# 8X8 INC /DE/

## FORM 10-Q
(Quarterly Report)

Filed 11/02/16 for the Period Ending 09/30/16

| | |
|---|---|
| Address | 2125 O'NEL DRIVE |
| | SAN JOSE, CA 95131 |
| Telephone | 4087271885 |
| CIK | 0001023731 |
| Symbol | EGHT |
| SIC Code | 4813 - Telephone Communications, Except Radiotelephone |
| Industry | Integrated Telecommunications Services |
| Sector | Telecommunication Services |
| Fiscal Year | 03/31 |

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

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# FORM 10-Q

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**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2016**

**OR**

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

**For the transition period from ________to _________**

**Commission file number 000-21783**

## 8X8, INC.

(Exact name of Registrant as Specified in its Charter)

| **Delaware** | **77-0142404** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |

**2125 O'Nel Drive**
**San Jose, CA 95131**
(Address of Principal Executive Offices)

**(408) 727-1885**
(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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ | Non-accelerated filer ☐<br>(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 ☒

The number of shares of the Registrant's Common Stock outstanding as of October 26, 2016 was 90,551,664.

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**Part I -- FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**8X8, Inc.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, unaudited)**

| | September 30, 2016 | March 31, 2016 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 32,094 | $ 33,576 |
| Short-term investments | 137,650 | 129,274 |
| Accounts receivable, net | 11,661 | 11,070 |
| Inventory | 464 | 520 |
| Deferred cost of goods sold | 699 | 634 |
| Deferred tax asset | - | 5,382 |
| Other current assets | 6,667 | 5,444 |
| Total current assets | 189,235 | 185,900 |
| Property and equipment, net | 15,315 | 12,375 |
| Intangible assets, net | 18,212 | 21,464 |
| Goodwill | 45,290 | 47,420 |
| Non-current deferred tax asset | 48,565 | 43,189 |
| Other assets | 5,415 | 3,104 |
| Total assets | $ 322,032 | $ 313,452 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 14,026 | $ 10,954 |
| Accrued compensation | 9,995 | 10,063 |
| Accrued warranty | 333 | 326 |
| Accrued taxes | 5,424 | 5,200 |
| Accrued outside commissions | 2,183 | 2,186 |
| Deferred revenue | 2,281 | 1,925 |
| Other accrued liabilities | 3,033 | 4,080 |
| Total current liabilities | 37,275 | 34,734 |
| Non-current liabilities | 3,321 | 3,258 |
| Non-current deferred revenue | 112 | 154 |
| Total liabilities | 40,708 | 38,146 |
| Commitments and contingencies (Note 6) | | |
| Stockholders' equity: | | |
| Common stock | 90 | 89 |
| Additional paid-in capital | 399,955 | 389,260 |
| Accumulated other comprehensive loss | (8,361) | (4,184) |
| Accumulated deficit | (110,360) | (109,859) |
| Total stockholders' equity | 281,324 | 275,306 |
| Total liabilities and stockholders' equity | $ 322,032 | $ 313,452 |

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

**8X8, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share amounts; unaudited)**

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Service revenue | $ 57,717 | $ 46,951 | $ 113,013 | $ 91,119 |
| Product revenue | 5,466 | 3,991 | 10,211 | 7,715 |
| Total revenue | 63,183 | 50,942 | 123,224 | 98,834 |
| Operating expenses: | | | | |
| Cost of service revenue | 10,837 | 9,186 | 21,072 | 17,645 |
| Cost of product revenue | 5,782 | 4,596 | 11,287 | 8,978 |
| Research and development | 6,505 | 6,446 | 13,215 | 11,526 |
| Sales and marketing | 33,691 | 26,730 | 65,382 | 50,554 |
| General and administrative | 6,747 | 5,657 | 13,548 | 11,725 |
| Total operating expenses | 63,562 | 52,615 | 124,504 | 100,428 |
| Loss from operations | (379) | (1,673) | (1,280) | (1,594) |
| Other income, net | 391 | 204 | 801 | 438 |
| Income (loss) before provision (benefit) for income taxes | 12 | (1,469) | (479) | (1,156) |
| Provision (benefit) for income taxes | (15) | 423 | 22 | 1,208 |
| Net income (loss) | $ 27 | $ (1,892) | $ (501) | $ (2,364) |
| Net income (loss) per share: | | | | |
| Basic | $ 0.00 | $ (0.02) | $ (0.01) | $ (0.03) |
| Diluted | $ 0.00 | $ (0.02) | $ (0.01) | $ (0.03) |
| Weighted average number of shares: | | | | |
| Basic | 89,987 | 88,557 | 89,171 | 88,397 |
| Diluted | 93,447 | 88,557 | 89,171 | 88,397 |

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

**8X8, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(In thousands, unaudited)**

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net income (loss) | $ 27 | $ (1,892) | $ (501) | $ (2,364) |
| Other comprehensive income (loss), net of tax | | | | |
| Unrealized gain (loss) on investments in securities | (39) | (29) | 107 | (76) |
| Foreign currency translation adjustment | (1,500) | (1,409) | (4,284) | 68 |
| Comprehensive loss | $ (1,512) | $ (3,330) | $ (4,678) | $ (2,372) |

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

**8X8, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands, unaudited)**

| | Six Months Ended September 30, 2016 | Six Months Ended September 30, 2015 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (501) | $ (2,364) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation | 2,979 | 2,275 |
| Amortization of intangible assets | 1,868 | 1,563 |
| Amortization of capitalized software | 296 | 456 |
| Net accretion of discount and amortization of premium on marketable securities | 171 | 435 |
| Stock-based compensation expense | 9,559 | 6,539 |
| Deferred income tax (benefit) provision | (153) | 687 |
| Other | 328 | 248 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (1,859) | (2,976) |
| Inventory | 38 | (200) |
| Other current and noncurrent assets | (2,216) | (794) |
| Deferred cost of goods sold | (119) | (77) |
| Accounts payable | 3,133 | 132 |
| Accrued compensation | 46 | 1,234 |
| Accrued warranty | 7 | (14) |
| Accrued taxes | 290 | 891 |
| Deferred revenue | 367 | (621) |
| Accrued outside commissions | (3) | 874 |
| Other current and noncurrent liabilities | (807) | (1,173) |
| Net cash provided by operating activities | 13,424 | 7,115 |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (5,230) | (2,118) |
| Cost of capitalized software | (2,443) | (708) |
| Purchase of businesses, net of cash acquired | - | (23,434) |
| Proceeds from maturity of investments | 29,225 | 24,106 |
| Sales of investments - available for sale | 26,863 | 31,299 |
| Purchases of investments - available for sale | (64,517) | (52,286) |
| Net cash used in investing activities | (16,102) | (23,141) |
| **Cash flows from financing activities:** | | |
| Capital lease payments | (333) | (200) |
| Payment of contingent consideration and escrow | (200) | (150) |
| Repurchase of common stock | (842) | (10,133) |
| Proceeds from issuance of common stock under employee stock plans | 2,600 | 2,076 |
| Net cash provided by (used in) financing activities | 1,225 | (8,407) |
| Effect of exchange rate changes on cash | (29) | 118 |
| Net decrease in cash and cash equivalents | (1,482) | (24,315) |
| Cash and cash equivalents, beginning of the period | 33,576 | 53,110 |
| Cash and cash equivalents, end of the period | $ 32,094 | $ 28,795 |
| Supplemental cash flow information | | |
| Income taxes paid | $ 286 | $ 299 |
| Interest paid | 12 | 17 |
| Property and equipment acquired under capital leases | 823 | - |

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

## 1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

### *DESCRIPTION OF BUSINESS*

8x8, Inc. (8x8 or the Company) is a provider of cloud-based, enterprise-class software solutions that transform the way businesses communicate and collaborate globally. The Company's integrated, "pure-cloud" offering combines global voice, conferencing, messaging and video with integrated workflows and big data analytics on a single platform to enable increased team productivity, better customer engagement and real-time insights into business performance.

### *BASIS OF PRESENTATION*

The Company's fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in these notes to the consolidated financial statements refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2017 refers to the fiscal year ended March 31, 2017).

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared on substantially the same basis as our annual consolidated financial statements for the fiscal year ended March 31, 2016. In the opinion of the Company's management, these interim condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of our financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

The March 31, 2016 year-end condensed consolidated balance sheet data in this document were derived from audited consolidated financial statements and does not include all of the disclosures required by U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the fiscal year ended March 31, 2016 and notes thereto included in the Company's fiscal 2016 Annual Report on Form 10-K.

The results of operations and cash flows for the interim periods included in these condensed consolidated financial statements are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

### *RECLASSIFICATION*

Certain amounts previously reported within the Company's consolidated balance sheets and statements of cash flows have been reclassified to conform to the current period presentation. The reclassification had no impact on the Company's previously reported net income (loss), cash flows, or basic or diluted net income per share amounts.

### *PRINCIPLES OF CONSOLIDATION*

The consolidated financial statements include the accounts of 8x8 and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

### *SIGNIFICANT ACCOUNTING POLICIES*

The significant accounting policies used in preparation of these condensed consolidated financial statements are disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 filed with the SEC on May 31, 2016, and there have been no changes to the Company's significant accounting policies during the six months ended September 30, 2016, except as described in the "Recently Adopted Accounting Pronouncements" section below.

***RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS***

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-5, *"Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement."* This update provides guidance in evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change generally accepted accounting principles for a customer's accounting for service contracts. This update is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Therefore, the Company has prospectively adopted this new standard on April 1, 2016. The adoption of this standard did not have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes - Balance Sheet Classification of Deferred Taxes (Topic 740)* . This ASU requires all deferred tax liabilities and assets to be presented in the balance sheet as noncurrent. As permitted, the Company early adopted this standard prospectively during the quarter ended June 30, 2016. The adoption of this standard resulted in reclassifying current deferred income tax assets to noncurrent deferred income tax assets and current deferred income tax liabilities to noncurrent deferred income tax liabilities. No prior periods were retrospectively adjusted.

***RECENT ACCOUNTING PRONOUNCEMENTS***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* , along with amendments issued in 2015 and 2016, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will become effective for the Company on April 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method. The Company is currently assessing the impact of this pronouncement and its amendments to its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments -Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* , which provides guidance for measurement and recognition of expected credit losses for financial assets held based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The amendment is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently assessing the impact of this pronouncement to its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 *, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* , which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. This amendment is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this pronouncement to its Consolidated Statements of Cash Flows.

