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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2018

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: 000-26427

Stamps.com Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**77-0454966**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1990 E. Grand Avenue
El Segundo, California 90245
(Address of Principal Executive Offices and Zip Code)

(310) 482-5800
(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

- As of October 31, 2018, there were 18,102,028 shares of the Registrant's Common Stock issued and outstanding.

STAMPS.COM INC. AND SUBSIDIARIES
FORM 10-Q QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STAMPS.COM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	September 30, 2018	December 31, 2017
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 78,264	$ 153,903
Accounts receivable, net	95,850	80,797
Current income taxes	23,717	22,344
Other current assets	34,499	14,449
Total current assets	232,330	271,493
Property and equipment, net	36,801	37,507
Goodwill	378,805	239,705
Intangible assets, net	171,815	80,990
Deferred income taxes, net	32,083	43,148
Other assets	7,560	6,261
Total assets	$ 859,394	$ 679,104
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 115,312	$ 103,076
Deferred revenue	4,694	3,871
Current portion of debt, net of debt issuance costs	9,938	8,392
Total current liabilities	129,944	115,339
Long-term debt, net of debt issuance costs	53,189	60,642
Deferred income taxes, net	15,331	—
Other liabilities	8,288	5,310
Total liabilities	206,752	181,291
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common stock, $.001 par value per share		
Authorized shares: 47,500 in 2018 and 2017		
Issued shares: 33,017 in 2018 and 32,177 in 2017		
Outstanding shares: 18,168 in 2018 and 17,573 in 2017	56	55
Additional paid-in capital	1,037,955	962,227
Treasury stock, at cost, 14,849 shares in 2018 and 14,604 in 2017	(439,969)	(387,545)
Retained earnings (accumulated deficit)	49,051	(76,930)
Accumulated other comprehensive income	5,549	6
Total stockholders' equity	652,642	497,813
Total liabilities and stockholders' equity	$ 859,394	$ 679,104

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

STAMPS.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues:				
Service	$ 127,810	$ 97,529	$ 373,932	$ 292,634
Product	4,705	4,824	15,276	15,301
Insurance	4,023	4,099	12,684	12,932
Customized postage	6,957	8,588	14,755	15,306
Other	12	22	52	69
Total revenues	143,507	115,062	416,699	336,242
Cost of revenues (exclusive of amortization of intangible assets, which is included in general and administrative expense):				
Service	25,102	11,882	68,361	37,284
Product	1,383	1,535	4,614	4,930
Insurance	933	966	2,945	3,547
Customized postage	5,706	7,151	12,173	12,600
Total cost of revenues	33,124	21,534	88,093	58,361
Gross profit	110,383	93,528	328,606	277,881
Operating expenses:				
Sales and marketing	26,743	20,588	78,280	66,018
Research and development	14,432	12,037	38,845	34,187
General and administrative	24,916	25,243	71,119	65,676
Total operating expenses	66,091	57,868	188,244	165,881
Income from operations	44,292	35,660	140,362	112,000
Foreign currency exchange gain (loss), net	(957)	—	(957)	—
Interest expense	(668)	(967)	(1,908)	(2,779)
Interest income and other income, net	83	120	175	309
Income before income taxes	42,750	34,813	137,672	109,530
Income tax expense (benefit)	9,337	(11,412)	11,691	(873)
Net income	$ 33,413	$ 46,225	$ 125,981	$ 110,403
Net income per share:				
Basic	$ 1.84	$ 2.71	$ 7.02	$ 6.51
Diluted	$ 1.75	$ 2.49	$ 6.69	$ 6.04
Weighted average shares outstanding:				
Basic	18,161	17,073	17,942	16,969
Diluted	19,046	18,548	18,822	18,282

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

STAMPS.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income	$ 33,413	$ 46,225	$ 125,981	$ 110,403
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	5,544	—	5,544	—
Unrealized gain (loss) on investments	(1)	—	(1)	(4)
Comprehensive income	$ 38,956	$ 46,225	$ 131,524	$ 110,399

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

STAMPS.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating activities:		
Net income	$ 125,981	$ 110,403
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,861	16,055
Stock-based compensation expense	26,350	33,669
Deferred income tax expense	10,929	8,650
Accretion of debt issuance costs	279	279
Changes in operating assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable	(5,054)	10,201
Other current assets	(16,716)	(31,535)
Current income taxes	(1,373)	—
Other assets	(1,299)	(2,073)
Deferred revenue	560	(261)
Other liabilities	2,183	—
Accounts payable and accrued expenses	1,363	3,647
Net cash provided by operating activities	160,064	149,035
Investing activities:		
Acquisition of MetaPack, net of cash acquired	(208,500)	—
Sale of short-term investments	—	1,502
Sale of long-term investments	—	10
Purchase of long-term investments	—	(4)
Acquisition of property and equipment	(1,587)	(5,972)
Net cash used in investing activities	(210,087)	(4,464)
Financing activities:		
Proceeds from short term financing obligation, net of repayments	678	(389)
Principal payments on term loan	(6,187)	(4,641)
Payment on revolving credit facility	(12,716)	(10,000)
Proceeds from exercise of stock options	45,625	48,054
Issuance of common stock under Employee Stock Purchase Plan	3,755	2,937
Repurchase of common stock	(52,424)	(103,127)
Payments related to tax withholding for share-based compensation	(4,144)	(799)
Net cash used in financing activities	(25,413)	(67,965)
Effect of exchange rate changes	(203)	—
Net (decrease) increase in cash and cash equivalents	(75,639)	76,606
Cash and cash equivalents at beginning of period	153,903	106,932
Cash and cash equivalents at end of period	$ 78,264	$ 183,538
Supplemental information:		
Capital expenditures accrued but not paid at period end	$ 13	$ 123
Tenant improvement allowance	$ 600	$ 848

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

STAMPS.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

We prepared the consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading. We recommend that these consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in our latest annual report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 28, 2018.

In our opinion, these unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly our financial position as of September 30, 2018, our results of operations for the three and nine months ended September 30, 2018, and our cash flows for the nine months ended September 30, 2018. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018.

Basis of Consolidation

The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of Stamps.com Inc. and the entities in which we have 100% voting and/or economic control, which includes Auctane LLC (ShipStation), Interapptive, Inc. (ShipWorks), MetaPack Limited (MetaPack), PSI Systems, Inc. (Endicia), ShippingEasy Group, Inc. (ShippingEasy) and PhotoStamps Inc. In July 2016, we completed our acquisition of 100% of the outstanding shares of ShippingEasy. In August 2018, we completed our acquisition of 100% of the outstanding shares of MetaPack. Please see *Note 2 - "Acquisitions"* in our Notes to Consolidated Financial Statements for further description. References in this Report to "we" "us" "our" or "Company" are references to Stamps.com Inc. and its subsidiaries.

Intercompany accounts and transactions between consolidated entities have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements. Significant estimates and judgments inherent in the preparation of the consolidated financial statements include the fair value of assets and liabilities for allocation of the purchase price of companies acquired, estimates of loss contingencies, and estimates related to the realizability of deferred income taxes.

Business Combinations

The acquisition method of accounting is used for business combinations. The results of operations of acquired businesses are included in our consolidated financial statements prospectively from the date of acquisition. The fair value of purchase consideration is allocated to the assets acquired and liabilities assumed from the acquired entity and is generally based on their fair value at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Historically, the primary items that have generated goodwill include anticipated synergies between the acquired business and the Company and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Acquisition-related expenses are recognized in our consolidated financial statements as incurred.

STAMPS.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Contingencies and Litigation

In the ordinary course of business, we are subject to various routine litigation matters as a claimant and a defendant. We record any amounts recovered in these matters when received. We establish loss provisions for claims against us when the loss is both probable and can be reasonably estimated. If either or both of the criteria are not met, we assess whether there is at least a reasonable possibility that a loss, or additional losses, may have been incurred. If there is a reasonable possibility that a loss or additional loss may have been incurred for such proceedings, we disclose the estimate of the amount of loss or possible range of loss, or disclose that an estimate of loss cannot be made, as applicable.

Deferred Revenue

Our deferred revenue relates mainly to service revenue, which generally arises due to the timing of payment versus the provision of services for certain customers billed in advance. Approximately $2.6 million of revenue recognized in the nine months ended September 30, 2018 was included in the deferred revenue balance at December 31, 2017.

Fair Value of Financial Instruments

Carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value due to their short maturities. The Company's outstanding debt held by third-party financial institutions is carried at cost, adjusted for debt issuance costs. The Company's debt is not publicly traded and the carrying amount typically approximates fair value for debt that accrues interest at a variable rate for companies with similar financial characteristics as the Company, which are considered Level 2 fair value inputs as defined in Note 8 in our Consolidated Financial Statements.

Foreign Currency Translation

The functional currency of the Company's major foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into United States dollars are recorded in accumulated other comprehensive income as a component of stockholders' equity. Foreign currency transaction gains and losses are included in foreign currency exchange gain (loss), net. All assets and liabilities denominated in a foreign currency are translated into United States dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period.

STAMPS.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the fair value of consideration given over the fair value of the tangible assets, identifiable intangible assets and liabilities assumed in a business combination. We are required to test goodwill for impairment annually and whenever events or circumstances indicate the fair value of a reporting unit may be below its carrying value. A reporting unit is the operating segment or a business that is one level below that operating segment. Reporting units are aggregated as a single reporting unit if they have similar economic characteristics.

Goodwill is reviewed for impairment annually on October 1 utilizing either a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. When we perform the two-step process, the first step requires us to compare the fair value of our reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows, to the respective carrying value, which includes goodwill. If the fair value of our reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of our reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of our reporting unit's goodwill, the difference is recognized as an impairment loss. As of September 30, 2018, we are not aware of any indicators of impairment that would require an impairment analysis other than our annual goodwill impairment analysis.

Indefinite-lived intangible assets are reviewed for impairment annually on October 1. In assessing other intangible assets not subject to amortization for impairment, the Company also has the option to perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of such an intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of such an intangible asset is less than its carrying amount, then the Company is not required to perform any additional tests for assessing those intangible assets for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative impairment test that involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. As of September 30, 2018, we are not aware of any indicators of impairment that would require an impairment analysis other than our annual indefinite-lived intangible assets impairment analysis.

Long-Lived Assets and Finite-Lived Intangible Assets

Long-lived assets including intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

We account for property and equipment at cost less accumulated depreciation and amortization. We compute depreciation using the straight-line method over the estimated useful life of the asset, generally three to five years for furniture, fixtures, and equipment and ten to forty years for building and building improvements. Leasehold improvements are capitalized and amortized over the shorter of the useful life of the asset or the remaining term of the lease. We have a policy of capitalizing expenditures that materially increase assets' useful lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment is disposed of, the cost and related accumulated depreciation and amortization are removed, and any gain or loss is included in income from operations.

STAMPS.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board (FASB) ASC Topic No. 740, *Income Taxes* (*Income Taxes*), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. *Income Taxes* also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. We record a valuation allowance to reduce our gross deferred tax assets to the amount that is more likely than not (a likelihood of more than 50 percent) to be realized. In order for us to realize our deferred tax assets, we must be able to generate sufficient taxable income. We evaluate the appropriateness of our deferred tax assets and related valuation allowance in accordance with *Income Taxes* based on all available positive and negative evidence.

Revenue Recognition

We recognize revenues when we transfer control of promised goods or services to our customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Our payment terms vary by the products and services offered. The term between billings and when payment is due is not significant.

Revenues are presented on a disaggregated basis on the consolidated statements of income.

Service revenues are recognized at a point in time, as transactions are processed, or over a period of time, typically one month or less. We earn service revenue from our mailing and shipping operations in several different ways: (1) customers may pay us a monthly fee based on a subscription plan which may be waived or refunded for certain customers; (2) we may be compensated directly by the United States Postal Service (USPS) for certain qualifying customers under our USPS partnership; (3) we may earn transaction related revenue based on customers purchasing postage or printing shipping labels; (4) we may earn compensation by offering customers a discounted postage rate that is provided to the customers by our integration partners; and (5) we may earn other types of revenue shares or other compensation from specific customers or integration partners.

Customers may purchase postage and other delivery services from the USPS and other carriers through our mailing and shipping solutions. When funds are transferred directly from customers to the carrier, these funds are not recognized as revenue. We also provide mailing and shipping services for which the cost of postage or delivery is included in the cost of the service and, therefore, is recognized as service revenue.

Product revenue consists of products sold through the mailing and shipping supplies stores which are available to our customers from within some of our mailing and shipping solutions. Products sold include shipping labels, mailing labels, dedicated postage printers, scales, and other mailing and shipping-focused office supplies. We recognize product revenue on product purchases upon delivery of the order to the customer.

We provide our customers with the opportunity to purchase parcel insurance directly through our solutions. Insurance revenue represents the gross amount charged to the customer for purchasing insurance and the related cost represents the amount paid to our insurance providers. We recognize insurance revenue on insurance purchases upon the ship date of the insured package.

Customized postage revenue, which includes the face value of postage, from the sale of customized postage sheets and rolls is recognized upon transfer of control of the product to the customer, which occurs upon our delivery to the carrier.

On a limited basis, we allow third parties to offer products and promotions to our customer base. These arrangements generally provide payment in the form of a flat fee or revenue sharing arrangements where we receive payment upon customers accessing third party products and services. Total revenue from such advertising arrangements was not significant during the nine months ended September 30, 2018 or 2017, respectively.

Segment Information

We have organized our operations into two segments: Stamps.com and MetaPack. Please see *Note 10 - "Segment and Geographical Information"* in our Notes to Consolidated Financial Statements for further description.

