stock.
Compensia regarding review of Mr. Cirne s target total direct compensation, including
compensation assumptions, as well as an analysis against the compensation arrangemen
at the companies in the compensation peer group and a detailed equity and other compe
received an option grant that will begin vesting when his fiscal 2015 option grant is fully
compensation more in line with market practices.

The equity awards granted to the Named Executive Officers for fiscal 2018, which were
were as follows:

Named Executive Officer	Annual Options to Purchase Shares of our Common Stock (number of shares)	Annual RSU Awards for Shares of our Common Stock (number of share
Mr. Cirne	125,000	
Mr. Sachleben	55,662(2)	24,63
Mr. Gochee	41,746(2)	18,47
Ms. Schulman	13,916(2)	6,16

(1) The number of shares of our common stock subject to the RSU awards was determi
market price for our common stock as reported on The New York Stock Exchange
immediately preceding May 15, 2017.

(2) The number of shares of our common stock subject to the options was determined b
use to calculate fair market value of stock options in our financial statements, using
price for our common stock as reported on The New York Stock Exchange for the 3
immediately preceding May 15, 2017, except that no provision was made for estim
service-based vesting requirements.

The shares of our common stock subject to the stock options for our Named Executive O vest and become exercisable with respect to 1/48th of the total number of shares subject increments each month following the vesting commencement date of April 1, 2017, subj Officer s continued employment through each such vesting date. The shares of our

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common stock subject to the RSU awards vest with respect to 1/16th of the total number
vesting in equal increments each fiscal quarter following the vesting commencement dat
the Named Executive Officer s continued employment through each such vesting date.
option vest and become exercisable in 12 equal monthly installments beginning on Apri

The above equity awards granted to the Named Executive Officers in fiscal 2018 are rep
Summary Compensation Table and the Fiscal 2018 Grants of Plan-Based Awards Table

401(k) Plan, ESPP, Welfare, and Health Benefits

We maintain a 401(k) plan, which is intended to be qualified under Section 401(a) of the
related trust intended to be tax exempt under Section 501(a) of the Code. Our 401(k) pla
employees with an opportunity to save for retirement on a tax-advantaged basis. Under o
employees may defer eligible compensation subject to applicable annual contribution lin
tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those con
employees until distributed from the plan. Employees are immediately and fully vested i
initiated an employer matching contribution program on employee contributions in the s
We match 50% of employee contributions, up to $4,000 in matching contributions per c
and such matching contributions are immediately and fully vested.

We also offer our employees, including our executive officers, the opportunity to purcha
at a discount under our ESPP. Pursuant to the ESPP, all eligible employees, including th
may allocate up to 15% of their base salary to purchase our stock at a 15% discount to th
specified limits.

In addition, we provide other benefits to our executive officers, including the Named Ex
basis as all of our full-time employees. These benefits include, but are not limited to, me
benefits, group life, and accidental death and dismemberment insurance plans.

We design our employee benefits programs to be affordable and competitive in relation
compliant with applicable laws and practices. We adjust our employee benefits program
monitoring of applicable laws and practices and the competitive market.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant compon
compensation program. Accordingly, we do not provide perquisites or other personal be
including the Named Executive Officers, except in situations where we believe it is appr
the performance of his or her duties, to make our executive officers more efficient and e
retention purposes. During fiscal 2018, none of the Named Executive Officers received
benefits that were, in the aggregate, $10,000 or more for each individual.

In the future, we may provide perquisites or other personal benefits in limited circumsta
the preceding paragraph. All future practices with respect to perquisites or other persona
subject to periodic review by the Compensation Committee.

Pension Benefits

Other than with respect to our 401(k) plan, our U.S. employees, including the Named Ex
participate in any plan that provides for retirement payments and benefits, or payments a
provided primarily following retirement.

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Nonqualified Deferred Compensation

During fiscal 2018, our U.S. employees, including the Named Executive Officers, did n
amounts with respect to, any defined contribution or other plan sponsored by us that pro
compensation on a basis that is not tax-qualified.

Severance and Change-in-Control Arrangements

We have entered into post-employment compensation arrangements with each of our Na
described in more detail in Potential Payments upon Termination or Change in Control

We believe that having in place reasonable and competitive post-employment compensa
to attracting and retaining highly-qualified executive officers. Our post-employment con
designed to provide reasonable compensation to executive officers who leave the Comp
to facilitate their transition to new employment. Further, we seek to mitigate any potenti
future disputes or litigation by requiring a departing executive officer to sign a separatio
acceptable to us as a condition to receiving post-employment compensation payments o

In determining payment and benefit levels under the various circumstances covered by s
compensation arrangements, the Compensation Committee has drawn a distinction betw
employment, terminations of employment for cause, and involuntary terminations of em
with or not involving a change in control of the Company. Payment in the latter circums
appropriate in light of the benefits to us described above, as well as the likelihood that th
due, at least in part, to circumstances not within his or her control. In contrast, we believ
not appropriate in the event of a voluntary resignation or a termination of employment f
often reflect either an affirmative decision by the executive officer to end his or her relat
performance.

The post-employment compensation arrangements with our Named Executive Officers a
benefits in the event of an involuntary termination of employment in connection with a c
Company. We believe that these arrangements are designed to align the interests of man
considering the long-term future for the Company. The primary purpose of these arrange
senior executive officers focused on pursuing all corporate transaction activity that is in
stockholders regardless of whether those transactions may result in their own job loss. R
payments and benefits should serve the interests of both the executive officer and our sto

All payments and benefits in the event of a change in control of the Company are payab
subsequent loss of employment by an executive officer (a so-called double-trigger ar
acceleration of vesting of outstanding equity awards, we use this double-trigger arrange
of retention power following a change in control of the Company and to avoid windfalls
vesting accelerated automatically as a result of the transaction.

We did not provide any executive officer, including any Named Executive Officer, with
reimbursement payment for any tax liability that the executive officer may owe as a resu
280G or 4999 during fiscal 2018, and we have not agreed and are not otherwise obligate
officer with such a gross-up or other reimbursement.

The Compensation Committee does not consider specific amounts payable under these p
arrangements when establishing annual compensation. It does believe, however, that the
to offer compensation packages that are competitive.

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For information on the estimate of the potential payments and benefits payable under ou
compensation arrangements with our Named Executive Officers as of the end of fiscal 2
upon Termination or Change in Control below.

Other Compensation Policies and Practices

Equity Awards Grant Policy

The Compensation Committee has delegated authority to our CEO and Chief Financial C
our employees (other than our executive officers) and consultants, subject to the terms a
Such awards may be granted on a monthly basis to newly-hired employees and consulta
consultants in connection with a promotion or in recognition of their contributions to the
employees and consultants as part of our annual equity merit program, and to existing
spot awards. In each instance, the policy provides for a limitation on the maximum size
of options to purchase shares of our common stock, the exercise price of such options m
market value of our common stock on the date of grant.

Stock Ownership Policy

At this time, we have not adopted a stock ownership policy with respect to our executive
due to the significant existing equity holdings of our CEO. As detailed in Security Ow
Owners and Management, the beneficial ownership of our current executive officers w
stock as of June 1, 2018.

Compensation Recovery Policy

At this time, we have not adopted a compensation recovery, or clawback, policy for c
We will comply with the requirements of the Dodd-Frank Wall Street Reform and Cons
adopt a compensation recovery policy to the extent required by law once the SEC adopts
subject.