**2. FAIR VALUE MEASUREMENTS**

Cash, cash equivalents, and available-for-sale investments, and contingent consideration were (in thousands):

| As of September 30, 2016 | Amortized Costs | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value | Cash and Cash Equivalents | Short-Term Investments |
|---|---|---|---|---|---|---|
| Cash | $ 24,564 | $ - | $ - | $ 24,564 | $ 24,564 | $ - |
| **Level 1:** | | | | | | |
| Money market funds | 7,530 | - | - | 7,530 | 7,530 | - |
| Mutual funds | 2,000 | - | (169) | 1,831 | - | 1,831 |
| **Subtotal** | 34,094 | - | (169) | 33,925 | 32,094 | 1,831 |
| **Level 2:** | | | | | | |
| Commercial paper | 15,578 | 6 | - | 15,584 | - | 15,584 |
| Corporate debt | 91,244 | 116 | (16) | 91,344 | - | 91,344 |
| Asset backed securities | 24,063 | 26 | (1) | 24,088 | - | 24,088 |
| Mortgage backed securities | 1,814 | - | (14) | 1,800 | - | 1,800 |
| Agency bond | 2,000 | 2 | - | 2,002 | - | 2,002 |
| International government securities | 1,000 | 1 | - | 1,001 | - | 1,001 |
| **Subtotal** | 135,699 | 151 | (31) | 135,819 | - | 135,819 |
| Total assets | $ 169,793 | $ 151 | $ (200) | $ 169,744 | $ 32,094 | $ 137,650 |
| **Level 3:** | | | | | | |
| Contingent consideration | $ - | $ - | $ - | $ 216 | $ - | $ - |
| Total liabilities | $ - | $ - | $ - | $ 216 | $ - | $ - |

| As of March 31, 2016 | Amortized Costs | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value | Cash and Cash Equivalents | Short-Term Investments |
|---|---|---|---|---|---|---|
| Cash | $ 18,596 | $ - | $ - | $ 18,596 | $ 18,596 | $ - |
| **Level 1:** | | | | | | |
| Money market funds | 14,980 | - | - | 14,980 | 14,980 | - |
| Mutual funds | 2,000 | - | (187) | 1,813 | - | 1,813 |
| **Subtotal** | 35,576 | - | (187) | 35,389 | 33,576 | 1,813 |
| **Level 2:** | | | | | | |
| Commercial paper | 6,794 | 2 | - | 6,796 | - | 6,796 |
| Corporate debt | 85,164 | 78 | (28) | 85,214 | - | 85,214 |
| Municipal securities | 1,007 | - | (1) | 1,006 | - | 1,006 |
| Asset backed securities | 24,614 | 7 | (11) | 24,610 | - | 24,610 |
| Mortgage backed securities | 2,045 | - | (17) | 2,028 | - | 2,028 |
| Agency bond | 6,805 | 1 | - | 6,806 | - | 6,806 |
| International government securities | 1,000 | 1 | - | 1,001 | - | 1,001 |
| **Subtotal** | 127,429 | 89 | (57) | 127,461 | - | 127,461 |
| Total assets | $ 163,005 | $ 89 | $ (244) | $ 162,850 | $ 33,576 | $ 129,274 |
| **Level 3:** | | | | | | |
| Contingent consideration | $ - | $ - | $ - | $ 341 | $ - | $ - |
| Total liabilities | $ - | $ - | $ - | $ 341 | $ - | $ - |

Contractual maturities of investments as of September 30, 2016 are set forth below (in thousands):

| | Estimated Fair Value |
|---|---|
| Due within one year | $ 83,100 |
| Due after one year | 54,550 |
| Total | $ 137,650 |

***Contingent Consideration and Escrow Liability***

The Company's contingent consideration liability and escrow liability, included in other accrued liabilities and noncurrent liabilities on the consolidated balance sheets, was associated with the Quality Software Corporation (QSC) acquisition made in the first quarter of fiscal 2016. Amounts held in escrow were measured at fair value using present value computations. The contingent consideration was measured at fair value using a probability weighted average of the potential payment outcomes that would occur should certain contract milestones be reached. There is no market data available to use in valuing the contingent consideration; therefore, the Company developed its own assumptions related to the achievement of the milestones to evaluate the fair value of the liability. As such, the contingent consideration is classified within Level 3 as described below.

The items are classified as Level 3 within the valuation hierarchy, consisting of contingent consideration and escrow liability related to the QSC acquisition, were valued based on an estimate of the probability of success of the milestones being achieved and present value computations, respectively. The table below presents a roll-forward of the contingent consideration and escrow liability valued using a Level 3 input (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Balance at beginning of period | $ 216 | $ 391 | $ 341 | $ - |
| Purchase price contingent consideration | - | - | - | 391 |
| Contingent consideration payments | - | (150) | (125) | (150) |
| Balance at end of period | $ 216 | $ 241 | $ 216 | $ 241 |

**3. INVENTORIES**

| | September 30, 2016 | March 31, 2016 |
|---|---|---|
| Inventory (in thousands) | | |
| Work-in-process | $ - | $ 76 |
| Finished goods | 464 | 444 |
| | $ 464 | $ 520 |

**4. INTANGIBLE ASSETS AND GOODWILL**

The carrying value of intangible assets consisted of the following (in thousands):

| | September 30, 2016 | | | March 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Technology | $ 17,776 | $ (5,776) | $ 12,000 | $ 18,640 | $ (4,622) | $ 14,018 |
| Customer relationships | 9,600 | (5,562) | 4,038 | 9,993 | (4,847) | 5,146 |
| Trade names/domains | 2,079 | - | 2,079 | 2,205 | - | 2,205 |
| In-process research and development | 95 | - | 95 | 95 | - | 95 |
| Total acquired identifiable intangible assets | $ 29,550 | $ (11,338) | $ 18,212 | $ 30,933 | $ (9,469) | $ 21,464 |

At September 30, 2016, annual amortization of intangible assets, based upon our existing intangible assets and current useful lives, is estimated to be the following (in thousands):

| | Amount |
|---|---|
| Remaining 2017 | $ 1,803 |
| 2018 | 3,340 |
| 2019 | 3,090 |
| 2020 | 3,090 |
| 2021 | 2,735 |
| Thereafter | 1,980 |
| Total | $ 16,038 |

The following table provides a summary of the changes in the carrying amounts of goodwill by reporting segment (in thousands):

| | Americas | Europe | Total |
|---|---|---|---|
| Balance as of March 31, 2016 | $ 25,729 | $ 21,691 | $ 47,420 |
| Foreign currency translation | - | (2,130) | (2,130) |
| Balance as of September 30, 2016 | $ 25,729 | $ 19,561 | $ 45,290 |

**5. RESEARCH, DEVELOPMENT AND SOFTWARE COSTS**

In the first six months of fiscal 2017 and 2016, the Company expensed all research and development costs in accordance with ASC 985-20, *Costs of Software to be Sold, Leased or Marketed* (ASC 985-20).

The Company accounts for computer software developed or obtained for internal use in accordance with ASC 350-40, *Internal Use Software* (ASC 350-40). Capitalized costs are classified as either long-term assets or property and equipment on the consolidated balance sheets.

***Other Long-Term Assets***

In the first six months of fiscal 2017, the Company capitalized $2.4 million as other long-term assets. In the first six months of fiscal 2016, the Company capitalized $0.7 million as other long-term assets. At September 30, 2016 and March 31, 2016, total completed capitalized software development cost included in other long-term assets was approximately $1.7 million and $0, respectively. At September 30, 2016 and March 31, 2016, accumulated amortization cost related to completed capitalized software in other long term assets was approximately $0.3 million and $0, respectively.

***Property and Equipment***

In the first six months of fiscal 2017, the Company capitalized $0.5 million as property and equipment. In the first six months of fiscal 2016, the Company capitalized $0.3 million as property and equipment. At September 30, 2016 and March 31, 2016, total completed capitalized software cost included in property and equipment was approximately $1.2 million. At September 30, 2016 and March 31, 2016, accumulated amortization cost related to completed capitalized software in property and equipment was approximately $0.4 million and $0.2 million, respectively.

## 6. COMMITMENTS AND CONTINGENCIES

***Leases***

The Company leases its headquarters facility in San Jose, California under an operating lease agreement that expires in October 2019. The lease is an industrial net lease with monthly base rent of $130,821 for the first 15 months with a 3% increase each year thereafter, and requires us to pay property taxes, utilities and normal maintenance costs. The Company also leases facilities for office space under non-cancelable operating leases for its various domestic and international locations.

The Company has entered into a series of noncancelable capital lease agreements for office equipment bearing interest at various rates. Assets under capital lease at September 30, 2016 totaled $2.4 million with accumulated amortization of $0.7 million.

***Guarantees***

*Indemnifications*

In the normal course of business, the Company may agree to indemnify other parties, including customers, lessors and parties to other transactions with the Company, with respect to certain matters such as breaches of representations or covenants or intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors.

It is not possible to determine the maximum potential amount of the Company's exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on the Company's operating results, financial position or cash flows. Under some of these agreements, however, the Company's potential indemnification liability might not have a contractual limit.

*Product Warranties*

The Company accrues for the estimated costs that may be incurred under its product warranties upon revenue recognition. Changes in the Company's product warranty liability, which is included in cost of product revenues in the consolidated statements of operations, were as follows (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Balance at beginning of period | $ 340 | $ 342 | $ 326 | $ 339 |
| Accruals for warranties | 113 | 77 | 227 | 175 |
| Settlements | (88) | (70) | (175) | (153) |
| Adjustments | (32) | (24) | (45) | (36) |
| Balance at end of period | $ 333 | $ 325 | $ 333 | $ 325 |

*Minimum Third Party Customer Support Commitments*

In the third quarter of 2010, the Company amended its contract with one of its third party customer support vendors containing a minimum monthly commitment of approximately $0.4 million effective April 1, 2010. The agreement requires a 150-day notice to terminate. At September 30, 2016, the total remaining obligation upon a termination of the contract was $2.2 million.

*Minimum Third Party Network Service Provider Commitments*

The Company has entered into contracts with multiple vendors for third party network service which expire on various dates in fiscal 2017 through 2020. At September 30, 2016, future minimum annual payments under these third party network service contracts were as follows (in thousands):

| | |
|---|---|
| Year ending March 31: | |
| Remaining 2017 | $ 1,263 |
| 2018 | 1,363 |
| 2019 | 132 |
| 2020 | 8 |
| Total minimum payments | $ 2,766 |

*Legal Proceedings*

The Company, from time to time, is involved in various legal claims or litigation, including patent infringement claims that can arise in the normal course of the Company's operations. Pending or future litigation could be costly, could cause the diversion of management's attention and could upon resolution, have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

On February 22, 2011, the Company was named a defendant in Bear Creek Technologies, Inc. (BCT) v. 8x8, Inc. *et al.* , filed in the U.S. District Court for the District of Delaware (the Court), along with 20 other defendants. Collectively this patent litigation is collectively referred to as In re Bear Creek Technologies, Inc. (MDL No.: 2344). In August 2011, the suit was dismissed without prejudice and then was refiled against the Company before the same Court. On November 28, 2012, the USPTO initiated and has since maintained a Reexamination Proceeding in which the claims of a patent (asserted against the Company) were rejected as being invalid based on four separate grounds. In response to the USPTO invalidity rejections, the Company filed an informational pleading (on July 10, 2013) to join a motion to stay the proceeding in the District Court, which this motion was granted on July 17, 2013. On May 5, 2015 and presumably in light of the Reexamination Proceeding, the Court administratively closed this case with leave to reopen if needed. The Reexamination Proceeding was appealed to the USPTO Patent Trial and Appeal Board, which affirmed the rejection of all claims in a decision on December 29, 2015. Beginning on February 26, 2016, the patent owner initiated the formal process to appeal that decision to the Court of Appeals for the Federal Circuit. No hearing date has been set.