Short-Term Financing Obligations

We utilize short-term financing, which is separate from our debt, to fund certain Company operations. Short-term financing obligations are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. As of September 30, 2018, we had $17.9 million in short-term financing obligations and $87.6 million of unused credit. As of December 31, 2017, we had $17.2 million in short-term financing obligations and $103.4 million of unused credit.

Stock-Based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

We account for forfeitures as they occur. Prior to the adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* in 2017, share-based compensation expense was recorded net of estimated forfeitures, which were based on historical forfeitures and adjusted to reflect changes in facts and circumstances, if any.

We use the Black-Scholes-Merton option valuation model to estimate the fair value of share-based payment awards on the date of grant, which requires us to use a number of estimates and subjective assumptions, including stock price volatility, expected term, risk-free interest rates, and projected employee stock option exercise behaviors. In the case of options we grant, our assumption of expected volatility is based on the historical volatility of our stock price over the term equal to the expected life of the options. We base the risk-free interest rate on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life of the options assumed at the date of grant. The estimated expected life represents the weighted average period the stock options are expected to remain outstanding, determined based on an analysis of historical exercise behavior.

Trademarks, Trade Names, and Other Intangible Assets (excluding Goodwill)

Acquired trademarks, trade names, and other intangibles (excluding goodwill) include both amortizable and non-amortizable assets and are included in intangible assets, net in the accompanying consolidated balance sheets. Intangible assets are carried at cost less accumulated amortization. Cost associated with internally developed intangible assets is typically expensed as incurred as research and development costs. Amortization of amortizable intangible assets is calculated on a straight-line basis, which is consistent with the expected future cash flows.

Treasury Stock

During the nine months ended September 30, 2018 and September 30, 2017, we repurchased approximately 223,000 shares and 818,000 shares for $48.3 million and $103.1 million, respectively. Also, in the first quarter of 2018 and the first quarter of 2017, we withheld 21,076 and 6,670 of shares, respectively, to satisfy income tax obligations related to performance-based inducement equity awards issued to the General Manager and the then Chief Technology Officer of ShippingEasy as described in *Note 2 - "Acquisitions."*

STAMPS.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Accounting Guidance Adopted in 2018

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, guidance that changes the definition of a business for accounting purposes. Under the new guidance, an entity first determines whether substantially all of the fair value of a set of assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of assets is not deemed to be a business. If this threshold is not met, the entity then evaluates whether the set of assets meets the requirement to be deemed a business, which at minimum, requires there to be an input and a substantive process that together significantly contribute to the ability to create outputs. The guidance became effective on a prospective basis for the Company on January 1, 2018. The Company's adoption of the guidance on January 1, 2018 did not have a material impact on the Company’s consolidated financial statements.

Modification of Share-Based Payments

In May 2017, the FASB issued ASU 2017-09, guidance that clarifies when changes to the terms and conditions of share-based awards must be accounted for as modifications. The guidance does not change the accounting treatment for modifications. The guidance became effective for the Company on January 1, 2018 and was adopted on a prospective basis. The adoption of the guidance did not have a material impact on the Company’s consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, an updated standard on revenue recognition. This ASU superseded the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance. ASU 2014-09 provides enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using U.S. GAAP and International Financial Reporting Standards. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies may be required to use more judgment and make more estimates than under current authoritative guidance.

On January 1, 2018, the Company adopted the guidance under the modified retrospective method. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Accounting Guidance Not Yet Adopted

Disclosure Update and Simplification

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective for quarterly reporting for quarters which begin after November 5, 2018. The Company is in the process of evaluating the impact of the final rule on its consolidated financial statements.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, a standard which simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance will become effective on a prospective basis for the Company on January 1, 2020 and is not expected to have a material impact on the Company's consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, a new accounting standard for leases. The new standard generally requires the recognition of financing and operating lease liabilities and corresponding right-of-use assets on the balance sheet. For financing leases, a lessee recognizes amortization of the right-of-use asset as an operating expense over the lease term separately from interest on the lease liability. For operating leases, a lessee recognizes its total lease expense as an operating expense over the lease term. The amendments are effective for the Company in the first quarter of 2019 using a modified retrospective approach with early adoption permitted. Although the Company is in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, the Company currently believes the most significant change will be related to the recognition of right-of-use assets and lease liabilities on the Company's balance sheet for real estate operating leases.

2. Acquisitions

We have accounted for all of our acquisitions under the acquisition method of accounting in accordance with the provisions of FASB ASC Topic No. 805, *Business Combinations*.

MetaPack Acquisition

On August 15, 2018, we, through our wholly owned subsidiary Pacific Shelf 1855 Limited (Pacific Shelf), completed the acquisition of MetaPack Limited, a private limited company incorporated in England and Wales, pursuant to a share purchase agreement dated July 24, 2018, as amended (the “Agreement”), by and among the certain key sellers named in the Agreement (the “Key Sellers”), MetaPack, Pacific Shelf, and Stamps.com Inc. as Pacific Shelf’s guarantor. MetaPack provides multi-carrier enterprise-level solutions to many of the world’s preeminent e-commerce retailers and brands.

Pursuant to the Agreement and a related agreement to purchase Minority Shares (as defined below), Pacific Shelf acquired 100% of MetaPack’s issued and to be issued share capital by purchasing (i) all of the Key Sellers’ shares of MetaPack, representing approximately 80% of the total outstanding shares and (ii) all other issued and to be issued shares of MetaPack (Minority Shares), for a final adjusted purchase price, for all such shares, of approximately £171 million, or $217.7 million using the August 15, 2018 GBP to USD exchange rate. Total cash paid for the acquisition was funded from cash and investment balances.

Stamps.com granted inducement stock options for an aggregate of 320,250 shares of Stamps.com common stock to 72 new employees after completion of its acquisition of MetaPack. The stock options were granted as inducements material to the new employees entering into employment with Stamps.com, pursuant to the Stamps.com 2018 MetaPack Equity Inducement Plan, which was approved by Stamps.com's Compensation Committee. The awards were granted without stockholder approval in accordance with Nasdaq Listing Rule 5635(c)(4). Each option vests 25% on the one year anniversary of the grant date with the remaining 75% vesting in approximately equal monthly increments over the succeeding thirty-six months, provided that the option holder is still employed by Stamps.com or one of its subsidiaries on the vesting dates. The stock options have a ten year term and an exercise price equal to closing price of Stamps.com common stock on the grant date of August 15, 2018.

Under the acquisition method of accounting under ASC 805, the total purchase price of the acquired company is allocated to the assets acquired and the liabilities assumed based on their fair values. We have made significant estimates and assumptions in determining the preliminary allocation of the purchase price. The Company has made a preliminary allocation of the purchase price of MetaPack to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value. The preliminary allocation of the purchase price is based upon management's estimates and is subject to revision, as a more detailed analysis of intangible assets and tax and other liabilities is completed and additional information on the fair value of assets and liabilities becomes available. A change in the fair value of the net assets may change the amount of the purchase price allocable to goodwill, and could impact the amounts of amortization expense.

The purchase price of MetaPack has been allocated on a preliminary basis as follows to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value based on the August 15, 2018 GBP to USD exchange rate (in thousands, except years):

	Fair Value	Fair Value	Useful Life (In Years)	Weighted Average Estimated Useful Life (In Years)
Cash and cash equivalents	$ 9,186			
Trade accounts receivable	9,767			
Other current assets	3,259			
Property and equipment	1,179			
Goodwill	135,747			
Identifiable intangible assets:				
Trade names		$ 10,936	12	
Developed technology		40,691	16	
Customer relationships		49,211	16	
Total identifiable intangible assets	100,838			16
Accounts payable and accrued expenses	(13,450)			
Deferred revenue	(254)			
Revolving credit facility	(12,716)			
Deferred income tax liability	(15,094)			
Other liabilities	(776)			
Total purchase consideration	$ 217,686			

The fair value of the assets acquired and liabilities assumed were preliminarily determined using income, cost and market participant approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. The identified intangible assets consist of trade names, developed technology, and customer relationships. The estimated fair values of the trade names and developed technology were determined using the "relief from royalty" method. The estimated fair value of customer relationships was determined using the "excess earnings" method. The rate utilized to discount net cash flows to their present values was approximately 15% and was determined after consideration of the overall enterprise rate of return and the relative risk and importance of the assets to the generation of future cash flows. Intangible assets are being amortized on a straight-line basis over their estimated useful lives. Based on the September 30, 2018 exchange rate, we expect the amortization of acquired intangibles will be approximately $1.7 million per quarter for the remaining estimated useful lives.

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Deferred taxes were adjusted to record the deferred tax impact of acquisition accounting adjustments primarily related to intangible assets. The incremental deferred tax liabilities were calculated based on the tax effect of the step-up in book basis of the net assets of MetaPack, excluding the amount attributable to goodwill, using the estimated statutory tax rates.

Goodwill represents the excess of the consideration given over the sum of the fair values assigned to identifiable assets acquired less liabilities assumed in a business combination. The goodwill balance is primarily attributable to the expanded market opportunities for the Company internationally and MetaPack in the United States and the Company's ability to generate future technology. None of the goodwill recognized is expected to be deductible for income tax purposes. The goodwill recorded as part of this acquisition is included in the MetaPack segment (see *Note 6 - "Goodwill and Intangible Assets"* in our Notes to Consolidated Financial Statements).

Immediately following the acquisition, we repaid in full MetaPack's existing revolving credit facility balance of approximately $12.7 million.

We incurred approximately $2.5 million in transaction costs included in general and administrative expense and $1.0 million of nonrecurring foreign currency exchange loss directly related to the acquisition during the nine months ended September 30, 2018.

MetaPack revenues and net loss included in the Consolidated Statements of Operations for the three months ended September 30, 2018 are $5.2 million and $1.3 million, respectively.

Pro Forma Financial Information (unaudited)

The pro forma financial information presented is for illustrative purposes only and is not necessarily indicative of the results of operations that would have been realized if the acquisition had been completed on the date assumed, nor is it indicative of future operating results. The pro forma financial information does not include any adjustments for anticipated operating efficiencies or cost savings. The pro forma results include material adjustments related to (a) purchase accounting, primarily amortization of intangible assets, (b) share-based compensation expense for inducement awards issued to continuing employees of MetaPack, and (c) the elimination of nonrecurring expenses that were directly related to the transaction, including transaction costs, foreign currency exchange loss, and one-time bonuses and related tax payments.

The following table presents the pro forma financial information (in thousands, except per share amounts) and assumes the acquisition of MetaPack occurred on January 1, 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	$ 150,697	$ 125,715	$ 449,644	$ 367,295
Net income	33,432	43,918	122,341	101,009
Basic earnings per share	$ 1.84	$ 2.57	$ 6.82	$ 5.95
Diluted earnings per share	$ 1.76	$ 2.37	$ 6.50	$ 5.53

ShippingEasy Acquisition

On July 1, 2016, we completed our acquisition of ShippingEasy Group, Inc. (ShippingEasy). The net purchase price including adjustments for net working capital totaled approximately $55.4 million and was funded from current cash and investment balances.

In connection with the acquisition, we agreed to issue performance-based inducement equity awards to the General Manager and the then Chief Technology Officer of ShippingEasy. These inducement awards cover an aggregate of up to 87,134 common shares if earnings targets for ShippingEasy are achieved over a two and one-half year period which began July 1, 2016. The awards are subject to proration if at least 75% of the applicable target is achieved and are subject to forfeiture or acceleration based on changes in employment circumstances over the performance period.

In fiscal 2016, we determined the achievement of 100% of the earnings target for the six months ended December 31, 2016 was met, therefore, we recognized approximately $1.9 million of stock-based compensation expense, representing 21,783 shares, for these inducement equity awards during the six months ended December 31, 2016. The equity award for the first phase was issued in the first quarter of 2017 with 15,113 shares distributed and 6,670 shares withheld to satisfy income tax obligations. In fiscal 2017, we determined the achievement of 100% of the earnings target for the twelve months ended December 31, 2017 was met, therefore, we recognized approximately $4.9 million of stock-based compensation expense, representing 56,638 shares, for these inducement equity awards during the year ended December 31, 2017. The equity award for the second phase was issued in the first quarter of 2018 with 35,562 shares distributed and 21,076 shares withheld to satisfy income tax obligations. As of the third quarter of 2018, we estimated the achievement of the earnings target for the twelve months ended December 31, 2018 is probable. Stock-based compensation expense related to these inducement equity awards was not material during the three and nine months ended September 30, 2018.

We also issued inducement stock option grants for an aggregate of approximately 62,000 shares of Stamps.com common stock to 48 new employees in connection with our acquisition of ShippingEasy.

3. Commitments and Contingencies

Legal Proceedings

We are subject to various routine legal proceedings and claims incidental to our business, and we do not believe that these proceedings and claims would reasonably be expected to have a material adverse effect on our financial position, results of operations, or cash flows.

On February 8, 2018, a putative class action complaint was filed against us in a case entitled *Juan Lopez and Nicholas Dixon v. Stamps.com, Inc.*, Case No. 2:18-cv-01101, in the United States District Court for the Central District of California, Western Division, alleging wage and hour claims on behalf of our current and former “non-exempt” hourly call center employees. The complaint sought class certification, unspecified damages, unpaid wages, penalties, restitution, interest, and attorneys’ fees and costs. On July 24, 2018, we entered into a preliminary settlement that would resolve this matter for a non-material payment to be distributed to the participating class members. The court granted preliminary approval of the settlement and has scheduled a final approval hearing to be held on February 11, 2019, or on another date convenient to the court.

The Company had not accrued any material amounts related to any of the Company’s legal proceedings as of September 30, 2018 or December 31, 2017.