Policy Prohibiting Hedging and Pledging of Our Equity Securities

Our Insider Trading Policy, among other things, prohibits our employees, including our
members of our Board from engaging in short sales, hedging of stock ownership positio
derivative securities relating to our common stock. In addition, our executive officers an
any person required to comply with the blackout periods or pre-clearance requirements u
are prohibited from pledging Company securities as collateral for loans, and may not ho
accounts.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Generally, Section 162(m) of the Code disallows a federal income tax deduction for pub
in excess of $1 million paid for any fiscal year to certain executive officers.

Companies that recently completed an initial offering of their equity securities to the pul
transition period before the deduction limit of Section 162(m) becomes applicable to co
with plans and arrangements that were in effect at the time of their initial public offering
This transition period may extend until the Annual Meeting, unless it is terminated earli
post-initial public offering rules or under the amendments to Section 162(m) that were p
of 2017 effective for taxable years beginning after December 31, 2017.

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Taxation of Parachute Payments and Deferred Compensation

Sections 280G and 4999 of the Code provide that executive officers and members of ou equity interests and certain other service providers may be subject to an excise tax if the in connection with a change in control of the Company that exceeds certain prescribed l a successor, may forfeit a deduction on the amounts subject to this additional tax. Sectio additional significant taxes on the individual in the event that an executive officer, mem service provider receives deferred compensation that does not meet the requirements

We did not provide any executive officer, including any Named Executive Officer, with reimbursement payment for any tax liability that he or she might owe as a result of the a 4999, or 409A of the Code during fiscal 2018, and we have not agreed and are not other executive officer with such a gross-up or other reimbursement.

Accounting for Stock-Based Compensation

We follow the Financial Accounting Standard Board Accounting Standards Codificatio 718) for our stock-based compensation awards. FASB ASC Topic 718 requires us to m for all share-based payment awards made to our employees and members of our Board, shares of our common stock and other stock awards, based on the grant date fair value is performed for accounting purposes and reported in the executive compensation tables securities laws, even though the recipients may never realize any value from their award

FASB ASC Topic 718 also requires us to recognize the compensation cost of our stock- our income statements over the period that a recipient is required to render service in ex other award.

COMPENSATION COMMITTEE REPORT(1)

The Compensation Committee has reviewed and discussed with management the Comp Analysis (the CD&A) contained in this proxy statement. Based on this review and di Committee has recommended to the Board that the CD&A be included in this proxy sta Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Peter Fenton

Sohaib Abbasi

James Tolonen

(1) The material in this report is not soliciting material, is furnished to, but not deem deemed to be incorporated by reference in any filing of the Company under the Se other than the Company s Annual Report on Form 10-K, where it shall be deemed before or after the date hereof and irrespective of any general incorporation langua

ANALYSIS OF RISKS PRESENTED BY OUR COMPENSATION POLICIES AND PROGRAMS

Our compensation programs consist of both fixed and variable compensation. The fixed
to provide a steady income regardless of our stock price performance so that our employ
officers, do not focus exclusively on stock price performance to the detriment of other in
objectives. The variable (annual cash bonus and equity) portions are designed to reward
corporate performance.

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We have reviewed our compensation policies and practices for employees generally, as
officers, and concluded that these policies and practices do not create risks that are reaso
adverse effect on us. In reaching this conclusion, we assessed our executive and broad-b
programs to determine if any of them created undesired or excessive risks of a material r
included:

- a review of our compensation policies and practices for employees generally;
- identification of the risks that could result from such policies and practices; and
- analysis of the potential risks against our business strategy and objectives.

In reaching this conclusion, we note the following factors that we believe may reduce th
excessive risk-taking:

- our overall compensation levels are competitive with the market;
- our compensation policies and practices appropriately balance fixed pay versus var
incentives versus long-term incentives;
- although our annual incentive plans provide for variability of payout, we believe th
associated with such plans are controlled or mitigated by one or more of the follow
    - the performance measures being multi-dimensional, thereby increasing the ran
incentives are paid;
    - the performance measures and related target levels being generally aligned wit
business objectives and being quantitative in nature;
    - the use of sliding payout scales where appropriate; and
    - the ability of management and/or the Compensation Committee to exercise dis
payouts; and
- although the equity awards granted to our employees could motivate them to, amon
increasing our short-term stock price rather than the creation of long-term stockhol

potential risks are controlled or mitigated by one or more of the following:

- use of a combination of equity vehicles;
- use of multi-year vesting schedules for our time-based equity awards; and
- our prohibition on engaging in hedging transactions in our securities for our en executive officers.

We believe that the variable elements of compensation represent a sufficient percentage motivate employees, including our executive officers, to produce positive short-term and while the fixed element is sufficient to ensure that our employees are not encouraged to risks in doing so.

The Compensation Committee conducts an annual review of our compensation-related r compensation programs do not encourage excessive or inappropriate risk-taking and tha encourage is not reasonably likely to have a material adverse effect on us.

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Summary Compensation Table

The following table sets forth certain summary information for the year indicated with r
earned by each of our Named Executive Officers.

Fiscal 2018 Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-E Incenti Compe ($)
Lewis Cirne	2018	315,000			2,515,150	331
Chief Executive Officer	2017	315,000				341
	2016	300,000				185
Mark Sachleben	2018	340,000		1,098,362	1,098,367	214
Chief Financial Officer	2017	325,000		758,888	252,964	211
and Corporate Secretary	2016	300,000		766,767	768,649	138
James Gochee	2018	335,000		823,794	823,765	176
Chief Product Officer	2017	320,000		607,115	202,376	156
	2016	285,800		482,510	483,402	94
Robin Schulman(6)	2018	272,442		274,613	274,602	106
Former Vice President,	2017	295,000		379,444	126,482	128
General Counsel, and	2016	260,000		325,004	325,811	59
Corporate Secretary						

(1) The dollar amounts reported in this column represent base salary earned during the information regarding base salaries in fiscal 2018, see Compensation Discussion a Elements Base Salary above.

(2) The dollar amounts reported in this column reflect the aggregate grant date fair valu during the indicated fiscal year computed in accordance with ASC 718 and excludi forfeitures. The grant date fair value of each RSU award is measured based on the c common stock on the date of grant. These amounts do not necessarily correspond t that may be recognized by the Named Executive Officers.

(3) The dollar amounts reported in this column reflect the aggregate grant date fair valu awards granted during the indicated fiscal year. These amounts have been calculate ASC 718, using the Black-Scholes option-pricing model and excluding the effect o Assumptions used in the calculation of these amounts are included in our Annual R the indicated fiscal year as filed with the SEC. These amounts do not necessarily co value recognized or that may be recognized by the Named Executive Officers.

(4) The dollar amounts reported in this column represent the cash bonus earned under t opportunity for the indicated fiscal year. For more information, see Compensation Compensation Elements Annual Cash Bonus Opportunity above.

(5)

The dollar amounts reported in this column include Company matching contributio
plan of up to $4,000 in a calendar year. Prior to fiscal 2018, the Company provided
$2,000 in a calendar year. In fiscal 2016, a one-time discretionary additional amour
401(k) accounts of all U.S. employees who contributed at least one dollar to their 4
2015.

(6) Ms. Schulman resigned as our Vice President, General Counsel and Corporate Secr
2018.