On April 16, 2015, the Company was named as a defendant in Slocumb Law Firm v. 8x8, Inc. The Slocumb Law Firm has alleged that it purchased certain business services from the Company that did not perform as advertised or expected, and has asserted causes of actions for fraud, breach of contract, violations of the Alabama Deceptive Trade Practices Act and negligence. On May 7, 2015, the Company filed a motion with the U.S. District Court for the Middle District of Alabama, seeking an order compelling the Slocumb Law Firm to arbitrate its claims against the Company in Santa Clara County, California pursuant to a clause mandating arbitration of disputes set forth in the terms and conditions to which Slocumb Law Firm agreed in connection with its purchase of business services from the Company. No briefing schedule or hearing date for the motion has been set as of this time. Discovery has not yet commenced in the case. The Company intends to vigorously defend against the Slocumb Law Firm's claims.

*State and Municipal Taxes*

From time to time, the Company has received inquiries from a number of state and municipal taxing agencies with respect to the remittance of sales, use, telecommunications, excise, and income taxes. Several jurisdictions currently are conducting tax audits of the Company's records. The Company collects or has accrued for taxes that it believes are required to be remitted. The amounts that have been remitted have historically been within the accruals established by the Company.

**7. STOCK-BASED COMPENSATION**

The following table summarizes stock-based compensation expense (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Cost of service revenue | $ 440 | $ 263 | $ 800 | $ 482 |
| Cost of product revenue | - | - | - | - |
| Research and development | 863 | 726 | 1,750 | 1,257 |
| Sales and marketing | 1,751 | 1,422 | 3,666 | 2,619 |
| General and administrative | 1,454 | 1,106 | 3,343 | 2,181 |
| Total stock-based compensation expense related to employee stock options and employee stock purchases, pre-tax | 4,508 | 3,517 | 9,559 | 6,539 |
| Tax benefit | - | - | - | - |
| Stock-based compensation expense related to employee stock options and employee stock purchases, net of tax | $ 4,508 | $ 3,517 | $ 9,559 | $ 6,539 |

***Stock Options, Stock Purchase Right and Restricted Stock Unit Activity***

Stock Option activity under all the Company's stock option plans for the six months ended September 30, 2016, is summarized as follows:

| | Number of Shares | Weighted Average Exercise Price Per Share |
|---|---|---|
| **Outstanding at March 31, 2016** | 4,793,266 | $ 6.29 |
| Granted | 308,560 | 14.40 |
| Exercised | (318,197) | 1.83 |
| Canceled/Forfeited | (1) | 2.58 |
| **Outstanding at September 30, 2016** | 4,783,628 | $ 7.11 |
| **Vested and expected to vest at September 30, 2016** | 4,783,628 | $ 7.11 |
| **Exercisable at September 30, 2016** | 3,085,831 | $ 5.80 |

Stock Purchase Right activity for the six months ended September 30, 2016 is summarized as follows:

| | Number of Shares | | Weighted Average Grant-Date Fair Market Value | Weighted Average Remaining Contractual Term (in Years) |
|---|---|---|---|---|
| Balance at March 31, 2016 | 82,171 | $ | 6.30 | 0.76 |
| Granted | - | | - | |
| Vested | (65,006) | | 5.89 | |
| Forfeited | (250) | | 7.88 | |
| Balance at September 30, 2016 | 16,915 | $ | 7.86 | 1.21 |

Restricted Stock Unit activity for the six months ended September 30, 2016 is summarized as follows:

| | Number of Shares | | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (in Years) |
|---|---|---|---|---|
| Balance at March 31, 2016 | 4,544,799 | $ | 8.08 | 1.67 |
| Granted | 1,899,350 | | 15.08 | |
| Vested | (868,648) | | 8.27 | |
| Forfeited | (141,143) | | 8.82 | |
| Balance at September 30, 2016 | 5,434,358 | $ | 10.49 | 1.75 |

The following table summarizes stock options outstanding and exercisable at September 30, 2016:

| | Options Outstanding | | | | | | Options Exercisable | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life (Years) | | Aggregate Intrinsic Value | Shares | | Weighted Average Exercise Price Per Share | | Aggregate Intrinsic Value |
| $0.55 to $4.26 | 995,448 | $ | 1.44 | 1.9 | $ | 13,930,587 | 995,448 | $ | 1.44 | $ | 13,930,587 |
| $4.32 to $6.86 | 1,288,863 | $ | 6.26 | 7.0 | | 11,825,206 | 925,675 | $ | 6.02 | | 8,712,685 |
| $7.52 to $8.93 | 973,650 | $ | 8.28 | 8.6 | | 6,963,536 | 333,871 | $ | 8.23 | | 2,403,471 |
| $9.21 to $9.74 | 983,835 | $ | 9.62 | 7.0 | | 5,711,928 | 729,275 | $ | 9.63 | | 4,232,016 |
| $10.50 to $15.18 | 541,832 | $ | 12.92 | 9.1 | | 1,361,380 | 101,562 | $ | 11.10 | | 439,646 |
| | 4,783,628 | | | | $ | 39,792,637 | 3,085,831 | | | $ | 29,718,405 |

As of September 30, 2016, there was $52.6 million of unamortized stock-based compensation expense related to unvested stock options and awards which is expected to be recognized over a weighted average period of 2.26 years.

Unamortized stock-based compensation expense related to shares issued as part of a prior year acquisition was approximately $1.6 million, which will be recognized over a weighted average period of 2.67 years.

***Assumptions Used to Calculate Stock-Based Compensation Expense***

The fair value of each of the Company's option grants has been estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Expected volatility | 42% | 53% | 44% | 53% |
| Expected dividend yield | - | - | - | - |
| Risk-free interest rate | 1.12% | 1.59% | 1.17% | 1.59% |
| Weighted average expected option term | 4.50 years | 5.57 years | 4.72 years | 5.46 years |
| Weighted average fair value of options granted | $ 5.46 | $ 4.00 | $ 5.46 | $ 4.06 |

The estimated fair value of options granted under the Employee Stock Purchase Plan was estimated at the date of grant using Black-Scholes pricing model with the following weighted average assumptions:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Expected volatility | 40% | 45% | 40% | 45% |
| Expected dividend yield | - | - | - | - |
| Risk-free interest rate | 0.45% | 0.30% | 0.45% | 0.30% |
| Weighted average expected ESPP option term | 0.76 years | 0.75 years | 0.76 years | 0.75 years |
| Weighted average fair value of ESPP options granted | $ 4.04 | $ 2.78 | $ 4.04 | $ 2.78 |

As of September 30, 2016, there were approximately $0.5 million of total unrecognized compensation cost related to employee stock purchases. This cost is expected to be recognized over a weighted average period of 0.5 years.

***Performance Stock Units***

During the three and six months ended September 30, 2016, the Company issued restricted performance stock units (PSUs) to a group of executives with vesting that is contingent on both market performance and continued service. These PSUs vest (1) 50% on September 22, 2018 and (2) 50% on September 27, 2019, in each case subject to the performance of the Company's common stock relative to the Russell 2000 Index (the benchmark) during the period from grant date through such vesting date. A 2x multiplier will be applied to the total shareholder returns (TSR) for each 1% of positive or negative relative TSR, and the number of shares earned will increase or decrease by 2% of the target numbers. In the event 8x8's common stock performance is below negative 30%, relative to the benchmark, no shares will be issued. These PSU grants are included in the restricted stock unit activity disclosure for the six months ended September 30, 2016.

To value these market-based restricted performance stock units under the Equity Compensation Plans, the Company used a Monte Carlo simulation model on the date of grant. Fair value determined using the Monte Carlo simulation model varies based on the assumptions used for the expected stock price volatility, the correlation coefficient between the Company and the NASDAQ Composite Index, risk free interest rates, and future dividend payments.

***Stock Repurchases***

In February 2015, the Company's board of directors authorized the Company to purchase up to $20.0 million of its common stock from time to time until February 29, 2016 (the "2015 Repurchase Plan"). Share repurchases, if any, will be funded with available cash. Repurchases under the 2015 Repurchase Plan may be made through open market purchases at prevailing market prices or in privately negotiated transactions. The timing, volume and nature of share repurchases are subject to market prices and conditions, applicable securities laws and other factors, and are at the discretion of the Company's management. Share repurchases under the 2015 Repurchase Plan may be commenced, suspended or discontinued at any time. This tranche of shares authorized for repurchase expired in February 2016.

In October 2015, the Company's board of directors authorized the Company to purchase an additional $15.0 million of its common stock from time to time until October 20, 2016 under the 2015 Repurchase Plan. There were no stock repurchases for the six months ended September 30, 2016. The remaining authorized repurchase amount at September 30, 2016 was $15.0 million.

**8. INCOME TAXES**

For the three months ended September 30, 2016, the Company recorded a benefit from income taxes of $15,000, which was primarily attributable to income from operations. For the three months ended September 30, 2015, the Company recorded a provision for income taxes of $0.4 million, which was primarily attributable to income from operations.

The Company estimated the annual effective rate at the end of each quarterly period, and recorded the tax effect of certain discrete items, which are unusual or occur infrequently, in the interim period in which they occur, including changes in judgment about deferred tax valuation allowances. The determination of the effective tax rate reflects tax expense and benefit generated in certain domestic and foreign jurisdictions. However, jurisdictions with a year-to-date loss where no tax benefit can be recognized are excluded from the annual effective tax rate.

At March 31, 2016, the Company had a liability for unrecognized tax benefits of $2.9 million, all of which, if recognized, would decrease the company's effective tax rate. The Company does not believe that there has been any significant change in the unrecognized tax benefits for the three and six months ended September 30, 2016, and does not expect the remaining unrecognized tax benefit to change materially in the next 12 months. To the extent that the remaining unrecognized tax benefits are ultimately recognized, they will have an impact on the effective tax rate in future periods.

The Company is subject to taxation in the U.S., California and various other states and foreign jurisdictions in which it has or had a subsidiary or branch operations or it is collecting sales tax. All tax returns from fiscal 2013 to fiscal 2016 may be subject to examination by the Internal Revenue Service, California and various other states. Net operating losses and tax credits carried forward to March 31, 2016 may still be subject to adjustment by the taxing authorities until the period is closed to examination. As of October 24, 2016, there were no active federal or state income tax audits. Returns filed in foreign jurisdictions may be subject to examination for the fiscal years 2011 to 2016.