Although management at present believes that the ultimate outcome of the various routine proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings are subject to inherent uncertainties, and unfavorable rulings or other events could occur. An unfavorable outcome for an amount in excess of management's present expectations may result in a material adverse impact on our business, results of operations, financial position, and overall trends.

Commitments

The Company leases facilities pursuant to noncancelable operating lease agreements expiring through 2028. Rent expense is recognized on a straight-line basis over the lease term. Lease incentives are amortized over the lease term on a straight-line basis. Leasehold improvements are capitalized and amortized over the shorter of the useful life of the asset or the remaining term of the lease. Rent expense for the three and nine months ended September 30, 2018 was approximately $1.2 million and $3.0 million, respectively. Rent expense for the three and nine months ended September 30, 2017 was approximately $1.0 million and $2.8 million, respectively.

The following table is a schedule of our significant contractual obligations and commercial commitments (other than debt commitments), which consist of minimum operating lease payments as of September 30, 2018 (in thousands):

Twelve Month Period Ending September 30,	Operating Lease Obligations
2019	$ 5,217
2020	5,243
2021	4,906
2022	3,802
2023	3,461
Thereafter	4,634
Total	$ 27,263

4. Net Income per Share

The following table reconciles share amounts utilized to calculate basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	$ 33,413	$ 46,225	$ 125,981	$ 110,403
Basic - weighted average common shares	18,161	17,073	17,942	16,969
Diluted effect of common stock equivalents	885	1,475	880	1,313
Diluted - weighted average common shares	19,046	18,548	18,822	18,282
Earnings per share:				
Basic	1.84	2.71	7.02	6.51
Diluted	1.75	2.49	6.69	6.04

The calculation of dilutive shares excludes the effect of the following options that are considered anti-dilutive (in thousands):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Anti-dilutive stock options	143	30	102	24

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5. Stock-Based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and RSUs, to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award. Starting in the third quarter of fiscal 2016, our stock-based compensation expense included performance-based inducement equity awards relating to the ShippingEasy acquisition as described in *Note 2 - "Acquisitions."* Starting in the third quarter of fiscal 2018, our stock-based compensation expense included performance-based inducement equity awards relating to the MetaPack acquisition as described in *Note 2 - "Acquisitions."*

The following table sets forth the stock-based compensation expense that we recognized for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Stock-based compensation expense relating to:				
Stock options	$ 8,500	$ 11,065	$ 25,198	$ 32,923
Employee stock purchases	411	269	1,151	746
Total stock-based compensation expense	$ 8,911	$ 11,334	$ 26,349	$ 33,669
Stock-based compensation expense relating to:				
Cost of revenues	$ 785	$ 444	$ 1,998	$ 1,437
Sales and marketing	1,816	1,915	4,818	6,197
Research and development	2,001	2,337	5,593	7,054
General and administrative	4,309	6,638	13,940	18,981
Total stock-based compensation expense	$ 8,911	$ 11,334	$ 26,349	$ 33,669

The following are the weighted average assumptions used in the Black-Scholes-Merton option valuation model for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Expected dividend yield	—%	—%	—%	—%
Risk-free interest rate	2.7%	1.5%	2.5%	1.5%
Expected volatility	49.8%	47.9%	50.3%	46.9%
Expected life (in years)	3.3	3.3	3.3	3.4

6. Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of consideration given over the fair value of the tangible assets, identifiable intangible assets and liabilities assumed in business combinations.

The following table summarizes goodwill as of December 31, 2017 and September 30, 2018 (in thousands):

	Stamps.com Segment	MetaPack Segment	Total
Goodwill balance at December 31, 2017	$ 239,705	$ —	$ 239,705
Acquisition of MetaPack (see *Note 2 - "Acquisitions"*)	—	135,747	135,747
Foreign currency translation	—	3,353	3,353
Goodwill balance at September 30, 2018	$ 239,705	$ 139,100	$ 378,805

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We have amortizable and non-amortizable intangible assets consisting of trademarks, trade names, developed technology, non-compete agreements, customer relationships, and other. The gross carrying amount of amortizable and non-amortizable intangible assets was $229.0 million at September 30, 2018 and $125.4 million at December 31, 2017. Non-amortizable assets of $11.4 million as of both September 30, 2018 and December 31, 2017 consist primarily of the trade name relating to the Endicia acquisition.

The following table summarizes our amortizable intangible assets as of September 30, 2018 (in thousands, except years):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining weighted average amortization period (years)
Patents and Others	$ 8,889	$ 8,854	$ 35	0.7
Customer Relationships	111,373	30,043	81,330	8.9
Technology	81,853	15,520	66,333	10.6
Non-Compete	2,211	1,611	600	2.7
Trademarks and Trade Names	13,249	1,120	12,129	11.1
Total amortizable intangible assets at September 30, 2018	$ 217,575	$ 57,148	$ 160,427	9.7

The following table summarizes our amortizable intangible assets as of December 31, 2017 (in thousands, except years):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining weighted average amortization period (years)
Patents and Others	$ 8,889	$ 8,820	$ 69	1.5
Customer Relationships	60,816	22,170	38,646	3.9
Technology	40,048	11,297	28,751	5.9
Non-Compete	2,211	1,280	931	2.0
Trademark	2,004	800	1,204	4.6
Total amortizable intangible assets at December 31, 2017	$ 113,968	$ 44,367	$ 69,601	4.6

We recorded amortization of intangible assets totaling approximately $4.8 million and $12.8 million for the three and nine months ended September 30, 2018, respectively. We recorded amortization of intangible assets totaling approximately $4.0 million and$12.0 million for the three and nine months ended September 30, 2017, respectively. Amortization of intangible assets is included in general and administrative expense in the accompanying consolidated statements of income.

Our estimated amortization expense for the next five years and thereafter is as follows (in thousands):

Twelve Month Period Ending September 30,	Estimated Amortization Expense
2019	$ 22,314
2020	22,236
2021	21,113
2022	12,190
2023	9,754
Thereafter	72,820
Total	$ 160,427

7. Income Taxes

Our income tax expense was $9.3 million and $11.7 million for the three and nine months ended September 30, 2018, respectively. The income tax expense for the three and nine months ended September 30, 2018 was primarily due to (a) our pre-tax income multiplied by an estimated annual effective tax rate and (b) discrete tax benefits related to the exercises of stock awards of approximately $1.6 million and $22.5 million, respectively. Our income tax benefit was $11.4 million and $0.9 million for the three and nine months ended September 30, 2017, respectively. The income tax benefit for the three and nine months ended September 30, 2017 was primarily due to (a) our pre-tax income multiplied by an estimated annual effective tax rate and (b) discrete tax benefits related to the exercises of stock awards of approximately $23.5 million and $41.8 million, respectively.

Our effective income tax rate differs from the statutory income tax rate primarily as a result of permanent tax adjustments for tax benefits from exercises of stock awards and research and development tax credits, as well as nondeductible items and state taxes. As of September 30, 2018 and December 31, 2017, we have recorded a valuation allowance of $654,000 and $410,000 against certain state research and development credits for which we believe it is more likely than not that these deferred tax assets will not be realized. We also have recorded a valuation allowance against the activity of certain foreign jurisdictions.

We recorded provisional amounts as of December 31, 2017 related to certain income tax effects of the Tax Cuts and Jobs Act enacted December 22, 2017 under guidance set forth in Staff Accounting Bulletin No. 118 (SAB 118). These amounts have not been adjusted as of September 30, 2018, and we will continue to monitor any changes to the provisional amounts during the measurement period or until the accounting is complete. Any subsequent adjustment to these amounts will be recorded to current tax expense in the fourth quarter of 2018 when the analysis is complete.

8. Fair Value Measurements

Financial assets measured at fair value on a recurring basis are classified in one of the three categories described below:

Level 1 - Valuations based on unadjusted quoted prices for identical assets in an active market

Level 2 - Valuations based on quoted prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets

Level 3 - Valuations based on inputs that are unobservable and involve management judgment and our own assumptions about market participants and pricing

The following tables summarize our financial assets measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017 (in thousands):

Description	September 30, 2018	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 78,264	$ 78,264	—	—
Total	$ 78,264	$ 78,264	—	—

Description	December 31, 2017	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 153,903	$ 153,903	—	—
Total	$ 153,903	$ 153,903	$ —	—

9. Cash and Cash Equivalents

Our cash equivalents consisted of money market funds at September 30, 2018 and December 31, 2017. We consider all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. At September 30, 2018 and December 31, 2017, we had no material investments.

The following tables summarize our cash and cash equivalents as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$ 71,662	—	—	$ 71,662
Money market	6,602	—	—	6,602
Cash and cash equivalents	$ 78,264	—	—	$ 78,264

	December 31, 2017			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$ 147,386	—	—	$ 147,386
Money market	6,517	—	—	6,517
Cash and cash equivalents	$ 153,903	—	—	$ 153,903

10. Segment Information and Geographic Data

Segment Information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker (CODM) for purposes of allocating resources and evaluating financial performance. The Company's Chairman and Chief Executive Officer has been identified as the CODM as defined by guidance regarding segment disclosures.

The Company’s reportable segments have been determined based on the distinct nature of their operations and customer bases, and the financial information that is evaluated regularly by the CODM. Following the MetaPack acquisition (see Note 2), the Company has added a new segment for the MetaPack business. Previously, the Company had a single reportable segment.

The Stamps.com segment derives revenue from external customers from offering postage online and shipping software solutions offered to consumers, small businesses, e-commerce shippers, enterprise mailers, and high volume shippers. The Stamps.com reportable segment includes the results of brand names Stamps.com, Endicia, ShipStation, ShipWorks and ShippingEasy. Stamps.com's customers are primarily located in the US.

The MetaPack segment consists of the operations of MetaPack which derives revenues from external customers from offering multi-carrier enterprise-level shipping software solutions to large e-commerce retailers and brands. MetaPack's customers are primarily located outside the US.

Revenues, cost of revenues, and operating expenses are generally directly attributed to our segments. Inter-segment revenues are not presented separately, as these amounts are immaterial. Our CODM does not evaluate operating segments using asset information.

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Information about segments during the periods presented were as follows (in thousands, unaudited):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Segment revenues				
Stamps.com	$ 138,270	$ 115,062	$ 411,462	$ 336,242
MetaPack	5,237	—	5,237	—
Total revenues	$ 143,507	$ 115,062	$ 416,699	$ 336,242
Segment income (loss) from operations				
Stamps.com	$ 45,593	$ 35,660	$ 141,663	$ 112,000
MetaPack	(1,301)	—	(1,301)	—
Total income from operations	$ 44,292	$ 35,660	$ 140,362	$ 112,000
Company's total segment income from operations	$ 44,292	$ 35,660	$ 140,362	$ 112,000
Foreign currency exchange loss, net	(957)	—	(957)	—
Interest expense	(668)	(967)	(1,908)	(2,779)
Interest income and other income, net	83	120	175	309
Income before income taxes	$ 42,750	$ 34,813	$ 137,672	$ 109,530

Geographic Data

No sales to an individual customer or country other than the US accounted for more than 10% of revenue for the three or nine months ended September 30, 2018 or 2017. The following table presents our revenues by geography, based on the billing addresses of our customers (in thousands, unaudited):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues				
United States	$ 137,853	$ 115,062	$ 409,853	$ 336,242
International	5,654	—	6,846	—
Total revenues	$ 143,507	$ 115,062	$ 416,699	$ 336,242

11. Subsequent Events

We are not aware of any material subsequent events or transactions that have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "projects," "seeks," "intends," "plans," "could," "would," "may" or other similar expressions in this Report. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this Report that are not historical facts are also forward-looking statements.

We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. We caution investors that any forward-looking statements presented in this Report, or that we may make orally or in writing from time to time, are based on beliefs and assumptions made by us and information available to us at the time made. Such statements are based on assumptions, and the actual outcome will be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance, and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on forward-looking statements to anticipate future results or trends.

Please refer to the risk factors under "Item 1A. Risk Factors" of our Form 10-K for the year ended December 31, 2017 and those described under Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, as well as those described elsewhere in this Report and in our other public filings. The risks included are not exhaustive, and additional factors could adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

Our trade names and registered trademarks include Stamps.com, Endicia, MetaPack, ShipStation, Auctane, ShipWorks, ShippingEasy, NetStamps, PhotoStamps, and the Stamps.com logo. This Report also references trade names and trademarks of other entities. References in this Report to "we" "us" "our" or "Company" are references to Stamps.com Inc. and its subsidiaries.

Overview

Stamps.com® is a leading provider of Internet-based mailing and shipping solutions in the United States and Europe. Under the Stamps.com and Endicia® brands, customers use our USPS only solutions to mail and ship a variety of mail pieces and packages through the USPS. Customers using our solutions receive discounted postage rates compared to USPS.com and USPS retail locations on certain mail pieces such as First Class letters and domestic and international Priority Mail® and Priority Mail Express® packages. Stamps.com was the first ever USPS-approved PC Postage vendor to offer a software only mailing and shipping solution in 1999. Endicia became a USPS-approved PC Postage vendor in 2000. Under the MetaPack, ShipStation®, ShipWorks®, and ShippingEasy® brands, customers use our multi-carrier solutions to ship packages through multiple carriers such as the USPS, UPS, FedEx, and others. Our customers include individuals, small businesses, home offices, medium-size businesses, large enterprises, e-commerce merchants, and warehouse shippers.

Mailing and Shipping Business References

When we refer to our "mailing and shipping business," we are referring to our mailing and shipping products and services including our USPS and multi-carrier mailing and shipping solutions, mailing and shipping integrations, mailing and shipping supplies stores, and branded insurance offerings. We do not include our customized postage business when we refer to our mailing and shipping business. When we refer to our "mailing and shipping revenue," we are referring to our service, product, and insurance revenue generated by our mailing and shipping customers. We do not include our customized postage revenue generated by our customized postage business in our "mailing and shipping revenue."