(7) Includes $8,490 paid to Ms. Schulman following her resignation pursuant to her co
Consulting Agreement with Ms. Schulman for more information.

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GRANTS OF PLAN BASED AWARDS

The following table provides information with regard to each grant of plan-based award
Officer under any plan during the fiscal year ended March 31, 2018.

Fiscal 2018 Grants of Plan Based Awards Table

Name	Award Type	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target ($)(1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Maximum ($)(1)	Al Oth Stoc Awar Num of Shar of Stoc or Uni (#)(
Lewis Cirne	Annual Stock Option	5/15/2017	5/5/2017			
	Annual RSU Grant					
	Annual Bonus			315,000	630,000	
Mark Sachleben	Annual Stock Option	5/15/2017	5/5/2017			
	Annual RSU Grant	5/15/2017	5/5/2017			24,6
	Annual Bonus			204,000	408,000	
James Gochee	Annual Stock Option	5/15/2017	5/5/2017			
	Annual RSU Grant	5/15/2017	5/5/2017			18,4
	Annual Bonus			167,500	335,000	
Robin Schulman	Annual Stock Option	5/15/2017	5/5/2017			
	Annual RSU Grant	5/15/2017	5/5/2017			6,1
	Annual Bonus			139,500	279,000	

(1) These columns set forth the target and maximum bonus amounts for each Named E
ended March 31, 2018 under the Fiscal 2018 Bonus Opportunity. There are no thre
individual officer established under the performance bonus plan. Target bonuses w
Named Executive Officer s base salary earned for the fiscal year ended March 31,
were set at 200% of target bonus. The dollar value of the actual bonus award earne
2018 for each Named Executive Officer is set forth in the Fiscal 2018 Summary Co
such, the amounts set forth in these columns do not represent either additional or ac
the Named Executive Officers for the year ended March 31, 2018. For a descriptio
Opportunity, see Compensation Discussion and Analysis Compensation Eleme
Opportunity above.

(2) The RSU awards were granted under the 2014 Equity Incentive Plan (2014 Plan
subject to the RSU awards vest with respect to 1/16th of the total number of shares
equal increments each quarter following the grant date, subject to the Named Exec

employment through each such vesting date. RSU awards are subject to potential v
under Potential Payments upon Termination or Change in Control below.

(3) The stock option awards were granted under the 2014 Plan. With respect to Mr. Ci
stock subject to the stock option vest and become exercisable with respect to 1/12th
subject to the option vesting in equal increments each month following the vesting
2019. With respect to the other Named Executive Officers, the shares of our comm
options vest and become exercisable with respect to 1/48th of the total number of sh
vesting in equal increments each month following the vesting commencement date
Named Executive Officer s continued employment through each such vesting date
subject to potential vesting acceleration as described under Potential Payments up
Control below.

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(4) Stock options were granted with an exercise price equal to 100% of the fair market
on the date of grant, which was $44.58 per share for the annual grants that were gra
based on the closing market price of our common stock on the grant date.

(5) The dollar amounts in this column represent the grant date fair value of each stock
applicable, granted to the Named Executive Officers in fiscal 2018. These amounts
accordance with ASC 718. The grant date fair value of each stock option is calculat
option-pricing model and excluding the effect of estimated forfeitures. Assumption
amounts are included in our Annual Report on Form 10-K for the indicated fiscal y
necessarily correspond to the actual value recognized or that may be recognized by

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table provides information with regard to each outstanding equity award
Officers at March 31, 2018.

Fiscal 2018 Outstanding Equity Awards at Fiscal Year End

		Option Awards			
Name	Vesting Commencement Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)(1) Unexercisable	Option Exercise Price ($)	Option Expiratio Date
Lewis Cirne	4/1/2014	560,083	154,917(3)	16.93	5/14/20
	4/1/2019		125,000(4)	44.58	5/14/20
Mark Sachleben	4/1/2012	250,000		3.19	6/5/20
	12/15/2014	57,281	13,219(5)	23.00	12/10/20
	5/15/2015	21,776	30,447(6)	30.71	5/14/20
	4/1/2016	10,231	11,121(7)	25.86	5/15/20
	4/1/2017	12,755	42,907(7)	44.58	5/14/20
	12/15/2014				
	5/15/2015				
	5/15/2016				
	5/15/2017				
James Gochee	5/1/2012	55,000		3.19	6/5/20
	12/15/2014	20,566	5,972(11)	23.00	12/10/20
	5/15/2015	9,230	12,906(6)	30.71	5/14/20
	8/15/2015	6,486	3,558(12)	34.39	8/16/20
	4/1/2016	8,184	8,898(7)	25.86	5/15/20
	4/1/2017	9,566	32,180(7)	44.58	5/14/20
	12/15/2014				
	5/15/2015				
	8/15/2015				
	5/15/2016				

	5/15/2017				
Robin Schulman	12/15/2014	1,837	(15)	23.00	12/10/20
	5/15/2015	369	(15)	30.71	5/14/20
	4/1/2017	870	(15)	44.58	5/14/20

(1) In addition to the specific vesting schedule for each stock option award, each unves
general terms of the 2014 Plan and 2008 Equity Incentive Plan (2008 Plan), as a

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including the potential for future vesting acceleration described below under the he
Termination or Change in Control.

(2) The market values of the RSU awards that have not vested are calculated by multip underlying the RSU awards shown in the table by $74.12, the closing price of our s March 29, 2018, the last trading day of fiscal 2018.

(3) The shares subject to the stock option vest over a five-year period, with 1/60th of th monthly anniversary of the vesting commencement date, subject to continued servi date.

(4) The shares subject to the option vest over a one-year period, with 1/12th of the shar anniversary of the vesting commencement date, subject to continued service with u

(5) The shares subject to the stock option vest over a four-year period, with 1/4th of the first four anniversaries of the vesting commencement date, subject to continued ser vesting date.

(6) The shares subject to the stock option vest over a four-year period, with 10% of the anniversary of the vesting commencement date, 15% vesting in monthly installmen vesting in monthly installments over the year thereafter, and 55% vesting in monthl year, subject to continued service with us through each vesting date.

(7) The shares subject to the stock option vest over a four-year period, with 1/48th of th monthly anniversary of the vesting commencement date, subject to continued servi date.

(8) The shares subject to the RSU award vest over a four-year period, with 1/4th of the first four anniversaries of the vesting commencement date], subject to continued se vesting date.

(9) The shares subject to the RSU award vest over a four-year period, with 10% of the anniversary of the vesting commencement date, 15% vesting in quarterly installme vesting in quarterly installments over the third year, and 55% vesting in quarterly in subject to continued service with us through each vesting date.

(10) The shares subject to the RSU award vest over a four-year period, with 1/16th of th following the vesting commencement date, subject to continued service with us thr

(11) The shares subject to the stock option vest over a four-year period, with 20% of the anniversary of the vesting commencement date, 25% vesting on the two-year anniv commencement date, 25% of the shares vesting on the three-year anniversary of the and 30% vesting on the four-year anniversary of the vesting commencement date, s us through each vesting date.

(12) The shares subject to the stock option vest over a four-year period, with 1/4th of the anniversary of the vesting commencement date and thereafter 1/48th of the shares v anniversary of the vesting commencement date, subject to continued service with u

(13) The shares subject to the RSU award vest over a four-year period, with 20% of the anniversary of the vesting commencement date, 25% vesting on the two-year anniv commencement date, 25% of the shares vesting on the three-year anniversary of the and 30% vesting on the four-year anniversary of the vesting commencement date, s us through each vesting date.