**9. NET INCOME (LOSS) PER SHARE**

The following is a reconciliation of the weighted average number of common shares outstanding used in calculating basic and diluted net income (loss) per share (in thousands, except share and per share data):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Numerator: | | | | |
| Net income (loss) available to common stockholders | $ 27 | $ (1,892) | $ (501) | $ (2,364) |
| Denominator: | | | | |
| Common shares | 89,987 | 88,557 | 89,171 | 88,397 |
| Denominator for basic calculation | 89,987 | 88,557 | 89,171 | 88,397 |
| Employee stock options | 1,717 | - | - | - |
| Stock purchase rights | 1,743 | - | - | - |
| Denominator for diluted calculation | 93,447 | 88,557 | 89,171 | 88,397 |
| Net income (loss) per share | | | | |
| Basic | $ 0.00 | $ (0.02) | $ (0.01) | $ (0.03) |
| Diluted | $ 0.00 | $ (0.02) | $ (0.01) | $ (0.03) |

The following shares attributable to outstanding stock options and restricted stock purchase rights were excluded from the calculation of diluted earnings per share because their inclusion would have been antidilutive (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Employee stock options | 187 | 2,640 | 153 | 2,544 |
| Stock purchase rights | 307 | 262 | 154 | 157 |
| Total anti-dilutive employee stock-based securities | 494 | 2,902 | 307 | 2,701 |

**10. SEGMENT REPORTING**

ASC 280, *Segment Reporting* , establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic areas and major customers. Under ASC 280, the method for determining what information to report is based upon the way management organizes the operating segments within the Company for making operating decisions and assessing financial performance.

The Company manages its operations primarily on a geographic basis. The Chief Executive Officer, the Chief Financial Officer, and the Chief Technology Officer or the Company's Chief Operating Decision Makers (CODMs), evaluate performance of the Company and make decisions regarding allocation of resources based on geographic results. The Company's reportable segments are the Americas and Europe. The Americas segment is primarily North America. The Europe segment is primarily the United Kingdom. Each operating segment provides similar products and services.

The Company's CODMs evaluate the performance of its operating segments based on revenues and net income. Revenues are attributed to each segment based on the ordering location of the customer or ship to location. The Company allocates corporate overhead costs such as research and development, sales and marketing, general and administrative, amortization expense, stock-based compensation expense, and commitment and contingencies to the Americas segment.

The Company's revenue distribution by geographic region (based upon the destination of shipments and the customer's service address) was as follows:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Americas (principally US) | 89% | 86% | 88% | 87% |
| Europe (principally UK) | 10% | 14% | 11% | 11% |
| Asia-Pacific | 1% | 0% | 1% | 2% |
| | 100% | 100% | 100% | 100% |

Geographic area data is based upon the location of the property and equipment and is as follows (in thousands):

| | September 30, 2016 | March 31, 2016 |
|---|---|---|
| Americas (principally US) | $ 11,231 | $ 9,165 |
| Europe (principally UK) | 3,902 | 2,642 |
| Asia-Pacific | 182 | 568 |
| Total | $ 15,315 | $ 12,375 |

The following table provides financial information by segment for the three and six months ended September 30, 2016 and 2015 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Americas (principally US): | | | | |
| Net revenues | $ 56,635 | $ 44,086 | $ 110,033 | $ 87,674 |
| Net income | $ 2,044 | $ 15 | $ 3,510 | $ 266 |
| Europe (principally UK): | | | | |
| Net revenues | $ 6,548 | $ 6,856 | $ 13,191 | $ 11,160 |
| Net loss | $ (2,017) | $ (1,907) | $ (4,011) | $ (2,630) |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *FORWARD-LOOKING STATEMENTS*

This Management Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends," and similar expressions are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors. These factors include, but are not limited to, market acceptance of new or existing services and features, success of our efforts to target mid-market and larger distributed enterprises, changes in the competitive dynamics of the markets in which we compete, customer cancellations and rate of churn, impact of current economic climate and adverse credit markets on our target customers, our ability to scale our business, our reliance on infrastructure of third-party network services providers, risk of failure in our physical infrastructure, risk of failure of our software, our ability to maintain the compatibility of our software with third-party applications and mobile platforms, continued compliance with industry standards and regulatory requirements in the United States and foreign countries in which we make our software solutions available, risks relating to our strategies and objectives for future operations, including the execution of integration plans and realization of the expected benefits of our acquisitions, the amount and timing of costs associated with recruiting, training and integrating new employees, introduction and adoption of our cloud software solutions in markets outside of the United States, and general economic conditions that could adversely affect our business and operating results. All forward-looking statements included in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. In addition to the factors discussed elsewhere in this Form 10-Q, see the Risk Factors discussion in Item 1A of our 2016 Form 10-K. The forward-looking statements included in this Form 10-Q are made only as of the date of this report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

### *BUSINESS OVERVIEW*

We provide cloud-based, enterprise-class software solutions that transform the way businesses communicate and collaborate globally. Delivered through a SaaS (Software as a Service) business model, our solutions are at the forefront of a disruptive technology shift that is occurring in business communications where enterprises are increasingly replacing costly and unwieldy on-premises communications equipment with agile, cloud-based software services delivered over the public Internet.

Our integrated, "pure-cloud" offering combines global voice, conferencing, messaging and video with integrated workflows and big data analytics on a single platform to enable increased team productivity, better customer engagement and real-time insights into business performance. Through a combination of open API's (application program interface) and pre-built integrations, our solutions seamlessly leverage critical customer context from internal data systems and industry-leading Customer Relationship Management (CRM) systems, including cloud-based solutions from Salesforce.com, NetSuite, and Zendesk.

Powered by internally owned and managed technologies, our cloud communications and contact center offerings are positioned to serve businesses of all sizes and can easily scale to large, globally distributed enterprise customers. Our turnkey solution spans a broad spectrum of communications and collaboration needs, is provided with industry-leading reliability at an affordable cost and is quick and easy-to deploy through our proprietary deployment methodology. This allows customers to focus on their business instead of managing the complexities of disparate communications and collaboration platforms and the integration of these platforms with other cloud-based business applications.

Our fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in this report refers to the fiscal year ending March 31 of the calendar year indicated (for example, fiscal 2017 refers to the fiscal year ending March 31, 2017).

***SUMMARY AND OUTLOOK***

In the second quarter of fiscal 2017, our service revenue from mid-market and enterprise customers grew 36% year-over year and represented 53% of total service revenue. New monthly recurring revenue (MRR) bookings from mid-market and enterprise customers and by our channel sales teams increased 30% year-over-year, reflecting strong demand for our services in our target market segments. Also, average monthly service revenue per business customer (ARPU) increased 14% to a record $409, compared with $360 in the same period last year. Our ability to offer a broad range of cloud- based mission critical communications services is bringing us larger deals where we continue to displace incumbent, premises-based systems.

Building upon our Global Reach® initiative, during the quarter, we launched a new customer support center in the Philippines, and expect to open an additional support center in Cluj, Romania by the end of the calendar year. These new technical support operations outside of the U.S. will expand our 24/7 worldwide support capabilities while favorably impacting our margins through reduced customer support costs. Additionally, all of the three data datacenters that we announced earlier in the year, Amsterdam, Brazil and Singapore, are in operation and are supporting customers and users based in those regions.

We continued the advancement of our technology and service offerings in the second quarter of fiscal 2017 with two new product releases: Quality Management and Virtual Office for Sales. Our new Quality Management solution leverages cloud technology combined with deep Virtual Contact Center integration to deliver an easy to install, use and manage framework for monitoring and improving the quality of a customer's contact center operations. Our new Virtual Office for Sales solution streamlines the entire sales process with built in Salesforce.com integration across all Virtual-Office connected devices, including mobile, to offer a constantly updated view of communications activities along with detailed analytics on team, individual and account performance.

Despite increases in total revenue year over year, we are expecting a continued depreciation of the British Pound (GBP) to the U.S. Dollar (USD). A significantly weaker GBP compared to the USD could materially reduce our revenues after taking into account foreign currency translation adjustments.

***CRITICAL ACCOUNTING POLICIES & ESTIMATES***

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

***RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS***

See Item 1 of Part I, "Financial Statements - Note 1 - Basis of Presentation - Recent Adopted Accounting Pronouncements."

***RECENT ACCOUNTING PRONOUNCEMENTS***

See Item 1 of Part I, "Financial Statements - Note 1 - Basis of Presentation - Recent Accounting Pronouncements."

**SELECTED OPERATING STATISTICS**

We periodically review certain key business metrics, within the context of our articulated performance goals, in order to evaluate the effectiveness of our operational strategies, allocate resources and maximize the financial performance of our business. The selected operating statistics include the following:

| | Selected Operating Statistics | | | | |
|---|---|---|---|---|---|
| | Sept. 30, 2016 | June 30, 2016 | March 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 |
| Business customers average monthly service revenue per customer (1) | $ 409 | $ 399 | $ 385 | $ 369 | $ 360 |
| Monthly business service revenue churn (2)(3) | 0.6% | 0.5% | 0.4% | 1.2% | 0.7% |
| Overall service margin | 81% | 81% | 81% | 80% | 80% |
| Overall product margin | -6% | -16% | -18% | -21% | -15% |
| Overall gross margin | 74% | 74% | 72% | 72% | 73% |

(1) Business customer average monthly service revenue per customer is service revenue from business customers in the period divided by the number of months in the period divided by the simple average number of business customers during the period.

(2) Business customer service revenue churn is calculated by dividing the service revenue lost from business customers (after the expiration of 30-day trial) during the period by the simple average of business customer service revenue during the same period and dividing the result by the number of months in the period.

(3) Excludes DXI business customer service revenue churn for all periods presented.

***RESULTS OF OPERATIONS***

The following discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto.

| **Service revenue** | September 30, 2016 | September 30, 2015 | Dollar Change | Percent Change |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 57,717 | $ 46,951 | $ 10,766 | 22.9% |
| Percentage of total revenue | 91.3% | 92.2% | | |
| Six months ended | $ 113,013 | $ 91,119 | $ 21,894 | 24.0% |
| Percentage of total revenue | 91.7% | 92.2% | | |

Service revenue consists primarily of revenue attributable to the provision of our 8x8 cloud communication and collaboration services. We expect that cloud software solutions service revenues will continue to comprise nearly all of our service revenues for the foreseeable future.

8x8 service revenues increased in the second quarter of fiscal 2017 compared with the second quarter of the previous fiscal year primarily due to an increase in our business customer subscriber base (net of customer churn), and an increase in the average monthly service revenue per customer. Average monthly service revenue per customer increased from $360 at September 30, 2015 to $409 at September 30, 2016. We expect growth in the number of business customers and average monthly service revenue per customer to continue to increase in fiscal 2017.