Services and Products

Mailing and Shipping Business

We offer the following mailing and shipping products and services to our customers under the Stamps.com, Endicia, MetaPack, ShipStation, ShipWorks, and ShippingEasy brands:

USPS Mailing and Shipping Solutions

Under the Stamps.com and Endicia brands, customers use our USPS-approved mailing and shipping solutions to mail and ship a variety of mail pieces and packages through the USPS. Customers can purchase and print postage 24 hours a day, seven days a week, through our software or web interfaces. Typically, customers fund an account balance prior to using our service.

Our USPS mailing and shipping solutions enable users to print "electronic postage" directly onto envelopes, plain paper, or labels using only a standard personal computer, printer, and Internet connection. Our solutions support a variety of USPS mail classes including First Class Mail®, Priority Mail, Priority Mail Express, Media Mail®, Parcel Select®, and others. Customers can also add USPS Special Services to their mail pieces, such as USPS Tracking®, Signature Confirmation™, Registered Mail®, Certified Mail®, Insured Mail, Return Receipt, Collect on Delivery, and Restricted Delivery. Our customers can print postage (1) on NetStamps® or DYMO Stamps® labels, which can be used just like regular stamps, (2) on envelopes and postcards or on labels in a single step process that saves time and provides a professional look, (3) on plain 8.5" x 11" paper or on special labels for packages, and (4) on integrated customs forms for international mail and packages.

Our mailing and shipping solutions incorporate address verification technology that verifies each destination address for mail or packages sent using our solutions against a database of all known addresses in the United States. Our mailing and shipping solutions are also integrated with common small business and productivity software applications such as word processing, contact and address management, and accounting and financial applications. Our shipping solutions feature integrations with hundreds of partners and carriers including popular shipping management products, shopping carts, online marketplaces, and other e-commerce solutions.

We target different customer categories with service plans that provide various features and capabilities. We target smaller offices, home offices, and smaller online sellers that need a more basic set of mailing and shipping features. We target larger enterprises that need a richer set of mailing capabilities such as multiple-user functionality, automated Certified Mail forms, additional reference codes and higher allowable postage balances. We target shippers such as e-commerce merchants, online retailers, fulfillment houses, warehouses, and large retailers that need shipping specific features such as direct integration into the customer's order databases, faster label printing speed, and the ability to customize and save shipping profiles. We target large corporations with multiple geographic locations that need enhanced reporting and the ability for a central location, such as a corporate headquarters, to have greater visibility and control over postage expenditures across their distributed network of locations. We target large volume mailers that need features designed for presort mail, Certified Mail, and bulk address updating.

Customers typically pay us a monthly subscription fee which varies depending on their service plan. In certain circumstances, customers may be on a plan where they do not owe us any monthly service fees. Under certain plans or arrangements, customers or integration partners pay a fee per transaction for shipping labels printed. We have arrangements with the USPS where we are compensated directly if a customer or integration partner prints certain classes and amounts of domestic or international USPS shipping labels. We may waive or refund our service fees for these or other customers. In addition, we also have service plans with lower monthly subscription fees which offer more limited functionality and are targeted at retaining customers who print a lower volume of postage. We offer service plans where customers are not charged a monthly fee but instead purchase labels for use as needed. We also offer high volume mailing products for an annual fee. We also earn compensation by offering customers a discounted postage rate that is provided to the customers by our integration partners, and we may earn other types of revenue share or other compensation from specific customers or partners.

Multi-Carrier Shipping Solutions

We offer multi-carrier shipping solutions through our MetaPack, ShipStation, ShipWorks, and ShippingEasy brands. MetaPack, ShipStation, ShipWorks, and ShippingEasy offer leading multi-carrier solutions for shippers including e-commerce merchants, online retailers, warehouses, fulfillment houses, large retailers, and other types of shippers that use multiple carriers such as the USPS, FedEx, UPS, DHL, Canada Post, Royal Mail, and many others.

MetaPack, which we acquired on August 15, 2018, provides multi-carrier enterprise-level solutions to many of the world’s preeminent e-commerce retailers and brands. MetaPack provides its customers access to a carrier library with support for over 450 parcel carriers. MetaPack's platform also provides sophisticated solutions including carrier management, a carrier optimization engine, a track and trace system, a parcel returns system, a delivery analysis and carrier SLA monitoring system, a sophisticated cross-border solution, and a system that provides dynamic delivery options right in the shopping cart. From a single integration, Metapack’s customers are able to offer delivery choice and convenience in all major e-commerce markets around the world. Metapack’s software also improves its customers’ shopping cart order conversion rates and order delivery satisfaction ratings.

ShippingEasy, which we acquired on July 1, 2016, offers web-based multi-carrier shipping solutions that allow online retailers and e-commerce merchants to organize, process, fulfill, and ship their orders quickly and easily. ShippingEasy's solutions feature over 50 integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms, allowing its customers to import and export fulfillment and tracking data in real time across all of their selling channels. ShippingEasy's solutions download orders from all selling channels and automatically map custom shipping preferences, rates, and delivery options across all of its supported carriers. ShippingEasy's easy-to-use solutions also include complimentary access to ShippingEasy customer service shipping specialists helping merchants to streamline workflow and save on shipping costs.

ShipWorks, which we acquired on August 29, 2014, offers software-based multi-carrier shipping solutions that target e-commerce merchants, online retailers, fulfillment houses, and warehouses. ShipWorks offers simple, powerful, and easy to use solutions for shippers. ShipWorks' solutions feature over 100 integrations with partners and carriers, including marketplaces, shopping carts and e-commerce platforms. ShipWorks offers multi-carrier shipping options and features including importing orders from any marketplace or shopping cart, easily comparing shipping rates and services, sending email notifications to buyers, updating online order status, generating reports, and many more.

ShipStation, which we acquired on June 10, 2014, offers web-based multi-carrier shipping solutions under the brand names ShipStation and Auctane® that target e-commerce merchants, online retailers, fulfillment houses, and warehouses. ShipStation's solutions feature over 200 integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms. ShipStation offers multi-carrier shipping options and automation features like custom hierarchical rules and product profiles that allow customers to easily and automatically optimize their shipping. Using ShipStation, an online retailer or e-commerce merchant can ship their orders from wherever they sell and however they ship.

Mailing and Shipping Integrations

As part of our mailing and shipping services, we offer back-end integration solutions where we provide the electronic postage for transactions to partners who manage the front-end users. Our solutions integrate directly into the most popular e-commerce platforms, allowing web store managers to completely automate their order fulfillment process by processing, managing, and shipping orders from virtually any e-commerce source through a single interface without manual data entry. Managers can retrieve order data and print complete shipping labels for all types of packages.

We have integration partnerships with the USPS where we provide electronic postage for mailing and shipping transactions generated by certain USPS-branded programs. For example, we provide the electronic postage for Click-N-Ship®, a web-based service available at USPS.com that allows USPS customers to purchase and print shipping labels for certain domestic and international mail classes or packages at no additional mark-up over the cost of postage.

In addition, MetaPack, ShipStation, ShipWorks, and ShippingEasy have hundreds of integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms as part of their multi-carrier shipping solutions. Integrations with partners include Amazon, eBay, PayPal, Shopify, BigCommerce, Magento, Volusion, ChannelAdvisor, Yahoo! Stores, and many others. Carrier integrations include USPS, FedEx, UPS, DHL, Canada Post, Royal Mail, and many others.

Mailing & Shipping Supplies Stores

Stamps.com and Endicia's mailing & shipping supplies stores (our "Supplies Stores") are available to our customers from within our mailing and shipping solutions and sell NetStamps labels, DYMO Stamp labels, shipping labels, other mailing labels, dedicated postage printers, scales, and other mailing and shipping-focused office supplies. Our Supplies Stores feature store catalogs, messaging regarding free or discounted shipping promotions, cross-selling product recommendations during the checkout process, product search capabilities, and same-day shipping of orders with expedited shipping options. Our multi-carrier solutions do not have mailing and shipping supplies stores as part of their solutions.

Branded Insurance

We offer branded insurance for USPS packages to our customers so that they may insure their mail or packages in a fully integrated, online process that eliminates any trips to the post office or the need to complete any special forms. Our branded insurance is offered by certain brands including Stamps.com, Endicia, ShipStation, ShipWorks, and ShippingEasy as part of their USPS and multi-carrier solutions. Our branded insurance is provided by our insurance providers.

International

We offer International postage solutions for both our US domestic customers shipping to destinations outside the US and, primarily through our subsidiaries, postage solutions for customers outside the US directly from international posts. Some of our international carriers include the French Post, Royal Mail, Canada Post, and Australia Post.

Customized Postage

We offer customized postage under the PhotoStamps® brand name. Customized postage is a patented form of postage that allows consumers to turn digital photos, designs or images into valid USPS-approved postage. With these products, individuals or businesses can create customized USPS-approved postage using pictures of their children, pets, vacations, celebrations, business logos, and more. Customized postage can be used as regular postage to send letters, postcards or packages. PhotoStamps are available from our www.photostamps.com website.

Acquisitions

MetaPack

On August 15, 2018, we, through our wholly owned subsidiary Pacific Shelf 1855 Limited, completed the acquisition of MetaPack Limited for a final adjusted purchase price of approximately £171 million, or $217.7 million using the August 15, 2018 GBP to USD exchange rate. The purchase price was funded from cash and investment balances.

Stamps.com granted inducement stock options for an aggregate of 320,250 shares of Stamps.com common stock to 72 new employees after completion of its acquisition of MetaPack.

Please see *Note 2 - "Acquisitions"* in our Notes to Consolidated Financial Statements for further description.

ShippingEasy

On July 1, 2016, we completed our acquisition of ShippingEasy. The net purchase price including adjustments for net working capital totaled approximately $55.4 million and was funded from current cash and investment balances.

In connection with the acquisition, we issued performance based inducement equity awards to the General Manager and the then Chief Technology Officer of ShippingEasy. These inducement awards cover an aggregate of up to 87,134 common shares if earnings targets for ShippingEasy are achieved over a two and one-half year period which began July 1, 2016. The awards are subject to proration if at least 75% of the applicable target is achieved and are subject to forfeiture or acceleration based on changes in employment circumstances over the performance period.

We also issued inducement stock option grants for an aggregate of 62,000 shares of Stamps.com common stock to 48 new employees in connection with our acquisition of ShippingEasy.

Please see *Note 2 - "Acquisitions"* in our Notes to Consolidated Financial Statements for further description.

Results of Operations

The results of our operations during the three and nine months ended September 30, 2018 include MetaPack's operations beginning on the August 15, 2018 acquisition date. The results of our operations during the three and nine months ended September 30, 2017 do not include the operations of MetaPack. *Please see Note 2 – "Acquisitions"* in our Notes to Consolidated Financial Statements for further description. Accordingly, care should be used in comparing periods that include the operations of MetaPack with those that do not include such operations.

Three and Nine Months Ended September 30, 2018 and 2017

Total revenue increased 25% to $143.5 million in the three months ended September 30, 2018 from $115.1 million in the three months ended September 30, 2017. Total revenue increased 24% to $416.7 million in the nine months ended September 30, 2018 from $336.2 million in the nine months ended September 30, 2017. Mailing and shipping revenue, which includes service revenue, product revenue, and insurance revenue, was $136.5 million in the three months ended September 30, 2018, an increase of 28% from $106.5 million in the three months ended September 30, 2017. Mailing and shipping revenue was $401.9 million in the nine months ended September 30, 2018, an increase of 25% from $320.9 million in the nine months ended September 30, 2017. Customized postage revenue decreased 19% to $7.0 million in the three months ended September 30, 2018 from $8.6 million in the three months ended September 30, 2017. Customized postage revenue decreased 4% to $14.8 million in the nine months ended September 30, 2018 from $15.3 million in the nine months ended September 30, 2017.

The following table sets forth the breakdown of revenue for the three and nine months ended September 30, 2018 and 2017 and the resulting percentage change (revenue in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Revenues						
Service	$ 127,810	$ 97,529	31.0 %	$ 373,932	$ 292,634	27.8 %
Product	4,705	4,824	(2.5)%	15,276	15,301	(0.2)%
Insurance	4,023	4,099	(1.9)%	12,684	12,932	(1.9)%
Mailing and shipping revenue	136,538	106,452	28.3 %	401,892	320,867	25.3 %
Customized postage	6,957	8,588	(19.0)%	14,755	15,306	(3.6)%
Other	12	22	(45.5)%	52	69	(24.6)%
Total revenues	$ 143,507	$ 115,062	24.7 %	$ 416,699	$ 336,242	23.9 %

We define "paid customers" for the quarter as ones from whom we successfully collected service fees or otherwise earned revenue at least once during that quarter, and we define average monthly revenue per paid customer (ARPU) as one-third of quarterly mailing and shipping revenue divided by paid customers. We define lost paid customers (Lost Paid Customers) as customers from whom we successfully collected service fees or otherwise earned revenue at least once during the previous quarter but not during the current quarter, less recaptured paid customers. We define monthly paid customer cancellation rate (Monthly Churn) as a fraction, the numerator of which is the quotient of Lost Paid Customers in a quarter divided by the sum of paid customers in the prior quarter and new paid customers in the current quarter, and the denominator of which is three months.