(14) The shares subject to the RSU award vest over a four-year period, with 1/4th of the anniversary of the vesting commencement date and thereafter 1/16th of the shares v continued service with us through each vesting date.

(15) Ms. Schulman s equity awards ceased vesting on March 16, 2018 upon the comple us. See Consulting Agreement with Ms. Schulman for more information.

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Option Exercises and Stock Vested

The following table provides information on RSU awards that vested and stock options the number of shares of our common stock acquired upon vesting or exercise and the va described below, for the Named Executive Officers during the fiscal year ended March

Fiscal 2018 Option Exercises and Stock Vested Table

	Option Awards		
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number o Acqu o Vestin**
Lewis Cirne			
Mark Sachleben			25,
James Gochee	63,876	2,516,461	15,
Robin Schulman	29,889	956,169	10,

(1) The value realized on exercise is based on the difference between the closing price stock on the date of exercise and the applicable exercise price of those options, and amounts received by the Named Executive Officers as a result of the option exercis

(2) The value realized on vesting is based on the number of shares underlying the RSU by the closing market price of the shares of our common stock on the vesting date.

Equity Compensation Arrangements

Since our initial public offering, we have granted stock options and RSU awards to our Executive Officers, under the 2014 Plan. Until our initial public offering, we granted sto our employees, including the Named Executive Officers, under the 2008 Plan. For more equity compensation program and decisions regarding the grants of equity awards in fis Executive Officers, see Compensation Discussion and Analysis Compensation Elem Compensation above. The following is a brief summary of the material terms of each

2008 Equity Incentive Plan

The Board adopted and our stockholders subsequently approved our 2008 Plan in Febru most recently amended by the Board and approved by our stockholders in November 20 the time the underwriting agreement for our initial public offering was executed and no our 2008 Plan after it terminated.

Equity Awards

Outstanding awards granted under the 2008 Plan remain subject to its terms and applica awards are exercised or otherwise terminate or are forfeited by their terms. Only stock o and RSU awards have been granted under our 2008 Plan.

Plan Administration

The Board has delegated its authority to administer the 2008 Plan to the Compensation C of the 2008 Plan, the Board or the Compensation Committee determined the recipients, d types of stock awards to be granted, and the terms and conditions of the stock awards tha Plan, including the period of their exercisability and vesting.

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Corporate Transactions*; *Change in Control

Our 2008 Plan provides that in the event of a corporate transaction, any surviving or acq
case, its parent company) may assume or continue any part or all of the stock awards ou
or may substitute similar stock awards; and any reacquisition or repurchase rights held b
successor (or the successor s parent company). In connection with a corporate transacti
stock awards not assumed in connection with a corporate transaction will not be accelera
exercised (if applicable) prior to the effective time of the corporate transaction, except th
repurchase rights held by us will not terminate and may continue to be exercised notwith
transaction. Notwithstanding the foregoing, in the event a stock award will terminate if n
effective time of a corporate transaction, the Board may provide, in its sole discretion, th
award may not exercise such stock award but will receive a payment, in such form as ma
equal in value to the excess, if any, of (A) the value of the property the holder of the stoc
upon the exercise of the stock award, over (B) any exercise price payable by such holder
exercise.

Under the 2008 Plan, a corporate transaction is generally the consummation of (1) a s
substantially all of our assets, (2) a sale or other disposition of at least 90% of our outsta
consolidation, or similar transaction following which we are not the surviving corporatio
consolidation, or similar transaction following which we are the surviving corporation b
stock outstanding immediately prior to such transaction are converted or exchanged into
transaction.

Our 2008 Plan provides that in the event of a change in control, stock awards may be su
of vesting and exercisability as may be provided in the stock award agreement covering
agreement with us, but in the absence of such provision, no such acceleration will occur

Under our 2008 Plan, a change in control is generally (1) the acquisition by a person
combined voting power other than by merger, consolidation, or similar transaction; (2) a
consolidation, or similar transaction immediately after which our stockholders cease to o
combined voting power of the surviving entity; (3) a complete dissolution or liquidation
liquidation into a parent corporation; (4) a consummated sale, lease, or exclusive license
substantially of our assets; or (5) when a majority of the Board becomes comprised of in
on the Board on the date of adoption of the 2008 Plan (the Incumbent Board), provid
appointment or election (or nomination for election) of any new Board member was app
majority vote of the members of the Incumbent Board then still in office, such new mem
member of the Incumbent Board.

2014 Equity Incentive Plan

The Board adopted, and our stockholders approved, our 2014 Plan, which became effect
agreement for our initial public offering was executed.

Stock Awards

Our 2014 Plan provides for the grant of incentive stock options, nonstatutory stock optio
restricted stock awards, RSU awards, other stock awards, and performance awards that m
other property, which may be granted to employees, including our Named Executive Of

RSU awards have been granted under our 2014 Plan.

Plan Administration

The Board has delegated its authority to administer the 2014 Plan to the Compensation C
of our 2014 Plan, the Compensation Committee has the authority to determine the terms

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including recipients, the exercise, purchase, or strike price of stock awards, if any, the nu
stock award, the fair market value of a share of our common stock, the vesting schedule
together with any vesting acceleration, and the form of consideration, if any, payable up
award, and the terms of the award agreements.

Corporate Transactions; Change in Control

Our 2014 Plan provides that in the event of certain corporate transactions, the following
outstanding stock awards, unless otherwise provided in a stock award agreement or any
between us and a participant, or unless otherwise expressly provided by the Board at the

the surviving or acquiring corporation (or its parent) may assume, continue, or
for outstanding stock awards under the 2014 Plan and any reacquisition or repu
assigned to the surviving or acquiring corporation (or its parent);

to the extent that outstanding stock awards are not so assumed, continued, or s
applicable, exercisability of any such stock awards will not be accelerated and
terminate if not exercised (if applicable) at or prior to the effective time of suc
that any reacquisition or repurchase rights held by us will not terminate and ma
notwithstanding the corporate transaction; or

to the extent a stock award will terminate if not exercised prior to the effective
the Board may provide that the holder of the stock award may not exercise the
receive a payment, in such form as may be determined by the Board, equal in v
value of the property the participant would have received upon exercise of the
price payable by such holder in connection with such exercise.

Under our 2014 Plan, a corporate transaction is generally the consummation of (1) a s
substantially all of our assets, (2) a sale or other disposition of at least 90% of our outsta
consolidation, or similar transaction following which we are not the surviving corporatio
consolidation, or similar transaction following which we are the surviving corporation b
stock outstanding immediately prior to such transaction are converted or exchanged into
transaction.

A stock award may be subject to additional acceleration of vesting and exercisability up
as may be provided in the stock award agreement for such stock award or in any other w
and a participant, but in the absence of such a provision, no such acceleration will occur

Under our 2014 Plan, a change in control is generally (1) the acquisition by a person
combined voting power other than by merger, consolidation, or similar transaction; (2) a
consolidation, or similar transaction immediately after which our stockholders cease to o
combined voting power of the surviving entity; (3) a consummated sale, lease, or exclus
of all or substantially of our assets; (4) a complete dissolution or liquidation of the Comp
into a parent corporation; or (5) when a majority of the Board becomes comprised of inc
of the Incumbent Board, provided, however, that if the appointment or election (or nomi

Board member was approved or recommended by a majority vote of the members of the
office, such new member will be considered as a member of the Incumbent Board.