We translate revenue denominated in foreign currency into U.S. dollars for our financial statements. If the exchange rate for the GBP to the USD persists at current levels, or declines further, our revenues will be adversely impacted due to the foreign currency translation adjustment. We cannot ascertain how much impact this will have in fiscal 2017, but at the current exchange rate, we estimate a negative impact on revenues of approximately $1.2 million per quarter in comparison with the exchange rate for GBP to USD effective in the first quarter of fiscal 2017.

| **Product revenue** | **September 30,** 2016 | **September 30,** 2015 | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 5,466 | $ 3,991 | $ 1,475 | 37.0% |
| Percentage of total revenue | 8.7% | 7.8% | | |
| Six months ended | $ 10,211 | $ 7,715 | $ 2,496 | 32.4% |
| Percentage of total revenue | 8.3% | 7.8% | | |

Product revenue consists primarily of revenue from sales of IP telephones in conjunction with our 8x8 cloud communication service. Product revenue increased for the three and six months ended September 30, 2016 primarily due to an increase in equipment sales to business customers.

No customer represented greater than 10% of the Company's total revenues for the three and six months ended September 30, 2016 or 2015.

| **Cost of service revenue** | **September 30,** 2016 | **September 30,** 2015 | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 10,837 | $ 9,186 | $ 1,651 | 18.0% |
| Percentage of service revenue | 18.8% | 19.6% | | |
| Six months ended | $ 21,072 | $ 17,645 | $ 3,427 | 19.4% |
| Percentage of service revenue | 18.6% | 19.4% | | |

The cost of service revenue primarily consists of costs associated with network operations and related personnel, communication origination and termination services provided third party carriers, technology licenses, and royalty expenses.

Cost of service revenue for the three months ended September 30, 2016 increased over the comparable period in the prior fiscal year primarily due to a $0.8 million increase in third party network services expenses, a $0.2 million increase in payroll and related expenses, a $0.2 million increase in stock-based compensation expenses, and a $0.2 million increase in license and fee expenses.

Cost of service revenue for the six months ended September 30, 2016 increased over the comparable period in the prior fiscal year primarily due to a $1.6 million increase in third party network services expenses, a $0.6 million increase in amortization of intangibles expense, a $0.4 million increase in payroll and related expenses, a $0.3 million increase in license and fee expenses, and a $0.3 million increase in stock-based compensation expenses.

| **Cost of product revenue** | **September 30,** 2016 | **September 30,** 2015 | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 5,782 | $ 4,596 | $ 1,186 | 25.8% |
| Percentage of product revenue | 105.8% | 115.2% | | |
| Six months ended | $ 11,287 | $ 8,978 | $ 2,309 | 25.7% |
| Percentage of product revenue | 110.5% | 116.4% | | |

The cost of product revenue consists primarily of IP Telephones, estimated warranty obligations and direct and indirect costs associated with product purchasing, scheduling, shipping and handling. The amount of revenue allocated to product revenue based on relative selling price under our customer subscription agreements is less than the cost of the IP phone equipment.

The cost of product revenue for the three and six months ended September 30, 2016 increased over the comparable period in the prior fiscal year primarily due to an increase in equipment shipped to customers. The decrease in negative margin is due to less discounting of equipment in the current period and to a decrease in our standard costs for certain phone equipment.

| **Research and development** | **September 30, 2016** | **September 30, 2015** | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 6,505 | $ 6,446 | $ 59 | 0.9% |
| Percentage of total revenue | 10.3% | 12.7% | | |
| Six months ended | $ 13,215 | $ 11,526 | $ 1,689 | 14.7% |
| Percentage of total revenue | 10.7% | 11.7% | | |

Historically, our research and development expenses have consisted primarily of personnel, system prototype design, and equipment costs necessary for us to conduct our development and engineering efforts.

The research and development expenses for the three months ended September 30, 2016 increased over the comparable period in the prior fiscal year primarily due to a $1.3 million increase in payroll and related costs, offset by a $1.0 million of payroll and related costs, consulting and outside services capitalized in accordance with ASC 350-40, and an offset of $0.4 million decrease of facility allocation costs (which is based on employee headcount).

The research and development expenses for the six months ended September 30, 2016 increased over the comparable period in the prior fiscal year primarily due to a $0.6 million increase in facility allocation costs, $0.4 million increase in payroll and related costs, a $0.4 million increase in stock-based compensation expenses, and a $0.2 million increase in consulting, temporary personnel, and outside service expenses. We expect research and development expenses to increase for the foreseeable future as we continue to invest in our DXI unit and in the formation of our research and development team in Romania.

| **Sales and marketing** | **September 30, 2016** | **September 30, 2015** | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 33,691 | $ 26,730 | $ 6,961 | 26.0% |
| Percentage of total revenue | 53.3% | 52.5% | | |
| Six months ended | $ 65,382 | $ 50,554 | $ 14,828 | 29.3% |
| Percentage of total revenue | 53.1% | 51.2% | | |

Sales and marketing expenses consist primarily of personnel and related overhead costs for sales, marketing, and customer service which includes deployment engineering. Such costs also include outsourced customer service call center operations, sales commissions, as well as trade show, advertising and other marketing and promotional expenses.

Sales and marketing expenses for the second quarter of fiscal 2017 increased over the same quarter in the prior fiscal year primarily due to a $4.3 million increase in payroll and related costs, a $0.9 million increase in lead generation expenses, a $1.3 million increase in facility allocation costs, a $0.4 million increase in indirect channel commission expenses, and a $0.3 million increase in stock-based compensation expenses.

Sales and marketing expenses for the six months ended September 30, 2016 increased over the same period in the prior fiscal year primarily because of an $8.8 million increase in payroll and related costs, a $2.3 million increase in departmental allocation costs, a $1.0 million increase in stock-based compensation expenses, a $1.0 million increase in indirect channel commissions, a $0.5 million increase in lead generation expenses, and a $0.5 million increase in travel expenses. We expect sales and marketing expenses to increase for the foreseeable future as we continue to increase our efforts to sell to larger businesses and to deploy our cloud communication and collaboration services globally to enterprise customers.

| **General and administrative** | **September 30, 2016** | **September 30, 2015** | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 6,747 | $ 5,657 | $ 1,090 | 19.3% |
| Percentage of total revenue | 10.7% | 11.1% | | |
| Six months ended | $ 13,548 | $ 11,725 | $ 1,823 | 15.5% |
| Percentage of total revenue | 11.0% | 11.9% | | |

General and administrative expenses consist primarily of personnel and related overhead costs for finance, human resources and general management.

General and administrative expenses for the second quarter of fiscal 2017 increased over the same quarter in the prior fiscal year primarily due to a $0.4 million increase in stock-based compensation expenses, a $0.3 million increase in payroll and related expenses, and a $0.2 million increase in facility expenses.

General and administrative expenses for the six months ended September 30, 2016 increased over the same period in the prior fiscal year primarily because of a $1.2 million increase in stock-based compensation expenses, a $0.5 million increase in facility expenses, a $0.3 million increase in payroll and related expenses, partially offset by a $0.4 million decrease in legal fees, primarily due to the business acquisitions that occurred in the first quarter of fiscal 2016.

| **Other income, net** | **September 30, 2016** | **September 30, 2015** | **Dollar Change** | **Percent Change** |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ 391 | $ 204 | $ 187 | 91.7% |
| Percentage of total revenue | 0.6% | 0.4% | | |
| Six months ended | $ 801 | $ 438 | $ 363 | 82.9% |
| Percentage of total revenue | 0.7% | 0.4% | | |

Other income, net, primarily consisted of interest income earned on our cash, cash equivalents and investments and amortization or accretion of investments in fiscal 2017 and 2016.

| Provision (benefit) for income tax | September 30, 2016 | September 30, 2015 | Dollar Change | Percent Change |
|---|---|---|---|---|
| | (dollar amounts in thousands) | | | |
| Three months ended | $ (15) | $ 423 | $ (438) | -103.5% |
| Percentage of income (loss) before provision for income taxes | -125.0% | -28.8% | | |
| Six months ended | $ 22 | $ 1,208 | $ (1,186) | -98.2% |
| Percentage of income (loss) before provision for income taxes | -4.6% | -104.5% | | |

For the three months ended September 30, 2016, we recorded a benefit from income taxes of $15,000, all of which related to net income (loss) from operations. For the three months ended September 30, 2015, we recorded a provision for income taxes of $0.4 million, all of which related to net income (loss) from operations.

For the six months ended September 30, 2016, we recorded a provision for income taxes of $22,000, all of which related to net income (loss) from operations. For the six months ended September 30, 2015, we recorded a provision for income taxes of $1.2 million, which was primarily attributable to domestic income from operations.

The effective tax rate set forth in the previous table is calculated by dividing the income tax provision by net income before income tax expense. We estimate our annual effective tax rate at the end of each quarter. In estimating the annual effective tax rate, we, in consultation with our tax advisors, consider, among other things, annual pre-tax income, permanent tax differences, the geographic mix of pre-tax income and the application and interpretations of existing tax laws.

We estimate our annual effective rate at the end of each quarterly period, and we record the tax effect of certain discrete items, which are unusual or occur infrequently, in the interim period in which they occur, including changes in judgment about deferred tax valuation allowances. The determination of the effective tax rate reflects tax expense and benefit generated in certain domestic and foreign jurisdictions. However, jurisdictions with a year-to-date loss where no tax benefit can be recognized are excluded from the annual effective tax rate.

***Liquidity and Capital Resources***

As of September 30, 2016, we had approximately $169.7 million in cash, cash equivalents and short-term investments.

Net cash provided by operating activities for the six months ended September 30, 2016 was approximately $13.4 million, compared with $7.1 million for the six months ended September 30, 2015. Cash provided by operating activities has historically been affected by the amount of net income (loss), sales of subscriptions, changes in working capital accounts particularly in deferred revenue due to timing of annual plan renewals, add-backs of non-cash expense items such as the use of deferred tax assets, depreciation and amortization and the expense associated with stock-based awards.

The net cash used in investing activities for the six months ended September 30, 2016 was $16.1 million, during which we purchased approximately $8.4 million of short term investments, net of sales and maturities of short term investments, we spent approximately $5.2 million on the purchase of property and equipment, and we capitalized $2.4 million of internal use software. Net cash used in investing activities was approximately $23.1 million, during the six months ended September 30, 2015, during which we spent approximately $2.1 million on the purchase of property and equipment, spent approximately $23.4 million on acquisitions of two businesses, and we had proceeds of approximately $3.1 million from the sale of short term investments, net of purchases and maturities of short term investments.