The following table sets forth the number of paid customers in the period for our mailing and shipping business (in thousands):

Year	First Quarter	Second Quarter	Third Quarter
2018	740	737	732
2017	722	738	736

The following table sets forth the change in paid customers and average monthly revenue per paid customer for our mailing and shipping business (in thousands except average monthly revenue per paid customer and percentage):

	Three months ended September 30,		
	2018	2017	% Change
Paid customers for the quarter	732	736	(0.5)%
Average monthly revenue per paid customer	$ 62.14	$ 48.23	28.8 %
Mailing and shipping revenue	$ 136,538	$ 106,452	28.3 %

The number of paid customers was approximately flat in the three months ended September 30, 2018 and 2017 primarily as a result of our strategic shift to focusing on the acquisition of high-volume shipper customers, which are numerically fewer, but generally have a much higher lifetime value.

The increase in our average monthly revenue per paid customer was primarily the result of the growth in our shipping business where we have the ability to better monetize postage volume as compared to monthly flat rate subscription fees, growth in international service offerings to our domestic customers, and revenues from our acquisition of MetaPack.

Revenue by Product

The following table shows our components of revenue and their respective percentages of total revenue for the periods indicated (in thousands except percentage):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Service	$ 127,810	$ 97,529	$ 373,932	$ 292,634
Product	4,705	4,824	15,276	15,301
Insurance	4,023	4,099	12,684	12,932
Customized postage	6,957	8,588	14,755	15,306
Other	12	22	52	69
Total revenues	$ 143,507	$ 115,062	$ 416,699	$ 336,242
Revenue as a percentage of total revenues				
Service	89.1%	84.8%	89.7%	87.0%
Product	3.3%	4.2%	3.7%	4.6%
Insurance	2.8%	3.5%	3.1%	3.8%
Customized postage	4.8%	7.5%	3.5%	4.6%
Other	0.0%	0.0%	0.0%	0.0%
Total revenue	100.0%	100.0%	100.0%	100.0%

Our revenue is derived primarily from five sources: (1) service and transaction related revenues from our USPS mailing and shipping services, our multi-carrier shipping services and our mailing and shipping integrations; (2) product revenue from the direct sale of consumables and supplies through our Supplies Stores; (3) package insurance revenue from our branded insurance offerings; (4) customized postage revenue from the sale of customized postage labels; and (5) other revenue, consisting of advertising revenue derived from advertising programs with our existing customers.

We earn service revenue from our mailing and shipping operations in several different ways: (1) customers may pay us a monthly fee based on a subscription plan which may be waived or refunded for certain customers; (2) we may be compensated directly by the USPS for certain qualifying customers under our USPS partnership; (3) we may earn transaction related revenue based on customers purchasing postage or printing shipping labels; (4) we may earn compensation by offering customers a discounted postage rate that is provided to the customers by our integration partners; and (5) we may earn other types of revenue shares or other compensation from specific customers or integration partners.

Service revenue increased 31% to $127.8 million in the three months ended September 30, 2018 from $97.5 million in the three months ended September 30, 2017. Service revenue increased 28% to $373.9 million in the nine months ended September 30, 2018 from $292.6 million in the nine months ended September 30, 2017. The increase in service revenue during the three months ended September 30, 2018 was driven by a 32% increase in our average service revenue per paid customer (Service Revenue ARPU), partially offset by a 0.5% decrease in paid customers.

The increase in our Service Revenue ARPU during the three months ended September 30, 2018 was primarily attributable to the factors that resulted in an increase in the average total mailing and shipping revenue per paid customer described in the previous section.

Product revenue decreased 2% to $4.7 million in the three months ended September 30, 2018 from $4.8 million in the three months ended September 30, 2017. Product revenue was $15.3 million in both the nine months ended September 30, 2018 and the nine months ended September 30, 2017. Product revenue is primarily driven by labels, such as NetStamps and DYMO Stamps, which are used for mailing. As our growth in postage has been driven more by shipping than mailing over the recent years, our product revenue has not kept pace with our growth in total revenue.

Insurance revenue decreased 2% to $4.0 million in the three months ended September 30, 2018 from $4.1 million in the three months ended September 30, 2017. Insurance revenue decreased 2% to $12.7 million in the nine months ended September 30, 2018 from $12.9 million in the nine months ended September 30, 2017. Our insurance revenue decreased year over year despite the growth in service revenue related to high volume shipper customers. High volume shipper customers often self-insure, so while the high volume shipping business results in higher service fee revenue, it may not result in higher insurance revenue.

Customized postage revenue decreased 19% to $7.0 million in the three months ended September 30, 2018 from $8.6 million in the three months ended September 30, 2017. Customized postage revenue decreased 4% to $14.8 million in the nine months ended September 30, 2018 from $15.3 million in the nine months ended September 30, 2017. The decrease was primarily attributable to decreases in high volume customer orders. High volume order sales are unpredictable and vary from quarter to quarter.

Cost of Revenue

The following table shows cost of revenues and cost of revenues as a percentage of associated revenue for the periods indicated (in thousands except percentage):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cost of revenues				
Service	25,102	11,882	68,361	37,284
Product	1,383	1,535	4,614	4,930
Insurance	933	966	2,945	3,547
Customized postage	5,706	7,151	12,173	12,600
Total cost of revenues	$ 33,124	$ 21,534	$ 88,093	$ 58,361
Cost as percentage of associated revenue				
Service	19.6%	12.2%	18.3%	12.7%
Product	29.4%	31.8%	30.2%	32.2%
Insurance	23.2%	23.6%	23.2%	27.4%
Customized postage	82.0%	83.3%	82.5%	82.3%
Total cost as a percentage of total revenues	23.1%	18.7%	21.1%	17.4%

Cost of service revenue principally consists of the cost of customer service, certain promotional expenses, system operating costs, credit card processing fees, vendor costs and expenses, and customer misprints that do not qualify for reimbursement from the USPS. Cost of product revenue principally consists of the cost of products sold through our Supplies Stores and the related costs of shipping and handling. The cost of insurance revenue principally consists of parcel insurance offering costs through our third party insurance providers. Cost of customized postage revenue principally consists of the face value of postage, customer service, image review costs, and printing and fulfillment costs.

Cost of service revenue increased 111% to $25.1 million in the three months ended September 30, 2018 from $11.9 million in the three months ended September 30, 2017. Cost of service revenue increased 83% to $68.4 million in the nine months ended September 30, 2018 from $37.3 million in the nine months ended September 30, 2017. The increase during the three months ended September 30, 2018 was primarily attributable to (1) a $7.3 million increase in vendor costs and expenses in connection with services for which we include such costs and expenses both in revenue and in cost of service revenue; (2) higher system operating and customer service costs, which increased by $3.2 million, to support our growing business, (3) higher credit card processing fees, which increased by $1.7 million, directly related to our higher revenue; and (4) MetaPack cost of service revenue of $0.8 million. The increase during the nine months ended September 30, 2018 was primarily attributable to (1) an $18.7 million increase in vendor costs and expenses in connection with services for which we include such costs and expenses both in revenue and in cost of service revenue; (2) higher system operating and customer service costs, which increased by $6.1 million, to support our growing business; (3) higher credit card processing fees, which increased by $5.4 million, directly related to our higher revenue; and (4) MetaPack cost of service revenue of $0.8 million. Promotional expenses were not material in the three and nine months ended September 30, 2018 and 2017.

Cost of service revenue as a percent of service revenue increased to 20% in the three months ended September 30, 2018 from 12% in the three months ended September 30, 2017. Cost of service revenue as a percent of service revenue increased to 18% in the nine months ended September 30, 2018 from 13% in the nine months ended September 30, 2017. The increase is primarily attributable to the relative increase in service revenue from service offerings for which the vendor costs and expenses are included both in revenue and in cost of service revenue.

Cost of product revenue decreased 10% to $1.4 million in the three months ended September 30, 2018 from $1.5 million in the three months ended September 30, 2017. Cost of product revenue decreased 6% to $4.6 million in the nine months ended September 30, 2018 from $4.9 million in the nine months ended September 30, 2017. The decrease during the three and nine months ended September 30, 2018 was primarily attributable to lower costs of sale for NetStamps labels.

Cost of product revenue as a percent of product revenue decreased to 29% in the three months ended September 30, 2018 from 32% in the three months ended September 30, 2017. Cost of product revenue as a percent of product revenue decreased to 30% in the nine months ended September 30, 2018 from 32% in the nine months ended September 30, 2017. The decrease is primarily attributable to lower costs of sale for NetStamps labels.

Cost of insurance revenue decreased 3% to $0.9 million in the three months ended September 30, 2018 from $1.0 million in the three months ended September 30, 2017. Cost of insurance revenue decreased 17% to $2.9 million in the nine months ended September 30, 2018 from $3.5 million in the nine months ended September 30, 2017. The decrease was primarily attributable to lower cost as a result of a renegotiated contract.

Cost of insurance revenue as a percent of insurance revenue decreased to 23% in the three months ended September 30, 2018 from 24% in the three months ended September 30, 2017. Cost of insurance revenue as a percent of insurance revenue decreased to 23% in the nine months ended September 30, 2018 from 27% in the nine months ended September 30, 2017. The decrease was primarily attributable to lower cost as a result of a renegotiated contract.

Cost of customized postage revenue decreased 20% to $5.7 million in the three months ended September 30, 2018 from $7.2 million in the three months ended September 30, 2017. Cost of customized postage revenue decreased 3% to $12.2 million in the nine months ended September 30, 2018 from $12.6 million in the nine months ended September 30, 2017. The decrease in cost of customized postage revenue during the three and nine months ended September 30, 2018 is primarily due to the decrease in our customized postage volume.

Cost of customized postage revenue as a percent of customized postage revenue was 82% in the three months ended September 30, 2018 and 83% in the three months ended September 30, 2017. Cost of customized postage revenue as a percent of customized postage revenue was 83% in the nine months ended September 30, 2018 and 82% in the nine months ended September 30, 2017. The cost of customized postage revenue as a percentage of customized postage revenue was relatively stable year-over-year.

Operating Expenses

The following table outlines the components of our operating expense and their respective percentages of total revenues for the periods indicated (in thousands except percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating expenses:				
Sales and marketing	$ 26,743	$ 20,588	$ 78,280	$ 66,018
Research and development	14,432	12,037	38,845	34,187
General and administrative	24,916	25,243	71,119	65,676
Total operating expenses	$ 66,091	$ 57,868	$ 188,244	$ 165,881
Operating expenses as a percent of total revenues:				
Sales and marketing	18.6%	17.9%	18.8%	19.6%
Research and development	10.1%	10.5%	9.3%	10.2%
General and administrative	17.4%	21.9%	17.1%	19.5%
Total operating expenses as a percentage of total revenues	46.1%	50.3%	45.2%	49.3%

Sales and Marketing

Sales and marketing expense principally consists of spending to acquire new customers and compensation and related expenses for personnel engaged in sales, marketing, and business development activities. Our sales and marketing programs include direct sales, customer referral programs, customer re-marketing efforts, direct mail, online advertising, partnerships, telemarketing, and traditional advertising.

Sales and marketing expense increased 30% to $26.7 million in the three months ended September 30, 2018 from $20.6 million in the three months ended September 30, 2017. Sales and marketing expense increased 19% to $78.3 million in the nine months ended September 30, 2018 from $66.0 million in the nine months ended September 30, 2017. The increase during the three months ended September 30, 2018 was primarily attributable to an increase in discretionary and sales volume-based partner marketing spend of $3.9 million and a net increase in headcount-related expenses including stock-based compensation of $1.4 million. The increase during the nine months ended September 30, 2018 was primarily attributable to an increase in discretionary and sales volume-based partner marketing spend of $8.2 million and a net increase in headcount-related expenses including stock-based compensation of $2.4 million.

Sales and marketing expense as a percent of total revenue was 19% in the three months ended September 30, 2018 which was up compared to 18% in the three months ended September 30, 2017. Sales and marketing expense as a percent of total revenue was 19% in the nine months ended September 30, 2018 which was down compared to 20% in the nine months ended September 30, 2017. Sales and marketing expense as a percentage of total revenue was relatively stable year-over-year.

Research and Development

Research and development expense principally consists of compensation for personnel involved in the development of our services, depreciation of equipment and software, and expenditures for consulting services and third party software.

Research and development expense increased 20% to $14.4 million in the three months ended September 30, 2018 from $12.0 million in the three months ended September 30, 2017. Research and development expense increased 14% to $38.8 million in the nine months ended September 30, 2018 from $34.2 million in the nine months ended September 30, 2017. The increase during the three months ended September 30, 2018 was primarily attributable to a net increase in headcount-related expense including stock-based compensation of $1.3 million and a $0.7 million increase in information technology expenses. The increase during the nine months ended September 30, 2018 was primarily attributable to a net increase in headcount-related expense including stock-based compensation of $2.8 million and a $1.2 million increase in information technology expenses. The increases in headcount-related expenses were incurred to support our expanded product offerings and technology infrastructure investments and include headcount-related expenses for MetaPack employees.

Research and development expense as a percent of total revenue during both the three months ended September 30, 2018 and the three months ended September 30, 2017 was 10%. Research and development expense as a percent of total revenue during the nine months ended September 30, 2018 and 2017 was 9% and 10%, respectively.

General and Administrative

General and administrative expense principally consists of compensation and related costs for executive and administrative personnel; fees for legal and other professional services; depreciation of equipment, software, and building used for general corporate purposes; and amortization of intangible assets.