2014 Employee Stock Purchase Plan

Additional long-term equity incentives are provided through our ESPP, which became e
underwriting agreement for our initial public offering was executed. Our ESPP is intend

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employee stock purchase plan within the meaning of section 423 of the Code. Our en
Executive Officers, may have to satisfy one or more of the following service requiremen
ESPP, as determined by the administrator: (i) customary employment for more than 20 h
five months per fiscal year, or (ii) continuous employment for a minimum period of tim
employee may not be granted rights to purchase stock under our ESPP if such employee
would own stock possessing 5% or more of the total combined voting power or value of
rights to purchase stock under our ESPP that would accrue at a rate that exceeds $25,00
shares for each fiscal year that the rights remain outstanding.

The ESPP is implemented through a series of offerings of purchase rights to eligible em
may specify offerings with a duration of not more than 27 months, and may specify sho
each offering. Each offering will have one or more purchase dates on which our shares o
purchased for employees participating in the offering. Unless otherwise determined by t
stock are purchased for accounts of employees participating in our ESPP at a price per s
(a) 85% of the fair market value of a share of common stock on the first date of an offer
value of a share of our common stock on the date of purchase.

In the event of a corporate transaction, a successor corporation may assume, continue, o
purchase right. If the successor corporation does not assume, continue, or substitute for
the offering in progress will be shortened and the participants accumulated contributio
within 10 business days prior to the effective date of the corporate transaction.

Under our ESPP, a corporate transaction is generally the consummation of (1) a sale
substantially all of our assets, (2) a sale or other disposition of at least 90% of our outsta
consolidation, or similar transaction following which we are not the surviving corporatio
consolidation, or similar transaction following which we are the surviving corporation b
stock outstanding immediately prior to such transaction are converted or exchanged into
transaction.

Employment Arrangements

We have entered into written employment offer letters with certain of our executive offi
Named Executive Officers other than our CEO.

In filling our executive positions, our Board or the Compensation Committee, as applica
need to develop competitive compensation packages to attract qualified candidates in a
same time, our Board or the Compensation Committee, as applicable, was sensitive to th
executive officers into the executive compensation structure that we were seeking to dev
competitive and internal equity considerations.

Each of these employment offer letters provides for at will employment and sets fort
arrangements for the executive officer, including an initial base salary, an annual cash b
case of Mr. Sachleben s offer letter, though he is eligible to, and does, participate in ou
and an equity award recommendation. In addition, each of these employment offer lette
related to vacation and participation in our employee benefit plans.

These letters also set forth the rights and responsibilities of each party in the event of a t
including following a change in control of the Company. For each of the Named Execut

post-employment compensation terms have been superseded by the change-in-control ar

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severance agreements described in more detail in Severance and Change-in-Control Be
upon Termination or Change in Control below.

Mr. Cirne. As a founder, Mr. Cirne did not join us pursuant to an offer letter or any othe
understanding regarding his employment. We currently have no employment agreement
currently do not anticipate entering into one in the future. Mr. Cirne is an at-will emp

Mr. Sachleben. Mr. Sachleben is a party to an employment offer letter with us dated Feb
he agreed to serve as our Chief Financial Officer. This employment offer letter provided
$160,000, which has been subsequently increased. Under his employment offer letter, M
option to purchase 1,225,000 shares of our common stock at an exercise price of $0.06 p
over a four-year period.

Mr. Gochee. Mr. Gochee is a party to an employment offer letter with us dated April 16
agreed to serve as our Vice President of Engineering. This employment offer letter prov
$140,000 and a target annual bonus opportunity of $30,000, which, in each case, has bee
Under his employment offer letter, Mr. Gochee was granted an option to purchase 360,0
at an exercise price of $0.06 per share, with vesting to occur over a four-year period.

Ms. Schulman. Ms. Schulman was a party to an employment offer letter with us dated N
which she agreed to serve as our Vice President and General Counsel. This employment
initial base salary of $250,000 and a target annual bonus opportunity of $50,000, which,
subsequently increased. Effective February 16, 2018, Ms. Schulman resigned as our Vic
and Corporate Secretary.

Potential Payments Upon Termination or Change in Control

Change-in-Control and Severance Agreements

In December 2014, we entered into change-in-control and severance agreements (the P
with Messrs. Cirne, Sachleben, and Gochee. In June 2016, Ms. Schulman also entered in
Agreement. Because Ms. Schulman resigned as our Vice President, General Counsel and
February 16, 2018, she was not entitled to compensation pursuant to her Post-Employme
included in the discussion below.

The Post-Employment Agreements provide for payments and benefits upon certain term
including a termination of employment in connection with or following a change in cont
Post-Employment Agreement was originally in effect for three years from the date such
after which each agreement may be renewed by the mutual agreement of the parties ther
Agreements were amended in December 2017 to extend the term of such agreements to

Under the Post-Employment Agreements, the Named Executive Officers may receive pa
connection with or within 12 months following a change in control of the Company upo
termination of employment by us without cause (other than as a result of death or disabi
employment for good reason, and for terminations of employment not in connection wit
Company upon his or her involuntary termination of employment by us without cause (o
disability). Under the Post-Employment Agreements, payment and benefit levels are bas
officers in higher positions generally receiving greater payments and benefits. In all case

benefits is subject to the executive officer executing a release and waiver of claims in fa

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For a qualifying termination of employment not in connection with a change in control o
and benefits consist of:

a salary continuation payment determined as a specified number of months of base

continuation (or reimbursement) of health benefit premiums for that same period.

For our CEO who is in Tier 1, the salary and benefit continuation period is 12 months, a
Mr. Gochee, who are in Tier 2, the salary and benefit continuation period is six months.

For a qualifying termination of employment in connection with or within 12 months afte
Company, the payments and benefits consist of:

a lump-sum cash payment determined as a specified number of months of base sala

continuation (or reimbursement) of health benefit premiums for the number of mon
lump-sum cash payment; and

accelerated vesting of all outstanding equity awards then held by the executive offi

For our CEO who is in Tier 1, the cash lump-sum payment is equal to 18 months of base
benefit continuation, and for Mr. Sachleben and Mr. Gochee, who are in Tier 2, the cash
12 months of base salary, with 12 months of benefit continuation.

Under the Post-Employment Agreements, the term change in control has the same me
term cause means the executive officer s (i) willful failure substantially to perform h
to us or deliberate violation of our policies; (ii) commission of any act of fraud, embezzl
willful misconduct that has caused or is reasonably expected to result in material injury
disclosure by the executive officer of any proprietary information or trade secrets of our
executive officer owes an obligation of nondisclosure as a result of his relationship with
of his obligations under any written agreement or covenant with us.