Net cash provided by financing activities for the six months ended September 30, 2016 was approximately $1.2 million, which primarily resulted from $2.6 million of cash received from the issuance of common stock under our employee stock purchase plan, reduced by $0.8 million of repurchases of our common stock related to shares withheld for payroll taxes, $0.3 million of payments on capital leases, and $0.2 million of payments of contingent consideration and escrow. Net cash used in financing activities for the six months ended September 30, 2015 were approximately $8.4 million, which was primarily due from cash used to repurchase our common stock as part of our Repurchase Plan in the amount of approximately $10.1 million, partially offset by cash received from the issuance of common stock under our employee stock purchase plan of approximately $2.1 million.

**Contractual Obligations**

Except as set forth below, there were no significant changes in our commitments under contractual obligations, as disclosed in the Company's Annual Report on Form 10-K, for the six months ended September 30, 2016.

In June 2016, we entered into a new lease in London UK for our DXI location for approximately 16,000 square feet under an operating lease that expires in June 2026. We received an 18 month rent holiday from rent payments. After the rent holiday, the lease has a base monthly rent of approximately $95,000, and requires us to pay service charges and normal maintenance costs. The lease contains a break clause, which allows us to end the lease in June 2022, subject to certain conditions.

In August 2016, we entered into a new lease in New York City for additional office space for approximately 5,200 square feet under an operating lease that expires in October 2021. The lease has a base monthly rent of approximately $26,000.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

*Foreign Currency*

Our financial market risk consists primarily of risks associated with international operations and related foreign currencies. We derive a portion of our revenue from customers in Europe and Asia. In order to reduce the risk from fluctuation in foreign exchange rates, the vast majority of our sales are denominated in U.S. dollars. In addition, almost all of our arrangements with our contract manufacturers are denominated in U.S. dollars. We have not entered into any currency hedging activities.

We translate revenue denominated in foreign currency into U.S. dollars for our financial statements. During periods of a strengthening dollar, our reported European revenue is reduced because foreign currencies translate into fewer U.S. dollars. However, our UK segments are currently in a net loss position. Therefore, during periods of a strengthening dollar, our net loss from our UK segment would be reduced as well.

To date, our exposure to exchange rate volatility has not been significant. However, the June 2016 vote on a referendum to exit the European Union decision has resulted in a steep decline in the exchange rate for GBP to USD. The impact of Brexit to our results of operations for the period ended September 30, 2016 was not material. However, there can be no assurance that there will not be a material impact in the future.

*Investments*

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we may maintain our portfolio of cash equivalents and investments in a variety of securities, including commercial paper, money market funds, debt securities and certificates of deposit. The risk associated with fluctuating interest rates is limited to our investment portfolio and we do not believe that a 10% change in interest rates would have a significant impact on our interest income.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Disclosure Controls) that are designed to ensure that information we are required to disclose in reports filed or submitted under the Securities and Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

As of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision of our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our Disclosure Controls. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our Disclosure Controls were effective as of September 30, 2016.

### Limitations on the Effectiveness of Controls

Our management, including the Chief Executive Officer and Chief Financial Officer, do not expect that our Disclosure Controls or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

### Changes in Internal Control over Financial Reporting

During the second quarter of fiscal 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II -- OTHER INFORMATION

## ITEM 1. Legal Proceedings

Descriptions of our legal proceedings are contained in Part I, Item 1, Financial Statements - Notes to Condensed Consolidated Financial Statements - "Note 6".

## ITEM 1A. Risk Factors

We face many significant risks in our business, some of which are unknown to us and not presently foreseen. These risks could have a material adverse impact on our business, financial condition and results of operations in the future. We have disclosed a number of material risks under Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended March 31, 2016, which we filed with the Securities and Exchange Commission on May 31, 2016. Except as presented below, there have been no material changes from the risk factors described in our Form 10-K.

**Because our long-term growth strategy involves further expansion outside the United States, our business will be susceptible to risks associated with international operations.**

In addition, on June 23, 2016, the UK held a referendum in which a majority of voters voted to exit the European Union (Brexit). The result of the Brexit vote adversely impacted global markets and foreign currencies. In particular, the value of the Pound Sterling has sharply declined as compared to the U.S. Dollar and other currencies. This volatility in foreign currencies is expected to continue as the UK negotiates and executes its exit from the European Union but it is uncertain over what time period this will occur. A significantly weaker Pound Sterling compared to the U.S. Dollar could materially reduce our revenues after taking into account foreign currency translation adjustments.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

| | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (1) |
|---|---|---|---|---|
| July 1 - July 31, 2016 | - | $ - | - | $ 15,000,000 |
| August 1 - August 31, 2016 | - | - | - | 15,000,000 |
| September 1 - September 30, 2016 | - | - | - | 15,000,000 |
| Total | - | $ - | - | |

**ITEM 5. OTHER INFORMATION**

See Item 2 of Part II, "Contractual Obligations", regarding the new DXI operating lease for office space in London, UK and in New York City.

**ITEM 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 10.34 | Amended and Restated 2013 New Employee Inducement Incentive Plan. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 2, 2016

8X8, INC.
*(Registrant)*
By: /s/ MARY ELLEN GENOVESE
MaryEllen Genovese
*Chief Financial Officer*
*(Principal Financial and Chief Accounting Officer and Duly Authorized Officer)*

Exhibit 10.34

**8X8, INC.**

# *AMENDED AND RESTATED*
# *2013 NEW EMPLOYEE INDUCEMENT INCENTIVE PLAN*

***(Amended as of July 22, 2016)***

**8X8, INC.**

**AMENDED AND RESTATED**
**2013 NEW EMPLOYEE INDUCEMENT INCENTIVE PLAN**

## 1. Purposes

1.1 General Purpose . The Company, by means of the Plan, seeks to retain the services of persons not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the Company within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

1.2 Available Awards . The purpose of the Plan is to provide a means by which eligible recipients of Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Stock Grants.

## 2. Definitions

As used in this Plan, the following terms shall have the following meanings:

2.1 **Accelerate** , **Accelerated** , and **Acceleration** means: (a) when used with respect to a Stock Right, that as of the time of reference the Stock Right will become exercisable with respect to some or all of the shares of Stock for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Stock or Units shall expire with respect to some or all of the shares of Restricted Stock or Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Performance Units, that the applicable Performance Goals or other business objectives shall be deemed to have been met as to some or all of the Units.

2.2 **Affiliate** means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

2.3 **Award** means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Units, Restricted Stock, Restricted Stock Units or Stock Grants.

2.4 **Award Agreement** means an agreement between the Company and the recipient of an Award, or other notice of grant of an Award, setting forth the terms and conditions of the Award.

2.5 **Board** means the Company's Board of Directors.

2.6 **Code** means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.7 **Committee** means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 4 of the Plan. For any period during which no such committee is in existence, "Committee" shall mean the Independent Board, and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Independent Board.

2.8 **Company** means 8x8, Inc., a corporation organized under the laws of the State of Delaware.

2.9 **Corporate Transaction** means any (1) merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) liquidation or dissolution of the Company; except, in the case of clauses (1) and (2), for a transaction the principal purpose of which is to change the state in which the Company is incorporated.

2.10 **Effective Date** means the date on which this Plan has been approved by the Board, including the Independent Board.

2.11 **Exchange Act** means the Securities Exchange Act of 1934, as amended.

2.12 **Grant Date** means the date as of which an Option is granted, as determined under Section 6.1(a).

2.13 **Independent Board** means a majority of the independent directors on the Board. " **Independent director** " has the meaning given under Rule 5605(a)(2) of the Nasdaq Listing Rules.

2.14 **Market Value** means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of Stock as of any date is: (a) the closing price for the Stock as reported on the NASDAQ Global Market (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported; or (b) if the Stock is not traded on a national securities exchange but is traded over-the-counter, the closing or last price of the Stock on the composite tape or other comparable reporting system on that date or, if such date is not a trading day, the last market trading day prior to such date.

2.15 **Option** means an option to purchase shares of Stock.

2.16 **Optionee** means a Participant to whom an Option shall have been granted under the Plan.

2.17 **Participant** means any holder of an outstanding Award under the Plan.

2.18 **Performance Criteria** means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit,

(xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses and (xxv) customer service.

2.19 **Performance Goals** means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon one or more of the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant, including whether or to what extent there shall not be taken into account any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification Section 225-20 (or its successor provisions), (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

2.20 **Performance Period** means the one or more periods, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant's right to, and the payment of, a Performance Unit.

2.21 **Performance Unit** means a right granted to a Participant under Section 6.5, to receive cash, Stock or other Awards, the payment of which is contingent on achieving Performance Goals or other business objectives established by the Committee.

2.22 **Plan** means this Amended and Restated 2013 New Employee Inducement Incentive Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.

2.23 **Restricted Stock** means a grant or sale of shares of Stock to a Participant subject to a Risk of Forfeiture.

2.24 **Restricted Stock Units** means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture.

2.25 **Restriction Period** means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Restricted Stock Units are subject to a Risk of Forfeiture described in the applicable Award Agreement.

2.26 **Risk of Forfeiture** means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right in the Company to reacquire shares of Restricted Stock at less than their then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.

2.27 **Securities Act** means the Securities Act of 1933, as amended.

2.28 **SEC** means the Securities and Exchange Commission.

2.29 **Stock** means common stock, par value $0.001 per share, of the Company, and such other securities as may be substituted for Stock pursuant to Section 7.

2.30 **Stock Appreciation Right** means a right to receive any excess in the Market Value of shares of Stock (except as otherwise provided in Section 6.2(c)) over a specified exercise price.

2.31 **Stock Grant** means the grant of shares of Stock not subject to restrictions or other forfeiture conditions.

2.32 **Stock Right** means an Award in the form of an Option or a Stock Appreciation Right.

2.33 **Stockholders' Agreement** means any agreement by and among the holders of at least a majority of the outstanding voting securities of the Company and setting forth, among other provisions, restrictions upon the transfer of shares of Stock or on the exercise of rights appurtenant thereto (including, but not limited to, voting rights).

**3. Shares Subject to the Plan; Term of the Plan**

3.1 Number of Shares . Effective as of July 22, 2016:

(a) no additional Awards may be granted under the Plan;

(b) no shares of Stock may be issued under the Plan other than pursuant to outstanding Awards; and

(c) the number of shares of Stock reserved for issuance under the Plan is equal to the maximum number of shares issuable pursuant to Awards outstanding as of such date, assuming the exercisability of all outstanding Stock Rights, the expiration of all Risks of Forfeiture applicable to outstanding Restricted Stock and Restricted Stock Units, and the satisfaction of all Performance Goals or other business objectives applicable to outstanding Performance Units.

The number of shares reserved for issuance pursuant to the Plan shall be reduced from time to time as and to the extent that (i) shares are issued pursuant to, or in settlement of, outstanding Awards or (ii) outstanding Awards expire, terminate, are forfeited or cancelled.

Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

3.2 Term . Effective as of July 22, 2016, no additional Awards may be granted under the Plan. For avoidance of doubt, Awards outstanding as of July 22, 2016 shall continue to be subject to the provisions of the Plan from and after such date.