General and administrative expense decreased 1% to $24.9 million in the three months ended September 30, 2018 from $25.2 million in the three months ended September 30, 2017. General and administrative expense increased 8% to $71.1 million in the nine months ended September 30, 2018 from $65.7 million in the nine months ended September 30, 2017. The decrease during the three months ended September 30, 2018 was primarily attributable to $6.0 million of executive consulting expense recorded in the three months ended September 30, 2017 with no similar expense being recorded in the three months ended September 30, 2018 and a $1.4 million net decrease in headcount-related expense including stock-based compensation, partially offset by (a) an increase in indirect tax liabilities of $1.9 million, (b) $1.9 million of one-time insurance proceeds relating to a prior legal settlement recorded in the three months ended September 30, 2017, (c) professional service fees of $1.6 million related to corporate development activities, and (d) an increase in other professional expenses of $1.2 million. The increase during the nine months ended September 30, 2018 was primarily attributable to (a) an increase in indirect tax liabilities of $5.7 million, (b) professional service and settlement expenses of $3.1 million related to corporate development and litigation activities, (c) $1.9 million of one-time insurance proceeds relating to a prior legal settlement recorded in the three months ended September 30, 2017, (d) an increase in other professional expenses of $1.2 million, partially offset by (1) $6.0 million of executive consulting expense recorded in the three months ended September 30, 2017 with no similar expense being recorded in the nine months ended September 30, 2018 and (2) a $1.3 million net decrease in headcount-related expense including stock-based compensation.

General and administrative expense as a percent of total revenue was 17% in the three months ended September 30, 2018 and 22% in the three months ended September 30, 2017. General and administrative expense as a percent of total revenue was 17% in the nine months ended September 30, 2018 and 20% in the nine months ended September 30, 2017. The decrease is primarily attributable to the factors described in the previous paragraph.

Interest Income and Other Income

Interest and other income primarily consists of interest income from cash, cash equivalents, and short-term and long-term investments. Interest and other income decreased to $83,000 in the three months ended September 30, 2018 from $120,000 in the three months ended September 30, 2017. Interest and other income decreased to $175,000 in the nine months ended September 30, 2018 from $309,000 in the nine months ended September 30, 2017. Interest and other income is not material to the consolidated financial statements.

Interest Expense

Interest expense consists of interest expense from the debt under our credit facility and the associated accretion of debt issuance costs. Interest expense decreased to $668,000 in the three months ended September 30, 2018 from $967,000 in the three months ended September 30, 2017. Interest expense decreased to $1.9 million in the nine months ended September 30, 2018 from $2.8 million in the nine months ended September 30, 2017. The decreases in interest expense are primarily attributable to lower outstanding debt balances under our credit facility, partially offset by higher interest rates.

Provision for Income Taxes

Our income tax expense was $9.3 million and $11.7 million for the three and nine months ended September 30, 2018, respectively. Our income tax benefit was $11.4 million and $0.9 million for the three and nine months ended September 30, 2017, respectively.

Our effective income tax rate differs from the statutory income tax rate primarily as a result of permanent tax adjustments for tax benefits from exercises of stock awards and research and development tax credits, as well as nondeductible items and state taxes.

See *Note 7 — "Income Taxes"* in our Notes to Consolidated Financial Statements for further discussion.

Liquidity and Capital Resources

As of September 30, 2018 and December 31, 2017, we had $78.3 million and $153.9 million, respectively, primarily in cash and cash equivalents.

Net cash provided by operating activities was approximately $160.1 million and $149.0 million during the nine months ended September 30, 2018 and 2017, respectively. The increase in net cash provided by operating activities was primarily attributable to the (1) increase in net income of $15.6 million, (2) the decrease in other current assets of $14.8 million, (3) the increase in deferred income tax expense of $2.3 million, and (4) the increase in other liabilities of $2.2 million, partially offset by (a) the increase in accounts receivable of $15.3 million, (b) the decrease in stock-based compensation expense of $7.3 million, and (c) the decrease in accounts payable and accrued expenses of $2.2 million.

Net cash used in investing activities was approximately $210.1 million and $4.5 million during the nine months ended September 30, 2018 and 2017, respectively. The increase in net cash used in investing activities was primarily attributable to the acquisition of MetaPack for a purchase price of $208.5 million, net of cash acquired, partially offset by the $4.4 million decrease in acquisition of property and equipment primarily due to higher prior period capital expenditures.

Net cash used in financing activities was approximately $25.4 million and $68.0 million during the nine months ended September 30, 2018 and 2017, respectively. The decrease in net cash used in financing activities was primarily due to the $50.7 million decrease in stock repurchases, partially offset by (1) the $3.3 million increase in payments of statutory income tax withholding obligations that were funded by shares withheld, (2) the full repayment of MetaPack's existing revolving credit facility balance of approximately $12.7 million, which was higher than the Company's prior period optional repayment of debt of $10.0 million, and (3) the $2.4 million decrease in proceeds from stock option exercises.

The effect of exchange rate changes on cash and cash equivalents was approximately $(203,000) and $0 during the nine months ended September 30, 2018 and 2017, respectively.

The following table is a schedule of our significant contractual obligations and commercial commitments (other than debt commitments) as of September 30, 2018 (in thousands):

Twelve Month Period Ending September 30,	Operating Lease Obligations
2019	$ 5,217
2020	5,243
2021	4,906
2022	3,802
2023	3,461
Thereafter	4,634
Total	$ 27,263

On November 18, 2015, we entered into a Credit Agreement with a group of banks, which provided for a term loan of $82.5 million and a revolving credit facility with a maximum borrowing of $82.5 million. Our Credit Agreement matures on November 18, 2020. In connection with entering into the Credit Agreement, we incurred approximately $1.8 million in debt issuance costs which were recorded as debt discount and are being accreted as interest expense over the life of the Credit Agreement. Interest expense associated with the debt issuance costs for each of the three and nine months ended September 30, 2018 and 2017 was approximately $93,000 and $279,000, respectively. In December 2017, we repaid all of our revolving credit facility outstanding debt of $62.0 million.

Borrowings under the term loan are payable in quarterly installments which began on December 31, 2015. We pay interest on our Credit Agreement equal to the London Interbank Offered Rate plus an applicable margin, between 1.25% and 2.00%, based upon certain financial measures. As of September 30, 2018, our applicable margin was 1.25% and the interest rate on our outstanding loan was approximately 3.64%. We are subject to certain customary quarterly financial covenants under our Credit Agreement such as a maximum total leverage ratio and a minimum fixed charge coverage ratio. As of September 30, 2018, we were in compliance with the covenants of the Credit Agreement.

The Credit Agreement includes negative covenants, subject to exceptions, restricting or limiting our ability to among other things, incur additional indebtedness; grant liens; repurchase stock; pay dividends; and engage in certain investment, acquisition, and disposition transactions. The Credit Agreement imposes certain requirements in order for us to make dividend payments. As of September 30, 2018, such requirements were: (1) our Consolidated Total Leverage Ratio, as defined in the Credit Agreement, must be less than 2.75 to 1.00; (2) our Fixed Charge Coverage Ratio, as defined in the Credit Agreement, must be greater than 1.25 to 1.00; and (3) our Liquidity as defined in the Credit Agreement must be greater than $20 million. As of September 30, 2018, our Consolidated Total Leverage Ratio was 0.26 to 1.00, our Fixed Charge Coverage Ratio was 22.33 to 1.00 and our Liquidity was approximately $160 million, which includes cash and cash equivalent balances, as well as the available balance under the revolving credit facility. Based on our actual financial condition and results of operations, we do not believe that the provisions of the Credit Agreement currently represent a restriction to our ability to pay dividends in permissible amounts.

The contractual maturities of our debt obligations due subsequent to September 30, 2018 are as follows (in thousands):

Year Ending September 30,	Amount
2019	$ 10,312
2020	12,375
2021	41,250
Thereafter	—
Total debt	63,937
Less: debt issuance costs	810
Total debt, net of debt issuance costs	$ 63,127

The estimated interest payments related to our debt due subsequent to September 30, 2018 are as follows (in thousands):

Year Ending September 30,		Amount
2019	$	2,214
2020		1,811
2021		204
Thereafter		—
Total	$	4,229

The above estimated interest payments assume an interest rate of 3.64%, which is our interest rate as of September 30, 2018.

Immediately following the acquisition of MetaPack, we repaid in full MetaPack's existing revolving credit facility balance of approximately $12.7 million.

We believe our available cash and marketable securities, together with the cash flow from operations, will be sufficient to fund our business for at least the next twelve months.

Segment Analysis

We acquired MetaPack in the middle of our third fiscal quarter, on August 15, 2018, and, accordingly, there is no inclusion of MetaPack's results prior to our ownership within this Report. Given the short period of ownership, the absence of MetaPack data in our results prior to our ownership of MetaPack, and the inclusion of segment financial information contained in Note 10 to the statements contained in this Report, we believe that, as of the filing of this Report, a segment presentation in this Management Discussion and Analysis of Results of Operations section is not necessary to form an understanding of our overall business. We intend to provide a segment analysis in our future Management Discussion and Analysis of Results of Operations sections when appropriate to facilitate an understanding of our business.

Business Outlook and Forward-Looking Statements

The following forward-looking statements are accompanied by, and should only be read in conjunction with, the qualifications and limitations described in the forward-looking statements discussion at the beginning of this Item 2 and the risks and other factors set forth in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 filed with the SEC on August 8, 2018 and in Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018.

We expect our mailing and shipping revenue to increase in 2018 compared to 2017. We expect our mailing and shipping revenue growth in 2018 to be less than the growth we achieved in 2017 compared to 2016 now that we have passed the one year anniversary of our ShippingEasy acquisition. Our ability to grow our mailing and shipping revenue is partly dependent on our ability to increase our sales and marketing spend to acquire new customers and to retain our existing customers. To the extent we are not able to achieve our target increase in spending and acquire or retain customers, this would negatively impact our 2018 mailing and shipping revenue growth expectations.

We expect customized postage revenue to decline in 2018 compared to 2017, due to certain high volume business purchases occurring in 2017, which may not be repeated in 2018. High volume business orders for customized postage can fluctuate significantly from quarter to quarter and therefore historical trends may not be indicative of future results for customized postage revenue.

We expect our sales and marketing expense to increase in 2018 compared to 2017. We expect the percent increase in sales and marketing expense in 2018 to be greater than the percent increase in 2017 as we plan to increase our investments in headcount and non-headcount resources in 2018 to drive growth. We will continue to monitor our customer metrics and the state of the economy and adjust our level of spending accordingly. Sales and marketing spend is expensed in the period incurred, while the revenue and profits associated with the acquired customers are earned over the customers' lifetimes. As a result, increased sales and marketing spend in future periods could result in a reduction in operating profit and cash flow compared to past periods.

We expect research and development expenses to be higher in 2018 as compared to 2017 as we expect to hire additional research and development personnel in 2018. We expect the percent increase in research and development expense in 2018 to approximate the percent increase in 2017.

We expect general and administrative expenses to be higher in 2018 as compared to 2017 as we expect to hire additional general and administrative personnel in 2018 and to continue to incur sales tax expense. We expect the percent increase in general and administrative expense in 2018 to be less than the percent increase in 2017.

We expect our stock-based compensation expense to be lower in 2018 compared to 2017.

We expect our interest expense in 2018 to be lower than 2017 due to lower outstanding debt balances under our credit facility.

We expect our effective tax rate for 2018 to be higher than 2017 as we benefited from excess tax benefits related to the exercise of stock options in 2017 which we do not expect to recur at the same levels in 2018. However, there are other factors that impact taxable income compared to book income which can be difficult to predict and can change from quarter-to-quarter.

As discussed earlier in this Report, our expectations are subject to substantial uncertainty and our results are subject to macro-economic factors and other factors which could cause these trends to be worse than our current expectation or which could cause actual results to be materially different than our current expectations. These expectations are "forward looking statements," are made only as of the date of this Report and are subject to the qualifications and limitations on forward-looking statements discussion in the beginning of Item 2 of this Report and the risks and other factors set forth in Item 1A of Part II of this Report, Item 1A Part II of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 filed with the SEC on August 8, 2018, and Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018. Our business has grown through acquisitions during 2014 through 2018; however the expectations above do not assume any future acquisitions or dispositions, any of which could have a significant impact on our current expectations. As described in our forward-looking statements discussion, we do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

Critical Accounting Policies and Judgments

Management's discussion and analysis of our financial condition and results of operations is based on our unaudited financial statements. The preparation of these financial statements is based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and notes. For more information regarding our critical accounting estimates and policies, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Judgments" of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On November 18, 2015, we entered into a Credit Agreement with a group of banks, which provided for a term loan of $82.5 million and a revolving credit facility with a maximum borrowing of $82.5 million. Our Credit Agreement matures on November 18, 2020. As of September 30, 2018, the debt outstanding under our Credit Agreement, gross of debt issuance costs, was $63.9 million. Borrowings under the term loan are payable in quarterly installments which began on December 31, 2015. We pay interest on our Credit Agreement at a rate equal to the London Interbank Offered Rate plus an applicable margin, which is between 1.25% and 2.00%, based upon certain financial measures. As of September 30, 2018, our applicable margin was 1.25% and the interest rate on our outstanding loan was approximately 3.64%. Interest expense would not be significantly affected by either a 10% increase or decrease in the rates of interest on our debt.

We do not hold or issue financial instruments for trading purposes. We do not have material exposure to market risk with respect to investments. We do not use derivative financial instruments for speculative or trading purposes. However, we may adopt specific hedging strategies in the future.

Our cash equivalents consist primarily of money market securities and had a weighted average maturity of 18 days and a weighted average interest rate of 1.9% at September 30, 2018. The aggregate value of our cash and cash equivalents was $78.3 million at September 30, 2018. Interest rate fluctuations impact the carrying value of the portfolio. The fair value of our portfolio of marketable securities would not be significantly affected by either a 10% increase or decrease in the rates of interest due primarily to the short-term nature of the portfolio. We do not believe that the future market risks related to the above securities will have a material adverse impact on our financial position, results of operations, or liquidity.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act).

As of the end of the period covered by this Report, our management evaluated, with the participation of our Principal Executive Officer and Principal Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded, as of that time, that our disclosure controls and procedures were effective.