Under the Post-Employment Agreements, the term good reason means the executive
employment following the occurrence of any of the following without the executive offi
material reduction in job duties, responsibilities, or authority inconsistent with the execu
provided, however, that any such reduction or change after a change in control will not c
executive officer retains reasonably comparable duties, position, and responsibilities wit
the successor entity following a change in control; (ii) a material reduction of the execut
salary, representing a reduction of more than 10% of the executive officer s then-curren
across-the-board reduction in the salary level of all of our executive officers by the same
general salary level reduction will not constitute such a material salary reduction; (iii) th
officer s principal place of employment to a place that increases the executive officer s
50 miles as compared to the executive officer s then-current principal place of employm

relocation; (iv) any material breach by us of the Post-Employment Agreement or any otl
us and the executive officer; or (v) the failure by any successor to our company to assun
Post-Employment Agreement; provided, that (a) the executive officer gives written notic
basis of the resignation for good reason within 30 days after the date on which we give v
officer of our affirmative decision to take an action set forth in clause (i), (ii), (iii), (iv) c
such basis for the good reason resignation within 30 days after receipt of the executive c
(c) the executive officer terminates his employment within 30 days following the expira

If the total value of the payments and benefits payable to an executive officer in the ever
employment in connection with a change in control of the Company would exceed the d

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Section 280G of the Code with respect to excess parachute payments, we will pay eit
or a reduced amount, whichever results in the greater after-tax benefit to the executive o

Consulting Agreement with Ms. Schulman

Simultaneously with her resignation on February 16, 2018, we entered into a consulting
pursuant to which she served in an advisory capacity regarding transition matters until M
was paid on an hourly basis for the hours actually worked at a rate equivalent to her pric
the date of her final date of employment with us. Ms. Schulman also continued vesting i
through March 16, 2018.

Potential Payments Upon Termination or Change in Control as of March 31, 2018

The table below sets forth the amount of compensation payable to each Named Executiv
Executive Officer s termination of employment without cause or resignation for good re
Officer s termination of employment without cause or good reason in connection with c
of the Company, or (iii) a change in control without any accompanying termination of e
in the table below assume that such termination of employment and/or change in control
2018, and thus are estimates of the amounts that would be paid out to the Named Execut
circumstances. Because Ms. Schulman resigned as our Vice President, General Counsel
February 16, 2018, she was not entitled to payments or benefits in connection with her te
in the table below. See Consulting Agreement with Ms. Schulman for more informati

Potential Payments Upon Termination or Change in Control as of M

Executive benefits and payments upon termination:	Involuntary termination not for cause or resignation for good reason not in connection with a change in control ($)	Involuntary termination not for cause or resignation for good reason in connection with or following a change in control ($)	con te emp
Lewis Cirne			
Cash Severance	315,000	472,500	
Medical continuation	21,759	32,639	
Value of acceleration of equity awards(2)		12,552,203	
Mark Sachleben			
Cash Severance	170,000	340,000	
Medical continuation	10,880	21,759	
Value of acceleration of equity awards(2)		8,109,338	

James Gochee		
Cash Severance	167,500	335,000
Medical continuation	10,880	21,759
Value of acceleration of equity awards(2)		5,297,975

(1) These benefits would be payable under the 2014 Plan and the 2008 Plan if, upon a c Board exercised its discretion to accelerate the vesting and exercisability of outstan awards, assuming the vesting acceleration took place on March 31, 2018. For a des

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of the potential vesting acceleration provisions in the 2014 Plan and the 2008 Plan,
Arrangements above.

(2) The value of stock option and RSU award vesting acceleration is based on the closi
share of our common stock on March 29, 2018, the last trading day of fiscal 2018, l
the exercise price of the unvested stock option shares subject to acceleration, and th
option award that has an exercise price that exceeded the closing price of our comm

In addition to the benefits described and quantified above, the 2014 Plan provides for an which an optionholder may exercise options following the optionholder s termination o exercise period). Generally, under the 2014 Plan, if an optionholder s service relations may exercise any vested options for up to three months after the date that the service rel optionholder s service relationship with us ceases due to disability or death, the optionh may exercise any vested options for up to 12 months in the event of disability or 18 mor the date the service relationship ends. Accordingly, each of our Named Executive Office extended post-termination exercise period in the event of a termination due to death or d

Pay Ratio Disclosure

Under SEC rules, we are required to calculate and disclose the annual total compensatio well as the ratio of the annual total compensation of our median employee as compared of our CEO (CEO Pay Ratio). To identify our median employee, we used the followi

To determine our total population of employees, we included all full-time, part employees, including employees of consolidated subsidiaries as of March 31, 2

To identify our median employee from our employee population, we calculate employee s fiscal 2018 base pay (using hours actually worked and overtime a hourly employees and actual salary paid for our salaried employees), bonuses a fiscal 2018 performance, and the target value of each fiscal 2018 equity award Directors (which differs from the grant date fair value of the equity awards tha with FASB Accounting Standards Codification Topic 718, *Compensation St* methodology used to calculate the number shares to be delivered).

In making this determination, we annualized the compensation of employees w less than the entire fiscal year by including each individual s target (instead of commissions, as applicable.

Compensation paid in foreign currencies was converted to U.S. dollars based o March 31, 2018.

Using this approach, we determined our median employee and then calculated the annua employee for fiscal 2018 in accordance with the requirements of the Summary Compens

For fiscal 2018, the median of the annual total compensation of our employees (other tha the annual total compensation of our CEO, as reported in the Summary Compensation T

Statement, was $3,163,466. Based on this information, the ratio of the annual total comp
median of the annual total compensation of all employees was 17 to 1.

The CEO Pay Ratio above represents our reasonable estimate calculated in a manner co
applicable guidance. SEC rules and guidance provide significant flexibility in how comp

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median employee, and each company may use a different methodology and make differe that company. As a result, and as explained by the SEC when it adopted these rules, in c disclosure, stockholders should keep in mind that the rule was not designed to facilitate among different companies, even companies within the same industry, but rather to allo understand and assess each particular company s compensation practices and pay ratio

Neither the Compensation Committee nor our management used our CEO Pay Ratio me decisions.

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Director Compensation

The following table sets forth information regarding compensation earned by or paid to
during the fiscal year ended March 31, 2018:

Fiscal 2018 Director Compensation Table

Name(1)	Fees earned or paid in cash ($)	Stock Awards ($)(2)	Option A
Sohaib Abbasi	34,819	80,016	
Peter Fenton	27,339		
Sarah Friar	39,642	80,016	
Adam Messinger	33,000	80,016	
Dan Scholnick	27,946		
James Tolonen	57,321	80,016	

(1) The aggregate number of shares of our common stock subject to outstanding stock
awards held by each non-employee director listed in the table above as of March 31
11,438 shares subject to options to purchase our common stock held by Mr. Abbasi
and exercisable by Mr. Abbasi as of March 31, 2018; (ii) 1,667 shares subject to a
as of March 31, 2018; (iii) 119,015 shares subject to options to purchase our comm
which 115,000 were vested and exercisable by Ms. Friar as of March 31, 2018; (iv)
award held by Ms. Friar as of March 31, 2018; (v) 4,015 shares subject to an option
held by Mr. Messinger, of which none were vested and exercisable by Mr. Messing
40,000 shares subject to a restricted stock award held by Mr. Messinger, 834 of wh
repurchase as of March 31, 2018; (vii) 1,667 shares subject to a RSU award held by
2018; (viii) 11,438 shares subject to options to purchase our common stock held by
were vested and exercisable by Mr. Tolonen as of March 31, 2018; and (ix) 1,667 s
held by Mr. Tolonen as of March 31, 2018.

(2) The dollar amounts in this column reflect the aggregate grant date fair value of all
fiscal 2018 computed in accordance with ASC 718 and excluding the effect of esti
fair value of each RSU award is measured based on the closing price of our shares
of grant. These amounts do not necessarily correspond to the actual value recognize
each non-employee director.