## 4. Administration

In all events the Plan shall be administered by the Independent Board or Committee in compliance with Rule 5635(c)(4) (and any successor thereto) of the Listing Rules of the NASDAQ Stock Market LLC ("Nasdaq"). The grant of any Award under the Plan must be approved by a majority of the members of the Board (each of whom is an "independent director" as defined in the Nasdaq Listing Rules) or by the Company's independent compensation committee (as intended under the Nasdaq Listing Rules). The Plan shall be administered by the Committee, provided, however, that at any time and on any one or more occasions the Independent Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan, including the new employee to receive the Award and the form of Award. All Awards of Stock or which otherwise entitle the Award recipient to acquire any shares of Stock shall be made from the authorized but unissued shares of Stock of the Company. The Committee, or the Independent Board, shall determine in its sole discretion how many shares of Stock to issue under this Plan in the aggregate. In making its determinations, the Committee may take into account the nature of the services to be rendered by the new employees, their potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to: (a) interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it; (b) approve one or more forms of Award Agreement; (c) determine the initial terms and provisions of the respective Award Agreements (which need not be identical), including, without limitation, as applicable, (i) the exercise price of the Award, (ii) the method of payment for shares of Stock purchased upon the exercise of the Award, (iii) the timing, terms and conditions of the exercisability of the Award or the vesting of any shares acquired upon the exercise thereof, (iv) the time of the expiration of the Award, (v) the effect of the Participant's termination of employment or other association with the Company on any of the foregoing, and (vi) all other terms, conditions and restrictions applicable to the Award or such shares not inconsistent with the terms of the Plan; (d) amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired upon the exercise thereof; (e) accelerate, continue, extend or defer the exercisability of any Award or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following a Participant's termination of employment or other association with the Company; (f) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law; and (g) make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

## 5. Authorization of Grants

5.1 Eligibility . Persons eligible for Awards shall consist of employees whose potential contribution, in the judgment of the Committee, will benefit the future success of the Company and/or an Affiliate. Offers of Awards may be made prior to the commencement of employment with the Company or an Affiliate, but Awards may be granted only effective on or after the commencement of such employment to persons not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the Company within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules (or applicable replacement rules or regulations). In addition, notwithstanding any other provision of the Plan to the contrary, all Awards must be granted either by the Independent Board or the Committee.

5.2 General Terms of Awards. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including but not limited to any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant has executed an Award agreement evidencing the Award, delivered a fully executed copy thereof to the Company, and otherwise complied with the applicable terms and conditions of such Award.

5.3 Effect of Termination of Employment, Disability or Death.

(a) Termination of Employment, Etc. Unless the Committee shall provide otherwise with respect to any Award, if the Participant's employment or other association with the Company and its Affiliates ends for any reason other than by total disability or death, including because of an Affiliate ceasing to be an Affiliate, (a) any outstanding Stock Right of the Participant shall cease to be exercisable in any respect not later than three months following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement. Cessation of the performance of services in one capacity, for example, as an employee, shall not result in termination of an Award while the Participant continues to perform services in another capacity, for example as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, provided that it does not exceed the longer of three months or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent consistent with applicable law, the Committee may provide that Awards continue to vest for some or all of the period of any such leave, or that their vesting shall be tolled during any such leave and only recommence upon the Participant's return from leave, if ever.

(b) Disability of Participant. If a Participant's employment or other association with the Company and its Affiliates ends due to disability (as defined in Section 22(e)(3) of the Code), any outstanding Stock Right may be exercised at any time within six months following the date of termination of service, but only to the extent of the accrued right to exercise at the time of termination of service, subject to the condition that no Stock Right shall be exercised after its expiration in accordance with its terms.

(c) Death of Participant. In the event of the death during the Option period, or period during which the Stock Appreciation Right may be exercised, of a Participant who is at the time of his or her death an employee, director or consultant and whose services had not ceased or been terminated (as determined with regard to the second sentence of Section 5.3(a)) as such from the Grant Date until the date of death, the Stock Right of the Participant may be exercised at any time within six months following the date of death by such Participant's estate or by a person who acquired the right to exercise the Stock Right by bequest, inheritance or otherwise as a result of the Participant's death, but only to the extent of the accrued right to exercise at the time of death, subject to the condition that no Stock Right shall be exercised after its expiration in accordance with its terms.

5.4 Transferability of Awards. Except as otherwise provided in this Section 5.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any Award may be exercised during the life of the Participant only by the

Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of an Option or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; provided, however, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, " **family member** " means any child, stepchild, grandchild, parent, grandparent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father- in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than 50 percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50 percent of the voting interests. The events of termination of service of Section 5.3 hereof or in the Award Agreement shall continue to be applied with respect to the original Participant, following which the Awards shall be exercisable by the transferee only to the extent, and for the periods specified in the Award Agreement or Section 5.3, as applicable.

**6. Specific Terms of Awards**

6.1 Options .

(a) Date of Grant . The granting of an Option shall take place at the time that legally effective action to grant the award is taken by the Committee or the Independent Board.

(b) Exercise Price . The price at which shares of Stock may be acquired under each Option shall be the Market Value of Stock on the Grant Date, except as provided otherwise by the Committee upon the grant of the Option.

(c) Option Period . No Option may be exercised on or after the tenth anniversary of the Grant Date, except as provided otherwise by the Committee upon the grant of the Option.

(d) Exercisability . An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time.

(e) Method of Exercise . An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 14, specifying the number of shares of Stock with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares of Stock to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company,

(i) by delivery to the Company of shares of Stock having a Market Value equal to the exercise price of the shares to be purchased, or

(ii) by surrender of the Option as to all or part of the shares of Stock for which the Option is then exercisable in exchange for shares of Stock having an aggregate Market Value equal to the difference between (1) the aggregate Market Value of the surrendered portion of the Option, and (2) the aggregate exercise price under the Option for the surrendered portion of the Option, or

(iii) unless prohibited by applicable law, by delivery to the Company of the Optionee's executed promissory note in the principal amount equal to the exercise price of the shares of Stock to be purchased and otherwise in such form as the Committee shall have approved, or

(iv) by delivery of any other lawful means of consideration which the Committee may approve.

If the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction (other than to the Company). Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the exercise of the Option. Within 30 days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates or book-entry authorization and instruction to the Company's transfer agent and registrar for the number of shares then being purchased. Such shares of Stock shall be fully paid and nonassessable. In its reasonable discretion, the Committee may suspend or halt Option exercises for such length of time as the Committee deems reasonably necessary under circumstances in which such suspension or halt is considered to be in the best interests of the Company.

6.2 Stock Appreciation Rights.

(a) Tandem or Stand-Alone. Stock Appreciation Rights may be granted in tandem with an Option (at or after the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.

(b) Exercise Price. Stock Appreciation Rights shall have an exercise price of not less than the Market Value of the Stock on the date of award, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.

(c) Other Terms. Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to an Option. In addition, a Stock Appreciation Right related to an Option which can only be exercised during limited periods following a Corporate Transaction may entitle the Participant to receive an amount based upon the highest price paid or offered for Stock in any transaction relating to the Corporate Transaction or paid during the 30-day period immediately preceding the occurrence of the Corporate Transaction in any transaction reported in the stock market in which the Stock is normally traded.

6.3 Restricted Stock.

(a) Purchase Price. Shares of Restricted Stock shall be issued under the Plan for such consideration, in cash, other property or services, or any combination thereof, as is determined by the Committee.

(b) Issuance of Certificates. Each Participant receiving a Restricted Stock Award, subject to subsection (c) below, shall be issued a stock certificate in respect of such shares of Restricted Stock, or if issued in uncertificated form, shall be registered in the name of the Participant on the books of the Company's transfer agent and registrar. Such certificate or uncertificated shares shall be registered in the name of such Participant, and, if applicable, the certificate or the books of the Company's transfer agent and registrar shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award substantially in the following form:

> The shares evidenced by this certificate are subject to the terms and conditions of the 8x8, Inc. 2013 New Employee Inducement Incentive Plan and an Award Agreement entered into by the registered owner and 8x8, Inc., copies of which will be furnished by the Company to the holder of the shares evidenced by this certificate upon written request and without charge.

(c) Escrow of Shares . The Committee may require that the stock certificates evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

(d) Restrictions and Restriction Period . During the Restriction Period applicable to shares of Restricted Stock, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(e) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award . Except as otherwise provided in the Plan or the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares of Stock are available under Section 3.1.

(f) Lapse of Restrictions . If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered.

6.4 Restricted Stock Units .

(a) Character . Each Restricted Stock Unit shall entitle the recipient to a share of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(b) Form and Timing of Payment . Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period unless the applicable Award Agreement provides for a later settlement date in compliance with Section 409A of the Code. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

6.5 Performance Units.

(a) Character. Each Performance Unit shall entitle the recipient to the value of a specified number of shares of Stock, over the initial value for such number of shares, if any, established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified business objectives, including, but not limited to, Performance Goals, shall have been achieved.

(b) Earning of Performance Units. The Committee shall set Performance Goals or other business objectives in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the number and value of Performance Units that will be paid out to the Participant. After the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive payout on the number and value of Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Goals or other business objectives have been achieved.

(c) Form and Timing of Payment. Payment of earned Performance Units shall be made in a single lump sum following the close of the applicable Performance Period. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock which have been earned in connection with grants of Performance Units which have been earned, but not yet distributed to Participants. Subject to compliance with Section 409A of the Code, the Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.

6.6 Stock Grants. Stock Grants shall be awarded solely in recognition of expected contributions to the success of the Company or its Affiliates, as an inducement to employment, and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

6.7 Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan, granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of, the Plan for the purpose of granting and administrating any such modified Award. No such modification, supplement, amendment, restatement or alternative version may increase the share limit of Section 3.1.

**7. Adjustment Provisions**

7.1 Adjustment for Corporate Actions. All of the share numbers set forth in the Plan reflect the capital structure of the Company as of the Effective Date. If subsequent to the Effective Date the outstanding shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Stock, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 3.1, (ii) the numbers and kinds of shares or other securities subject to the then outstanding Awards, (iii) the exercise price for each share or other unit of any other securities subject to then outstanding Stock Rights (without change in the aggregate exercise price as to which such Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

7.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Section, including, but not limited to, an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee also may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

7.3 Related Matters. Any adjustment in Awards made pursuant to Section 7.1 or 7.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including of Stock Right exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other business objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 7. The Committee, in its discretion, may determine that no fraction of a share of Stock shall be purchasable or deliverable upon exercise, and in that event if any adjustment hereunder of the number of shares of Stock covered by an Award would cause such number to include a fraction of a share of Stock, such number of shares of Stock shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to Sections 7.1 or 7.2 shall result in an exercise price which is less than the par value of the Stock.