As discussed in Note 2 in our Notes to Consolidated Financial Statements, we acquired MetaPack on August 15, 2018. The results of operations of the acquired business are included in our results of operations beginning August 15, 2018. Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of MetaPack, which are included in the Consolidated Financial Statements of Stamps.com Inc. and subsidiaries and constituted approximately $247 million of assets as of September 30, 2018, approximately $5 million of revenues and approximately $1 million of net loss for the nine months ended September 30, 2018. This exclusion is in accordance with the general guidance issued by the Staff of the SEC that permits companies to exclude acquisitions from their assessment of internal control over financial reporting during the first year following an acquisition.

Changes in internal controls

On August 15, 2018, we acquired MetaPack and, as a result, we have begun integrating certain processes, systems and controls relating to MetaPack into our existing system of internal control over financial reporting in accordance with our integration plans. Except for certain processes, systems and controls relating to the integration of MetaPack, during the quarter ended September 30, 2018, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See *Note 3 - "Commitments and Contingencies"* of our Notes to Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

We are not aware of any material changes to the risk factors included in Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed with the SEC on August 8, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs (in 000's)
July 1, 2018 - July 31, 2018	14,700	$ 270.07	14,700	$ 79,537
August 1, 2018 - August 31, 2018	18,500	$ 244.69	18,500	$ 75,010
September 1, 2018 - September 30, 2018	16,000	$ 234.36	16,000	$ 71,260

On April 25, 2018, the Board of Directors approved a stock repurchase plan, which became effective May 11, 2018, that replaced our prior stock repurchase plan and authorized the Company to repurchase up to $90 million of stock over the six months following its effective date. On October 24, 2018, the Board of Directors approved a new stock repurchase plan that will take effect upon expiration of the current plan on November 11, 2018 and authorizes the Company to repurchase up to $90 million of stock over the six months following its effective date.

We will consider repurchasing stock in the future by evaluating such factors as the price of the stock, the daily trading volume and the availability of large blocks of stock and any additional constraints related to material inside information we may possess. Our repurchase of any of our shares will be subject to limitations that may be imposed on such repurchases by applicable securities laws and regulations and the rules of The NASDAQ Stock Market, as well as restrictions under our Credit Agreement. Repurchases may be made in the open market, or in privately negotiated transactions from time to time at our discretion. We have no commitment to make any repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) Information Provided Pursuant to Item 3.03 (Material Modification to Rights of Security Holders) and Item 5.03 of Current Report on Form 8-K (Amendment to Articles of Incorporation or Bylaws).

Pursuant to Item 5 of Quarterly Report on Form 10-Q and applicable SEC guidance which permits such disclosures, we are providing the following information in response to Items 3.03 and 5.03 of Current Report on Form 8-K.

On November 7, 2018, our Board of Directors (the “Board”) amended and restated Stamps.com's Bylaws (as so amended and restated, the “Bylaws”), effective as of such date. The principal changes to the Bylaws were generally to modernize them, including by:

- removing inapplicable language regarding term of office of directors (Article III, Section 1) and removing Section 5 of Article III regarding first board meeting after an annual stockholder meeting;

- confirming and updating the following provisions with respect to Delaware General Corporation Law, including: the use of remote communications and electronic transmissions, or current accepted practice; notice of annual stockholder meetings (Article, II, Section 3); providing lists of stockholders (Article II, Section 4); notice of special stockholder meetings (Article II, Section 6); voting power and proxies of stockholders (Article II, Section 10); action without a meeting by the Board (Article III, Section 9); appointment of committees of directors (Article III, Section 11); manner of notice (Article IV, Section 1); waiver of notice (Article III, Section 2); removal of officers (Article V, Section 3); use of uncertificated shares (Article VI, Section 1); and fixing the record date for stockholder meetings, actions by written consent of stockholders and payment of distributions (Article VI, Section 4);

- establishing a new advance notice provision providing that, to be timely, written notice from a stockholder of a proposal or director nomination must be received by the Company at its principal executive offices not less than 120 but no more than 150 calendar days in advance of the one year anniversary of the previous year’s annual meeting of stockholders and expanding the information about the proposing stockholder and the proposal or director nominee, as applicable, required to be provided pursuant to the advance notice bylaws provision. The Company’s proxy statement for its 2018 annual meeting of stockholders, which was held on June 11, 2018, provided that to be timely, notice of a nomination for director or other proposal must be delivered to, or mailed and received at, the Company’s principal executive offices not less than 120 days before the date of the annual meeting. The new advance notice provisions in the Bylaws applies to the Company’s 2019 annual meeting, which means that, to be timely, written notice from a stockholder of a proposal or director nomination must be received by the Company at its principal executive offices not less than 120 but no more than 150 calendar days in advance of the one year anniversary of June 11, 2018, and provide the information required by, and satisfy the requirements of, the advance notice provision in the Bylaws (Article II, Section 11);

- adding a provision that, unless provided otherwise by the Board, the Chairman of the Board, Chief Executive Officer, President or any Vice President may appoint agents of the Company to cast votes of securities of another entity owned by the Company (Article V, Section 15);

- adding a provision for procedures for conducting stockholder meetings (Article II, Section 11) and fixing a record date for adjournment of meetings (Article II, Section 8);

- conforming indemnification language to that in Stamps.com's Amended and Restated Certificate of Incorporation (Article VII, Section 6);

- designating Delaware as the exclusive forum for certain actions with respect to Stamps.com (Article VII, Section 7); and

- integrating all prior amendments and publicly disclosed interpretations.

The foregoing summary description of the amendments to the Bylaws does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full text of the Amended and Restated Bylaws, which are attached hereto as Exhibit 3(ii).1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

(b) Material changes to procedures by which security holders may recommend nominees to the registrant's board of directors.

See paragraph (a) of this Item 5, above, which is incorporated herein by reference.

Except as provided in paragraph (a) of this Item 5, above, the procedures by which security holders may recommend nominees to the registrant's board of directors remain unchanged.

Additionally, on October 25, 2018, our Board of Directors amended the Company's Nominating Committee Charter to explicitly state the Committee's commitment to actively seek out highly qualified women and individuals from minority groups to include in the pool from which Board nominees are chosen. The Nominating Committee Charter, as amended, has been posted to the Company's website.

ITEM 6. EXHIBITS

3(ii).1	Amended and Restated Bylaws of Stamps.com Inc.
10.1	Share Purchase Agreement, dated July 24, 2018, by and among MetaPack, Pacific Shelf, the Key Sellers and Stamps.com as guarantor. (1) **
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification 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 Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 21, 2018 (File number 000-26427).

* Furnished, not filed.

** Confidential treatment has been requested and received with respect to certain portions of this exhibit.

SIGNATURES

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.

	STAMPS.COM INC.	
	(Registrant)	
November 9, 2018	By:	/s/ KEN MCBRIDE
		Ken McBride
		Chairman and Chief Executive Officer
November 9, 2018	By:	/s/ JEFF CARBERRY
		Jeff Carberry
		Chief Financial Officer

AMENDED AND RESTATED
BYLAWS
OF
STAMPS.COM INC.

(as amended and restated November 7, 2018)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be as set forth in its certificate of incorporation.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Stockholder Meetings. All meetings of the stockholders for the election of directors shall be held at such place, if any, as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, if any, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At each annual meeting, the stockholders shall elect directors to succeed those directors whose terms expire in that year and shall transact such other business as may properly be brought before the meeting.

Section 3. Notice of Annual Meeting. Notice of an annual meeting stating the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting (as authorized by the Board of Directors in its sole discretion pursuant to Section 211(a)(2) of the General Corporation Law of Delaware (the "DGCL")), and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting, unless otherwise provided by statute, the certificate of incorporation or these bylaws.

Section 4. List of Stockholders. The Corporation shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to the stockholders of the Corporation. The list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 4 or to vote in person or by proxy at any meeting of stockholders.

Section 5. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may only be called by the Board.

Section 6. Notice of Special Meeting. Notice of a special meeting stating the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting (as authorized by the Board of Directors in its sole discretion pursuant to Section 211(a)(2) of the DGCL), and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting, unless otherwise provided by statute, the certificate of incorporation or these bylaws.

Section 7. Business of Special Meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. Quorum; Adjournments. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation or these bylaws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, either the Chairman of the Board, or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice, other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 9. Vote Required. When a quorum is present at any meeting, the vote of the holders of a majority in voting power of the stock present in person or represented by proxy shall decide any question brought before such meeting, other than the election of directors, unless a different or minimum vote is required by the certificate of incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or any law or regulation applicable to the Corporation or its securities, in which case such different or minimum vote shall be the applicable vote on the matter.

Section 10. Voting Power; Proxies. Unless otherwise provided in the certificate of incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share of the capital stock having voting power held by such stockholder. Each stockholder entitled to vote at a meeting of stockholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

Section 11. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 12. Nominations And Proposals By Stockholders at Annual Meetings.

(a) Stockholder Proposals. Only such business shall be conducted at the annual meeting of the stockholders as shall have been properly brought before the meeting. To be properly brought before the meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or a duly authorized committee thereof), (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors (or a duly authorized committee thereof), or (C) otherwise properly brought before the meeting by a stockholder (i) who is a stockholder of record on the date of the giving of notice provided for in this Subsection 12(a) and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Subsection 12(a) (a "Proposing Stockholder"). In addition, any proposal of business must be a proper matter for stockholder actions. For business to be properly brought before an annual meeting by a Proposing Stockholder, the Proposing Stockholder must have given timely notice thereof in writing, containing all information required by paragraphs (I)-(II) of this Subsection 12(a), to the Secretary of the Corporation. To be timely, a Proposing Stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) but no more than one hundred fifty (150) calendar days in advance of the one year anniversary of the previous year's annual meeting of stockholders; *provided*, *however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed so that it is more than thirty (30) days in advance of the one year anniversary of the prior year's annual meeting or more than sixty (60) days after the one year anniversary of the previous year's annual meeting, notice by the Proposing Stockholder to be timely must be so received not earlier than the close of business on the one hundred fiftieth (150th) day prior to such annual meeting and not later than the close of business on the later of the one hundred twentieth (120th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which Public Disclosure of the date was made first made by the Corporation. In no event shall the Public Disclosure of an adjournment or postponement of an annual meeting commence a new notice time period (or extend any notice time period). For the purposes of this Section 12, "Public Disclosure" shall mean a disclosure made by the Corporation in a press release reported by the Dow Jones News Services, The Associated Press, or a comparable national news service or in a document filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act.

A Proposing Stockholder's notice to the Secretary shall set forth as to each matter the Proposing Stockholder proposes to bring before the annual meeting:

I) *Information Regarding the Proposal*: (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, including why the Proposing Stockholder believes that the taking of the action or actions proposed would be in the best interests of the Corporation and its stockholders; (ii) a description in reasonable detail of any material interest of any Proposing Stockholder and any Associated Person (as defined below) in such business and a description in reasonable detail of all agreements, arrangements and understandings between the Proposing Stockholder or any Associated Person and any other person or entity in connection with the proposal; and (iii) the text of the proposal or business (including the text of any resolutions proposed for consideration and the text of any proposed amendment to these bylaws); and

II) *Information Regarding the Proposing Stockholder*: (i) the name and address of such Proposing Stockholder and any Associated Person, as they appear on the Corporation's books, and of the beneficial owner on whose behalf such proposal is being made; (ii) the class, series and number of shares of the Corporation directly or indirectly beneficially owned and held of record by the Proposing Stockholder or any Associated Person and such beneficial owner (including any shares of any class or series of the Corporation as to which such Proposing Stockholder or any Associated Person has a right to acquire beneficial ownership, whether such right is exercisable immediately or only after the passage of time); (iii) a representation (1) that the Proposing Stockholder is a holder of record of stock of the Corporation entitled to vote at the annual meeting and intends to appear at the annual meeting to bring such business before the annual meeting and (2) as to whether the Proposing Stockholder intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of the Corporation entitled to vote and required to approve the proposal and/or otherwise to solicit proxies or votes from stockholders in support of such proposal; (iv) a description of (1) any option, warrant, convertible security, stock appreciation right or similar right or interest (including any derivative securities, as defined under Rule 16a-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), whether or not presently exercisable, with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of securities of the Corporation or with a value derived in whole or in part from the value of any class or series of securities of the Corporation, whether or not such instrument or right is subject to settlement in whole or in part in the underlying class or series of securities of the Corporation or otherwise, directly or indirectly held of record, owned beneficially, or otherwise owned or held by such Proposing Stockholder or any Associated Person and/or the beneficial owner on whose behalf the business is being proposed and (2) each other direct or indirect right or interest that may enable such Proposing Stockholder or any Associated Person and such beneficial owner to profit or share in any profit derived from, or to manage the risk or benefit from, any increase or decrease in the value of the Corporation's securities, in each case regardless of whether (x) such right or interest conveys any voting rights in such security to such Proposing Stockholder or any Associated Person and/or beneficial owner, (y) such right or interest is required to be, or is capable of being, settled through delivery of such security, or (z) such Proposing Stockholder or any Associated Person and/or beneficial owner may have entered into other transactions that hedge the economic effect of any such right or interest (any such right or interest referred to in this clause (iv) being a "Derivative Interest"); (v) any proxy, contract, arrangement, understanding or relationship pursuant to which the Proposing Stockholder or any Associated Person and/or beneficial owner has a right to vote any shares of the Corporation or which has the effect of increasing or decreasing the voting power of such Proposing Stockholder or any Associated Person and/or beneficial owner; (vi) any rights directly or indirectly held of record, beneficially, or otherwise by the Proposing Stockholder or any Associated Person and/or beneficial owner to dividends on the shares of the Corporation that are separated or separable from the underlying shares of the Corporation; (vii) any performance-related fees (other than an asset-based fee) to which the Proposing Stockholder or any Associated Person and/or beneficial owner may be entitled as a result of any increase or decrease in the value of shares of the Corporation or Derivative Interests; and (vii) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Exchange Act, in such Proposing Stockholder's capacity as a proponent to a stockholder proposal.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Subsection 12(a). The chair of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Subsection 12(a), and, if he or she should so determine, shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the Exchange Act.