(3) The dollar amounts in this column reflect the aggregate grant date fair value of all s
granted during fiscal 2018 computed in accordance with ASC 718 using the Black-
model and excluding the effect of estimated forfeitures. Assumptions used in the ca
amounts are included in our Annual Report on Form 10-K for the fiscal year ending
amounts do not necessarily correspond to the actual value recognized or that may b
non-employee director.

Our CEO does not receive additional compensation for his service on our Board. In addi
the first quarter of fiscal 2018, we did not provide certain non-employee directors who a
or venture investor of our Company with compensation for their service on our Board. I
amended our non-employee director compensation policy to remove this limitation. Thu
quarter of fiscal 2018, Messrs. Fenton and Scholnick became entitled to receive compen

directors.

The Compensation Committee reviews and assesses non-employee director pay levels e
its compensation consultant, Compensia. This process involves a review of competitive
assessment of our director compensation policy against the director compensation progr

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companies in our executive compensation peer group, an update on recent trends in dire
of best practices relating to the governance surrounding director compensation programs
assessment process in August 2017, the Compensation Committee determined to amend
below.

Annual Cash Compensation

Pursuant to our non-employee director compensation policy, which was amended effect
non-employee directors receive the following cash compensation for Board and Board c
applicable, paid on a quarterly basis in arrears, pro-rated for any partial months of servic

- $30,000 per year for service as a Board member;
- $20,000 per year for service as the chair of the Audit Committee and $10,000 per y (other than as chair) of the Audit Committee;
- $15,000 per year for service as the chair of the Compensation Committee and $7,5(member (other than as chair) of the Compensation Committee; and
- $6,000 per year for service as the chair of the Nominating and Corporate Governan year for service as a member (other than as chair) of the Nominating and Corporate

For the first quarter of fiscal 2018 (prior to the amendment of our non-employee directo
paid to our non-employee directors were calculated pursuant to our non-employee direct
in effect, which provided for the following:

- $30,000 per year for service as a Board member;
- $18,000 per year for service as the chair of the Audit Committee and $9,000 per ye (other than as chair) of the Audit Committee;
- $18,000 per year for service as the chair of the Compensation Committee and $9,0(member (other than as chair) of the Compensation Committee; and
- $6,000 per year for service as the chair of the Nominating and Corporate Governan year for service as a member (other than as chair) of the Nominating and Corporate

Equity Compensation

Pursuant to our non-employee director compensation policy, each person who is elected
to be a non-employee director will automatically upon the date of his or her initial electi
(i) an option to purchase a number of shares of our common stock having an initial valu
award with an initial value of $80,000, multiplied by a fraction, the numerator of which
elapse between the non-employee director s date of initial appointment or election and
grant of the Company s most recent annual grants (as discussed below) and the denomi
option grant and initial RSU award will vest on August 15th following the first annivers
Company s most recent annual grants, subject to the non-employee director s continue

In addition, each non-employee director will automatically, on the date of each Annual
granted (i) an option to purchase a number of shares of our common stock having an ini
RSU award with an initial value of $80,000. Each annual grant will vest on August 15th
the year in which such annual grant is made, subject to the non-employee director s co
Because our non-employee director compensation policy was amended to

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remove the limitation on compensation to non-employee directors who may be affiliated investor of our Company only after our 2017 Annual Meeting of Stockholders, Messrs. receive equity compensation during fiscal 2018.

Additionally, notwithstanding the foregoing vesting schedules, for each non-employee d service to the Company until immediately prior to the closing of a change in control shares of our common stock subject to his or her then-outstanding equity awards that we policy will become fully vested immediately prior to the closing of such change in contr

Further, pursuant to our non-employee director compensation policy, in lieu of cash, and year, a non-employee director may elect to receive 100% of the annual cash compensati pursuant to the policy in the form of an RSU award under the 2014 Plan with a value eq compensation for such non-employee director for the fiscal year based on Board and co day of such fiscal year (the Optional RSU Grant). The grant date for any Optional RS occurring after the start of a fiscal year, unless such day is not a trading day on the NYS shall be the next trading date. The vesting commencement date for any Optional RSU G occurring after the start of a fiscal year. Each Optional RSU Grant will vest with respect units on each quarterly anniversary of the vesting commencement date for such Optiona non-employee director s continued service through each applicable vesting date. Optio subject to accelerated vesting in connection with a change in control.

In the event a non-employee director were to become entitled to a greater annual cash co result of an increase in the cash compensation amounts approved by the Board or a new such non-employee director will be entitled to receive the difference paid in cash. There Optional RSU Grant in the event a non-employee maintains continuous service but wou to a lesser amount of cash compensation than that which was used to calculate the Optio result of a decrease in the cash compensation amounts approved by the Board or a decre role).

Expense Reimbursement

We also reimburse certain non-employee directors for ordinary, necessary, and reasonab to cover in-person attendance at and participation in Board and Board committee meetin

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information with respect to all of the Company s e
effect as of March 31, 2018.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(1) (a)		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(2) (b)
Equity Compensation Plans Approved By Security Holders	5,294,036(3)	$	22.79(4)
Equity Compensation Plans not Approved by Security Holders			
Total	5,294,036	$	22.79

(1) Excludes purchase rights currently outstanding under the ESPP.

(2) Excludes RSU awards because they have no exercise price.

(3) The number in this column consists of: (i) 2,111,083 shares to be issued upon the e
and 85,043 shares to be issued pursuant to the vesting of outstanding RSU awards t
under the 2008 Plan and (ii) 1,104,281 shares to be issued upon the exercise of outs
shares to be issued pursuant to the vesting of outstanding RSU awards that were in
2014 Plan.

(4) The weighted average exercise price of outstanding options granted under the 2008
weighted average exercise price of outstanding options granted under the 2014 Plan

(5) No shares remain available for future issuance under the 2008 Plan. We ceased gra
Plan when our 2014 Plan became effective on December 11, 2014. However, any o
awards granted under the 2008 Plan remain outstanding, subject to the terms of the
agreements, until such outstanding awards are exercised or vest, or until they termi

(6) As of March 31, 2018, 9,575,959 shares were available for future issuance under th
aggregate number of shares of our common stock that may be issued under the 201
Pursuant to the terms of the 2014 Plan, on April 1 of each year, commencing on Ap
April 1, 2024, the number of shares authorized for issuance under the 2014 Plan is
number equal to: (i) 5% of the total number of shares of capital stock outstanding o
calendar year; or (ii) such lesser number of shares of common stock as is determine
Compensation Committee for the applicable year. Pursuant to the previously descri
number of shares available under the 2014 Plan was increased by 2,355,847 shares,
shares available under the 2014 Plan was increased by 2,499,059 shares, on April 1

available under the 2014 Plan was increased by 2,663,972 shares, and on April 1, 2
available under the 2014 Plan was increased by 2,797,664 shares.