7.4 Corporate Transactions.

(a) Treatment of Awards in a Corporate Transaction. In a Corporate Transaction, the Committee, in its sole and absolute discretion, may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards.

(i) Assumption and Substitution. Provide that such Awards shall be assumed, or substantially equivalent rights shall be provided in substitution therefor, by the acquiring or succeeding entity (or an affiliate thereof), and that any repurchase or other rights of the Company under each such Award shall inure to the benefit of such acquiring or succeeding entity (or affiliate thereof).

(ii) Termination, Forfeiture and Reacquisition. Upon written notice to the holders, provide that:

(A) any unexercised Stock Rights shall terminate immediately prior to the consummation of the Corporate Transaction unless exercised within a specified period following the date of such notice and that any Stock Rights not then exercisable will expire automatically upon consummation of the Corporate Transaction;

(B) any Restricted Stock Units shall terminate and be forfeited immediately prior to the consummation of the Corporate Transaction to the extent they are then subject to a Risk of Forfeiture; and/or

(C) any shares of Restricted Stock shall automatically be reacquired by the Corporation upon consummation of the Corporate Transaction at a price per share equal to the lesser of the Market Value of the Restricted Stock and the purchase price paid by the Participant.

(iii) Acceleration of Vesting . Provide that:

(A) any and all Stock Rights not already exercisable in full shall Accelerate with respect to all or a portion of the shares for which such Stock Rights are not then exercisable prior to or upon the consummation of the Corporate Transaction; and/or

(B) any Risk of Forfeiture applicable to Restricted Stock and Restricted Stock Units which is not based on achievement of Performance Goals or other business objectives shall lapse upon consummation of the Corporate Transaction with respect to all or a portion of the Restricted Stock and Restricted Stock Units then subject to such Risk of Forfeiture.

(iv) Achievement of Performance Goals . Provide that all outstanding Awards of Restricted Stock and Restricted Stock Units conditioned on the achievement of Performance Goals or other business objectives and the target payout opportunities attainable under outstanding Performance Units shall be deemed to have been satisfied as of the effective date of the Corporate Transaction as to (i) none of, (ii) all of or (iii) a pro rata number of shares based on the assumed achievement of all relevant Performance Goals or other business objectives and the length of time within the Restriction Period or Performance Period which has elapsed prior to the Corporate Transaction. All such Awards of Performance Units and Restricted Stock Units shall be paid to the extent earned to Participants in accordance with their terms within 30 days following the effective date of the Corporate Transaction.

(v) Cash Payments to Holders of Stock Rights . Provide for cash payments, net of applicable tax withholdings, to be made to holders of Stock Rights equal to the excess, if any, of (A) the acquisition price times the number of shares of Stock subject to a Stock Right (to the extent the exercise price does not exceed the acquisition price) over (B) the aggregate exercise price for all such shares of Stock subject to the Stock Right, in exchange for the termination of such Stock Right; provided, that if the acquisition price does not exceed the exercise price of any such Stock Right, the Committee may cancel that Stock Right without the payment of any consideration therefor prior to or upon the Corporate Transaction. For this purpose, "acquisition price" means the amount of cash, and market value of any other consideration, received in payment for a share of Stock surrendered in a Corporate Transaction.

(vi) Conversion of Stock Rights Upon Liquidation or Dissolution . Provide that, in connection with a liquidation or dissolution of the Company, Stock Rights shall convert into the right to receive liquidation proceeds net of the exercise price thereof and any applicable tax withholdings.

(vii) Any combination of the foregoing.

None of the foregoing shall apply, however, (i) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Corporate Transaction (or similar event), or (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges on which the Stock is listed.

(b) Assumption and Substitution of Awards . For purposes of Section 7.4(a)(i) above, an Award shall be considered assumed, or a substantially equivalent award shall be considered to have been provided in substitution therefor, if following consummation of the Corporate Transaction the Award is assumed and/or exchanged or replaced with another award issued by the acquiring or succeeding entity (or an affiliate thereof) that confers the right to purchase or receive the value of, for each share of Stock subject to the Award immediately prior to the consummation of the Corporate Transaction, the consideration (whether cash, securities or other property) received as a result of the Corporate Transaction by holders of Stock for each share of Stock held immediately prior to the consummation of the Corporate Transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if the consideration received as a result of the Corporate Transaction is not solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof), the Committee may provide for the consideration to be received upon the exercise of Award to consist of or be based on solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof) equivalent in value to the per share consideration received by holders of outstanding shares of Stock as a result of the Corporate Transaction.

(c) Related Matters . In taking any of the actions permitted under this Section 7.4, the Committee shall not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically. Any determinations required to carry out the foregoing provisions of this Section 7.4, including, but not limited to, the market value of other consideration received by holders of Stock in a Corporate Transaction and whether substantially equivalent awards have been substituted, shall be made by the Committee acting in its sole and absolute discretion. In connection with any action or actions taken by the Committee in respect of Awards and in connection with a Transaction, the Committee may require such acknowledgements of satisfaction and releases from Participants as it may determine.

**8. Settlement of Awards**

8.1 In General . Awards of Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash, Stock, or other Awards, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Award Agreement. The Committee may not require settlement of any Award in Stock pursuant to the immediately preceding sentence to the extent issuance of such Stock would be prohibited or unreasonably delayed by reason of any other provision of the Plan.

8.2 Violation of Law . Notwithstanding any other provision of the Plan or the relevant Award Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares are at the time of the issue of such shares effectively registered under the Securities Act; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares or such beneficial interest, as the case may be, does not require registration under the Securities Act or any applicable State securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events

8.3 Corporate Restrictions on Rights in Stock. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, or by laws, of the Company. Whenever Stock is to be issued pursuant to an Award, if the Committee so directs at or after grant, the Company shall be under no obligation to issue such shares until such time, if ever, as the recipient of the Award (and any person who exercises any Option, in whole or in part), shall have become a party to and bound by the Stockholders' Agreement, if any. In the event of any conflict between the provisions of this Plan and the provisions of the Stockholders' Agreement, the provisions of the Stockholders' Agreement shall control, but insofar as possible the provisions of the Plan and such Agreement shall be construed so as to give full force and effect to all such provisions.

8.4 Investment Representations. The Company shall be under no obligation to issue any shares covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares will be exempt from the registration requirements of the Securities Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

8.5 Registration. If the Company shall deem it necessary or desirable to register under the Securities Act or other applicable statutes any shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such shares of Stock for exemption from the Securities Act or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the period not to exceed 180 days commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 8.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.

8.6 Placement of Legends; Stop Orders; etc. Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representations made in accordance with Section 8.4 in addition to any other applicable restrictions under the Plan, the terms of the Award and, if applicable, to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock. All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

8.7 Tax Withholding . Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the recipient of an Award. However, in such cases Participants may elect, subject to the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold shares to satisfy their tax obligations. Participants may only elect to have shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate.

8.8 Company Charter and By-Laws; Other Company Policies . This Plan and all Awards granted under the Plan (including the exercise, settlement or exchange of an Award) are subject to and must comply with the certificate of incorporation and by-laws of the Company, as they may be amended from time to time, and all other Company policies duly adopted by the Board, the Committee or any other committee of the Board as in effect from time to time regarding the acquisition, ownership or sale of Stock by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

## 9. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

## 10. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until a certificate shall have been issued therefor and delivered to the Participant or his agent, or if uncertificated shares are to be issued, until such shares have been registered in the name of the Participant on the books of the transfer agent and registrar of the Stock. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the certificate of incorporation and the bylaws of the Company. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or certificate of incorporation or by laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

## 11. Unfunded Status of Plan

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Options, Stock Appreciation Rights and other Awards hereunder, provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

## 12. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor any action taken in connection with the adoption or operation of the Plan shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

## 13. Amendment of the Plan

Effective as of July 22, 2016, no additional Awards may be granted under the Plan. Subject to the foregoing, the Independent Board may at any time make such modifications of the Plan as it shall deem advisable. Unless the Independent Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment. In any case, no amendment of the Plan may, without the consent of any recipient of an Award granted hereunder, adversely affect the rights of the recipient under such Award.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan, but no such amendment shall impair the rights of the recipient of such Award without his or her consent.

**14. Notices and Other Communications**

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to the recipient of an Award, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Chief Financial Officer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

**15. No Guarantee of Tax Consequences**

Neither the Company nor any Affiliate, nor any director, officer, agent, representative or employee of either, guarantees to the Participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an Award, including, but not limited to, that the provisions and penalties of Section 409A of the Code, pertaining to non-qualified plans of deferred compensation, will or will not apply.

**16. Administrative Provisions**

Nothing contained in the Plan shall require the issuance or delivery of certificates for any period during which the Company has elected to maintain or caused to be maintained the evidence of ownership of its shares of Stock, either generally or in the case of Stock acquired pursuant to Awards, by book entry, and all references herein to such actions or to certificates shall be interpreted accordingly in light of the systems maintained for that purpose. Furthermore, any reference herein to actions to be taken or notices (including of grants of Awards) to be provided in writing or pursuant to specific procedures may be satisfied by means of and pursuant to any electronic or automated voice response systems the Company may elect to establish for such purposes, either by itself or through the services of a third party, for the period such systems are in effect.

**17. Governing Law**

It is intended that all Awards shall be granted and maintained on a basis which ensures they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code and the Plan shall be governed, interpreted and enforced consistent with such intent. Neither the Committee nor the Company, nor any of its Affiliates or its or their officers, employees, agents, or representatives, shall have any liability or responsibility for any adverse federal, state or local tax consequences and penalty taxes which may result the grant or settlement of any Award on a basis contrary to the provisions of Section 409A of the Code or comparable provisions of any applicable state or local income tax laws. The Plan and all Award Agreements and actions taken thereunder otherwise shall be governed, interpreted and enforced in accordance with the laws of the state of California, without regard to the conflict of laws principles thereof.

Exhibit 31.1

**CERTIFICATION PURSUANT TO**
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Vikram Verma, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 8x8, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2016

/s/ V IKRAM V ERMA
Vikram Verma
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO**
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, MaryEllen Genovese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 8x8, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2016

/s/ MARY ELLEN GENOVESE
MaryEllen Genovese
Chief Financial Officer and Secretary

Exhibit 32.1

**CERTIFICATION PURSUANT TO**

18 U.S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of 8x8, Inc. (the "Company") for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vikram Verma, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ V IKRAM V ERMA
Vikram Verma
Chief Executive Officer

November 2, 2016

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, or otherwise required, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

**CERTIFICATION PURSUANT TO**

18 U.S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of 8x8, Inc. (the "Company") for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, MaryEllen Genovese, Chief Financial Officer and Secretary of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ M ARY E LLEN G ENOVESE
MaryEllen Genovese
Chief Financial Officer and Secretary

November 2, 2016

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, or otherwise required, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.