(b) Stockholder Nominations. Only persons who are nominated in accordance with the procedures set forth in this Subsection 12(b) shall be eligible for election as directors. Nominations of persons for election to the Board may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this Subsection 12(b) (each such stockholder, a "Nominating Person"). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation in accordance with the timing provisions of Subsection 12(a). Such Nominating Person's notice shall set forth as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director (the "Proposed Nominee"):

(I) *Information Regarding the Proposed Nominee*: (i) the name, age, business address, residence address, and principal occupation or employment of the Proposed Nominee; (ii) the information required by paragraph (II) of Subsection 12(a), if the Proposed Nominee were a "Proposing Stockholder;" (iii) any information relating to the Proposed Nominee that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including without limitation the Proposed Nominee's written consent to being named in the Corporation's proxy statement, if any, as a nominee of the Nominating Person and to serving as a director if elected); (iv) all information that would be required to be disclosed pursuant to Items 403 and 404 under Regulation S-K if the Nominating Person were the "registrant" for purposes of such rule and the Proposed Nominee were a director or executive officer of such registrant; (v) a completed questionnaire (in the form provided by the Secretary upon written request) with respect to the identity, background and qualification of the Proposed Nominee and the background of any other person or entity on whose behalf the nomination is being made; (vi) a description of all agreements, arrangements, or understandings between or among any of (A) the Nominating Person, (B) the Proposed Nominee and any beneficial owner on whose behalf the nomination is being made, (C) any Associated Person of either the Nominating Person or the Proposed Nominee, and (D) any other person or persons (naming such person or persons), that relate to the nomination or pursuant to which the nomination or nominations are to be made by the Nominating Person or relating to the candidacy or service of the Proposed Nominee as a director of the Corporation; and (vii) a written representation and agreement (in the form provided by the Secretary upon written request) that the Proposed Nominee and all Associated Persons (1) are not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how the Proposed Nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with the Proposed Nominee's ability to comply, if elected as a director of the Corporation, with the Proposed Nominee's fiduciary duties under applicable law, (2) are not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation, and (3) if elected as a director of the Corporation, the Proposed Nominee would be in compliance and will comply, with all applicable publicly disclosed corporate governance, ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(II) *Information Regarding the Nominating Person*: the information required to be provided pursuant to paragraph (II) of Subsection 12(a) if the Nominating Person were a "Proposing Stockholder", including any beneficial owner on whose behalf the nomination is being made.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Subsection 12(b). The chair of the meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions of this Subsection 12(b), and if he or she should so determine, shall so declare at the meeting that the defective nomination shall be disregarded.

Notwithstanding anything in this Subsection 12(b) to the contrary, in the event that the number of directors to be elected to the Board of Directors at the annual meeting is increased effective after the time period for which nominations would otherwise be due under this Section 12 and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 12 with respect to nominations shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such Public Disclosure is first made by the Corporation.

(c) A Proposing Stockholder or a Nominating Person providing notice of business or any nomination proposed to be brought before an annual meeting pursuant to this Section 12 must further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 12 is true and correct at all times up to and including the date of the meeting (including any date to which the meeting is recessed, adjourned or postponed). Any such update and supplement must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation, as promptly as practicable.

(d) A stockholder is not entitled to have its proposal or director nomination included in the Corporation's proxy statement and form of proxy solely as a result of such stockholder's compliance with the foregoing provisions of this Section 12. The foregoing notice requirements of this Section 12 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(e) Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 12; provided however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 12 (including clause (C) of the first paragraph of Subsection (a) and Subsection (b) hereof), and compliance with clause (C) of the first paragraph of Subsection (a) and Subsection (b) of this Section 12 shall be the exclusive means for a stockholder to submit other business or make nominations, respectively (other than, as provided in the final sentence of Subsection (d) hereof, business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 12 shall be deemed to affect any rights of (i) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the certificate of incorporation.

(f) An "Associated Person" of a person is (i) any person that is an associate of such person within the meaning of Rule 14a-1(a) under the Exchange Act and (ii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; the term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(g) Notwithstanding the foregoing provisions of this Section 12, unless otherwise required by law, if the stockholder (or a qualified representative of the Proposing Stockholder) does not appear at the annual meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 12, to be considered a qualified representative of the Proposing Stockholder, a person must be a duly authorized officer, manager or partner of such Proposing Stockholder or must be authorized by a writing executed by such Proposing Stockholder or an electronic transmission delivered by such Proposing Stockholder to act for such Proposing Stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

ARTICLE III

DIRECTORS

Section 1. Number; Term of Office. The number of directors of this Corporation that shall constitute the whole board shall be determined by resolution of the Board of Directors; *provided*, *however*, that no decrease in the number of directors shall have the effect of shortening the term of an incumbent director. The Board of Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of stockholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 2. Newly Created Directorships and Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next election of the class for which such directors were chosen and until their successors are duly elected and qualified or until earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. General Powers. The business of the Corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. Reserved.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the Chief Executive Officer on twelve (12) hours' notice to each director by phone, fax or electronic transmission; special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or secretary in like manner and on like notice on the written request of a majority of the Board unless the Board consists of only one director, in which case special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or the secretary in like manner and on like notice on the written request of the sole director.

Section 8. Quorum; Action by Majority Vote. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the board or committee.

Section 10. Telephonic Meetings. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11. Committees of Directors. The Board of Directors may, by resolution, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Corporation. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence of disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors and subject to applicable law, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 12. Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section 13. Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed compensation for attending committee meetings.

ARTICLE IV

NOTICES

Section 1. Manner of Notice. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice (except as provided in Section 7 of Article III of these Bylaws), but such notice may be given in writing, by mail or courier service or, to the extent permitted by the DGCL, by electronic transmission. Any notice sent to a director or stockholder by mail, or to a director by courier service, shall be sent to the address of such director or stockholder as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or with the courier service. Notices sent by electronic transmission shall be deemed effective as set forth in Section 232 of the DGCL. For purposes of this Section 1, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process. An affidavit of the Secretary or an Assistant Secretary, the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. Notice to directors may be given by telephone, email, facsimile or other electronic transmission.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing or by electronic transmission, signed or given by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE V

OFFICERS

Section 1. Positions. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a Chief Executive Officer, one or more Presidents, one or more Vice Presidents, a Secretary, a Chief Financial Officer and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. The Board of Directors may also elect from its members a Chairman of the Board. Any number of offices may be held by the same person unless specifically prohibited by law. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable.

Section 2. Election. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as is convenient. New offices may be created and filled by the Board of Directors. Each officer shall hold office at the pleasure of the Board of Directors and until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal. Any officer elected by the Board of Directors may be removed by the Board of Directors at its discretion, with or without cause, but such removal shall be without prejudice to the contractual rights of any such officer, if any, with the Corporation.

Section 4. Vacancy. Any vacancy occurring in any office because of death, resignation, removal, disqualification, creation of new offices or otherwise may be filled by the Board of Directors.

Section 5. Compensation. Compensation of all executive officers shall be approved by the Board of Directors, a duly authorized committee thereof or by such officers as may be designated by resolution of the Board of Directors. The compensation of agents of the Corporation shall, unless fixed by the Board of Directors, be fixed by the Chief Executive Officer, by the President(s) or any Vice-Presidents of the Corporation.

Section 6. The Chairman of the Board. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he/she shall be present. He/she shall have and may exercise such powers as are, from time to time, assigned to him/her by the Board and as may be provided by law.

Section 7. The Chief Executive Officer. Subject to the powers of the Board of Directors, the Chief Executive Officer shall be in general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The Chief Executive Officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the Board of Directors and of the stockholders at which he/she shall be present. The Chief Executive Officer shall have such other powers and perform such other duties as are incident to that position and/or as may be prescribed by the Board of Directors or as may be provided in these Bylaws.

Section 8. The Presidents. The President, or if there shall be more than one, each of the Presidents shall, subject to the powers of the Board of Directors, the Chairman of the Board and the Chief Executive Officer, have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees. Each of the Presidents is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. Each of the President(s) shall have such other powers and perform such other duties as are incident to that position and/or as may be prescribed by the Chairman of the Board, the Chief Executive Officer, the Board of Directors or as may be provided in these Bylaws.

Section 9. The Vice Presidents. The Vice President, or if there shall be more than one, the Vice Presidents, in the order determined by the Board of Directors or the Chairman of the Board, shall, in the absence or disability of the President(s), act with all of the powers and be subject to all the restrictions of the President(s). The Vice Presidents shall also have such other power and perform such other duties as are incident to that position and/or as may be prescribed by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President(s) or as may be provided in these Bylaws. The Vice Presidents may also be designated as Executive Vice Presidents or Senior Vice Presidents, as the Board of Directors may from time to time prescribe.

Section 10. The Secretary and Assistant Secretary. The Secretary shall attend all meetings of the Board of Directors (other than executive sessions thereof) and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the Board of Directors' supervision, the Secretary shall give, or cause to be given, all notices required to be given by these Bylaws or by law; shall have such powers and perform such duties as the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President(s) or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The Secretary, or an Assistant Secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Assistant Secretary, or if there be more than one, any of the assistant secretaries, shall in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President(s) or the Secretary may, from time to time, prescribe. The Secretary and any Assistant Secretary shall have such other powers and perform such other duties as are incident to those positions and/or as may be prescribed by the Board of Directors or as may be provided in these Bylaws.

Section 11. The Chief Financial Officer. The Chief Financial Officer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the Chairman of the Board or the Board of Directors; shall receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation. The Chief Financial Officer shall have such other powers and perform such other duties as are incident to that position and/or as may be prescribed by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President(s) or as may be provided in these Bylaws.

Section 12. Other Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by the Board of Directors.

Section 13. Bonds. If required by the Board of Directors, any officer of the Corporation shall give a bond or other security for the faithful performance of his duties, in such amount and with such surety as the Board of Directors may require.

Section 14. Delegation. The Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

Section 15. Appointing Attorneys and Agents; Voting Securities of Other Entities. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, any President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation or other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or other entity, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation or other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consents, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper. Any of the rights set forth in this Section 15 which may be delegated to an attorney or agent may also be exercised directly by the Chairman of the Board, the Chief Executive Officer, any President or any Vice President.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by any two authorized officers, certifying the number of shares owned by him/her in the Corporation; *provided* that the Board of Directors may provide by resolution or resolutions that some or all of any class or series shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he/she were such officer, transfer agent or registrar at the date of issue.

Section 2. Lost Certificates. The Corporation may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his/her legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 3. Transfer of Stock. Subject to any applicable transfer restrictions, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, if any, duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate (if such shares are to be certificated) to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Uncertificated shares shall be transferred in accordance with applicable law.

Section 4. Fixing Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided*, *however*, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) Unless otherwise restricted by the certificate of incorporation, in order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

Section 5. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 5. Seal. The Board of Directors may adopt a corporate seal having inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. **Indemnification**. The Corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any current or former director or officer made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being or having been a director or officer of the Corporation or a predecessor Corporation or, while a director or officer of the Corporation, is or was serving at the Corporation's request as a director or officer of another corporation or other entity, *provided*, *however*, that the Corporation shall indemnify any such director or officer in connection with a proceeding, other than a proceeding to enforce rights granted hereunder, initiated by such director or officer only if such proceeding was authorized by the Board of Directors of the Corporation. The indemnification provided for in this Section 6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of such a person. The Corporation's obligation to provide indemnification under this Section 6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person.

Expenses incurred by a current or former director or officer of the Corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he is or was a director or officer of the Corporation (or while a director or officer of the Corporation is or was serving at the Corporation's request as a director or officer of another corporation or other entity) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by relevant sections of the DGCL.

The foregoing provisions of this Section 6 shall be deemed to be a contract between the Corporation and each director or officer who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the Corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an officer or employee of the Corporation.

To assure indemnification under this Section 6 of all directors, officers and employees who are determined by the Corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the Corporation which may exist from time to time, Section 145 of the DGCL shall, for the purposes of this Section 6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the Corporation which is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the Corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the Corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

Section 7. Exclusive Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on by or in the right of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, the Certificate, or these Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery in the State of Delaware, or (d) any action asserting a claim governed by the internal affairs doctrine, shall be the Court of Chancery in the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware). Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Section 7.

ARTICLE VIII

AMENDMENTS

These bylaws may be altered, amended or repealed or new bylaws may be adopted by the affirmative vote of holders of at least 66-2/3% vote of the outstanding voting stock of the Corporation. These bylaws may also be altered, amended or repealed or new bylaws may be adopted by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation. The foregoing may occur at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate of incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

Last revised: November 7, 2018

Exhibit 31.1

**Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Ken McBride, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stamps.com 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 15(d)-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.

Date: November 9, 2018

/s/ KEN MCBRIDE

Ken McBride
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, Jeff Carberry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stamps.com 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 15(d)-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.

Date: November 9, 2018

/s/ JEFF CARBERRY

Jeff Carberry
Chief Financial Officer
(Principal Financial Officer)

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 of Stamps.com Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ken McBride, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 9, 2018

/s/ KEN MCBRIDE

Ken McBride
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 of Stamps.com Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Carberry, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 9, 2018

/s/ JEFF CARBERRY

Jeff Carberry
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.