(7) As of March 31, 2018, 1,929,237 shares were available for future issuance under th
effective on December 11, 2014. Initially, the ESPP authorized the issuance of 1,00
stock pursuant to purchase rights granted to our employees or to employees of any
Pursuant to the terms of the ESPP, on April 1 of each year, commencing on April 1
2024, the number of shares authorized for issuance under the ESPP is automatically
the lesser of: (i) 500,000 shares of our common stock; (ii) 1% of the total number o
outstanding on March 31 of the preceding calendar year; or (iii) such lesser number
is determined by the Board or the Compensation Committee for the applicable year
described terms, on April 1, 2015, the number

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of shares available under the ESPP was increased by 471,169 shares, on April 1, 20
available under the ESPP was increased by 499,811 shares, on April 1, 2017, the nu
the ESPP was increased by 500,000 shares, and on April 1, 2018, the number of sha
was increased by 500,000 shares. The maximum aggregate number of shares of our
purchased by all participants in the ESPP during any current purchase period is 500
number of shares as are available for issuance under the ESPP.

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TRANSACTIONS WITH RELATED PERSONS

Since April 1, 2017, there has not been nor is there currently proposed any transaction o which we were or are to be a party in which the amount involved exceeds $120,000 and officer, holder of more than 5% of our common stock, or any member of the immediate persons, had or will have a direct or indirect material interest, other than compensation a arrangements described elsewhere in this Proxy Statement.

INVESTOR RIGHTS AGREEMENT

In April 2014, we entered into an Amended and Restated Investor Rights Agreement, w rights agreement, with certain holders of our then-outstanding convertible preferred stoc with each of Benchmark and Trinity Ventures, which our directors Peter Fenton and Da affiliated. Such holders party to our investor rights agreement, as well as certain affiliate have rights, subject to certain conditions, to require us to file registration statements cov in registration statements that we may file for ourselves or our stockholders.

INDEMNIFICATION AGREEMENTS

Our amended and restated certificate of incorporation and amended and restated bylaws our directors and officers, and may indemnify our employees and other agents, to the fu Delaware General Corporation Law. In addition, we have entered into indemnification a current directors, executive officers, and some of our employees. These agreements prov such persons for all reasonable expenses and liabilities incurred in connection with any a against them by reason of the fact that they are or were serving in such capacity. We hav liability insurance to cover liabilities our directors and officers may incur in connection

POLICIES AND PROCEDURES FOR TRANSACTIONS WITH RELATED PERSONS

We have adopted a policy that our executive officers, directors, nominees for election as more than 5% of any class of our common stock, and any members of the immediate fa persons are not permitted to enter into a related person transaction with us without the p Committee. Any request for us to enter into a transaction with an executive officer, dire director, beneficial owner of more than 5% of any class of our common stock, or any me of any of the foregoing persons, in which the amount involved exceeds $100,000 and su indirect interest, must be presented to our Audit Committee for review, consideration, a approving or rejecting any such proposal, our Audit Committee is to consider the materi including, but not limited to, whether the transaction is on terms no less favorable than t unaffiliated third party under the same or similar circumstances and the extent of the rel transaction. All of the transactions described above were presented, considered, and app or the Audit Committee.

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Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to s
for Notices of Internet Availability of Proxy Materials or other Annual Meeting materia
stockholders sharing the same address by delivering a single Notice of Internet Availabi
Annual Meeting materials addressed to those stockholders. This process, which is comm
householding, potentially means extra convenience for stockholders and cost savings

This year, a number of brokers with account holders who are New Relic stockholders w
Company s proxy materials. A single Notice of Internet Availability of Proxy Materials
stockholders sharing an address unless contrary instructions have been received from th
you have received notice from us (if you are a stockholder of record) or from your broke
that we or they will be householding communications to your address, householding
otherwise or until you revoke your consent. If, at any time, you no longer wish to partici
prefer to receive a separate Notice of Internet Availability of Proxy Materials, or if you
and would like to request householding of your communications, please notify your b
written request to the Company to our Corporate Secretary at New Relic, Inc., 188 Spea
Francisco, California 94105, or contact our Corporate Secretary at (650) 777-7600. In a
deliver, upon written or oral request to the address or telephone number above, a separa
Availability of Proxy Materials or other Annual Meeting materials, as applicable, to a st
which a single copy of the documents was delivered.

Other Matters

The Board knows of no other matters that will be presented for consideration at the Ann
matters are properly brought before the meeting, it is the intention of the persons named
vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ Mark Sachleben

Mark Sachleben

Chief Financial Officer and Corporate Secretary

July 11, 2018

**A copy of the Company s Annual Report on Form 10-K for the fiscal year ended M
without charge upon written request to: Corporate Secretary, New Relic, Inc., 188
Francisco, California 94105.**

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NEW RELIC, INC.

188 SPEAR STREET, SUITE 1200

SAN FRANCISCO, CA 94105

VOTE BY INTERNET -

Use the Internet to transmi
for electronic delivery of i
Eastern Time the day befo
date. Have your proxy car
web site and follow the ins
and to create an electronic

**ELECTRONIC DELIVE
MATERIALS**

If you would like to reduc
company in mailing proxy
receiving all future proxy
annual reports electronical
sign up for electronic deliv
instructions above to vote
prompted, indicate that yo
proxy materials electronic

VOTE BY PHONE - 1-8

Use any touch-tone teleph
instructions up until 11:59
before the cut-off date or m
card in hand when you cal
instructions.

VOTE BY MAIL

Mark, sign and date your p
postage-paid envelope we
Vote Processing, c/o Broa
Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E49225-P11500 KEEP THIS PO

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RE

NEW RELIC, INC.

The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees:

01) Sohaib Abbasi
02) Hope Cochran
03) Adam Messinger

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

The Board of Directors recommends you vote FOR the following proposal:

2. To approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed in the Proxy Statement.

The Board of Directors recommends you vote FOR the following proposal:

3. To ratify the selection by the Audit Committee of the Board of Directors of Delo Touche LLP as the independent registered public accounting firm of the Compa its fiscal year ending March 31, 2019.

NOTE: In their discretion, the proxyholders are authorized to vote upon such other business as may properly come before the meeting and any adjournment or postpon thereof.

In the event of a change of address, please check this box and write the new addres the back where indicated.

Please indicate if you plan to attend this meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, exec administrator, or other fiduciary, please give full title as such. Joint owners should eac

personally. All holders must sign. If a corporation or partnership, please sign in full co
partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date
Signature (Joint Owners)	Date

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Important Notice Regarding the Availability of Proxy Materials for th

The Annual Report on Form 10-K and the Notice and Proxy Statement for the 2

available at www.proxyvote.com.

NEW RELIC, INC.

Annual Meeting of Stockholders

August 21, 2018 9:00 AM Local Time

This Proxy is solicited on behalf of the Board of Direct

The undersigned stockholder of New Relic, Inc. hereby acknowledges receipt of the An the Notice and Proxy Statement for the 2018 Annual Meeting and hereby appoints Lewi either of them, as proxies and attorneys-in-fact, each with full power of substitution, on undersigned, to represent the undersigned at the 2018 Annual Meeting of Stockholders o Tuesday, August 21, 2018 at 9:00 a.m. local time at the offices of Cooley LLP, 101 Cali Francisco, California 94111, and at any adjournments thereof, and to vote all shares of c undersigned would be entitled to vote if then and there personally present, on the matter

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRE WILL BE VOTED IN ACCORDANCE WITH THE BOARD OF DIRECTORS' R WITH RESPECT TO SUCH OTHER BUSINESS AS MAY PROPERLY COME B ANY ADJOURNMENT THEREOF, AS SAID PROXIES DEEM ADVISABLE.

Address Change:

(If you noted an address change above, please mark corresponding box or

Continued and to be signed on reverse side