

NEVRO CORP  
Form DEF 14A  
April 12, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

NEVRO CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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NEVRO CORP.

1800 Bridge Parkway

Redwood City, California 94065

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 25, 2017

To the Stockholders of Nevro Corp.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Nevro Corp., a Delaware corporation (the "Company"), will be held on May 25, 2017 at 10:30 a.m. Pacific time. This year's Annual Meeting will be held entirely online to allow greater participation and improved communication, and provide cost savings for our stockholders and the Company. You will be able to attend and participate in the Annual Meeting online by visiting [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO), where you will be able to listen to the meeting live, submit questions and vote. The Annual Meeting will be held for the following purposes:

1. To elect two Class III directors to hold office until the 2020 annual meeting of stockholders or until their successors are elected;
2. To ratify the selection, by the Audit Committee of the Company's Board of Directors, of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2017;
3. To approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers as disclosed in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders. Only stockholders who owned common stock of the Company at the close of business on April 3, 2017 (the "Record Date") can vote at this meeting or any adjournments that take place.

The Board of Directors recommends that you vote as follows on the matters to be presented to stockholders at the Annual Meeting:

1. FOR the election of the director nominees named in Proposal No. 1 of the Proxy Statement;
2. FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm, as described in Proposal No. 2 of the Proxy Statement; and
3. FOR the advisory vote to approve the compensation of the Company's named executive officers, as described in Proposal No. 3 of the Proxy Statement.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING ONLINE, WE ENCOURAGE YOU TO READ THE ACCOMPANYING PROXY STATEMENT AND OUR 2016 ANNUAL REPORT ON FORM 10-K AND SUBMIT YOUR PROXY AS SOON AS POSSIBLE USING ONE OF THE THREE CONVENIENT VOTING METHODS DESCRIBED IN THE "INFORMATION ABOUT THE PROXY PROCESS AND VOTING" IN THE PROXY STATEMENT. IF YOU RECEIVE MORE THAN ONE SET OF PROXY MATERIALS OR NOTICE OF INTERNET AVAILABILITY BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH PROXY SHOULD BE SIGNED AND SUBMITTED TO ENSURE THAT ALL OF YOUR SHARES WILL BE VOTED.

By Order of the Board of Directors

/S/ RAMI ELGHANDOUR

Rami Elghandour

President and Chief Executive Officer

Redwood City, California

April 12, 2017

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NEVRO CORP.

1800 Bridge Parkway

Redwood City, California 94065

PROXY STATEMENT

FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

MAY 25, 2017

We have sent you this Proxy Statement and the enclosed Proxy Card because the Board of Directors (the “Board”) of Nevro Corp. (referred to herein as the “Company,” “Nevro,” “we,” “us” or “our”) is soliciting your proxy to vote at our 2017 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, May 25, 2017 at 10:30 a.m. Pacific time. The Annual Meeting can be accessed by visiting [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO), where you will be able to listen to the meeting live, submit questions and vote online.

• This Proxy Statement summarizes information about the proposals to be considered at the Annual Meeting and other information you may find useful in determining how to vote.

• The Proxy Card is the means by which you actually authorize another person to vote your shares in accordance with your instructions.

In addition to solicitations by mail, our directors, officers and employees, without additional remuneration, may solicit proxies by telephone, e-mail and personal interviews. We may retain outside consultants to solicit proxies on our behalf as well. All costs of solicitation of proxies will be borne by us. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and we will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials.

Pursuant to the rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our 2017 Annual Meeting materials, which include this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2016 (the “Form 10-K”), over the internet in lieu of mailing printed copies. We will begin mailing the Notice of Internet Availability to our stockholders of record as of April 3, 2017 (the “Record Date”) for the first time on or about April 12, 2017. The Notice of Internet Availability will contain instructions on how to access and review the 2017 Annual Meeting materials, and will also contain instructions on how to request a printed copy of the Annual Meeting materials. In addition, we have provided brokers, dealers, banks, voting trustees and their nominees, at our expense, with additional copies of our proxy materials and the Form 10-K so that our record holders can supply these materials to the beneficial owners of shares of our common stock as of the Record Date. The Form 10-K is also available in the “Financial Information” section of our website at <http://www.nevro.com/>.

The only outstanding voting securities of Nevro are shares of common stock, \$0.001 par value per share (the “common stock”), of which there were 29,264,440 shares outstanding as of the Record Date (excluding any treasury shares). The holders of a majority in voting power of the shares of common stock issued and outstanding and entitled to vote, in attendance online or represented by proxy, are required to hold the Annual Meeting.

In prior years, we were exempted under the Jumpstart Our Business Startups Act of 2012 from being required to hold a vote on the compensation of our named executive officers (a “Say-on-Pay vote”). This year, we will hold our first Say-on-Pay vote. Although Say-on-Pay votes are advisory and non-binding, we plan to consider the results of such

votes in reviewing and determining the compensation for our named executive officers in the future.

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## INFORMATION ABOUT THE PROXY PROCESS AND VOTING

Why am I receiving these materials?

We have made this Proxy Statement and Proxy Card available to you on the internet or, upon your request, have delivered printed proxy materials to you, because the Board is soliciting your proxy to vote at the Annual Meeting, including any adjournments or postponements of the Annual Meeting. You are invited to attend the Annual Meeting online to vote on the proposals described in this Proxy Statement. However, you do not need to attend the Annual Meeting online to vote your shares. Instead, you may simply complete, sign and return the Proxy Card, or follow the instructions below to submit your proxy over the telephone or on the internet.

This Proxy Statement, the Notice of Internet Availability, the Notice of Annual Meeting and accompanying Proxy Card were first made available for access by our stockholders on or about April 12, 2017 to all stockholders of record entitled to vote at the Annual Meeting.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 29,264,440 shares of common stock issued and outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on the Record Date, your shares were registered directly in your name with the transfer agent for our common stock, Wells Fargo Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting online, we urge you to fill out and return the Proxy Card or vote by proxy over the telephone or on the internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, on the Record Date, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting online. However, since you are not the stockholder of record, you may not vote your shares during the Annual Meeting unless you request and obtain a valid Proxy Card from your broker or other agent.

What am I being asked to vote on?

You are being asked to vote on three (3) proposals:

- Proposal 1—the election of two Class III directors to hold office until our 2020 annual meeting of stockholders;
- Proposal 2—the ratification of the selection, by the Audit Committee of our Board, of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017; and
- Proposal 3—a non-binding, advisory vote on the compensation of our named executive officers.



In addition, you are entitled to vote on any other matters that are properly brought before the Annual Meeting.

How do I attend the Virtual Annual Meeting?

This year's Annual Meeting will be held entirely online to allow greater participation and improved communication, and provide cost savings for our stockholders and the Company. Stockholders of record as of April 3, 2017 will be able to attend and participate in the Annual Meeting online by accessing [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO). To join the Annual Meeting, you will need to have your 16-digit control number included on your Notice of Internet Availability of Proxy Materials, your proxy card or the instructions that accompanied your proxy materials.

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Even if you plan to attend the Annual Meeting online, we recommend that you also vote by proxy as described herein so that your vote will be counted if you decide not to attend the Annual Meeting.

How do I vote?

For Proposal 1, you may either vote “For” all the nominees to the Board or you may “Withhold” your vote for any nominee you specify.

For Proposal 2, you may either vote “For” or “Against” or abstain from voting.

For Proposal 3, you may either vote “For” or “Against” or abstain from voting.

Please note that by casting your vote by proxy you are authorizing the individuals listed on the Proxy Card to vote your shares in accordance with your instructions and in their discretion with respect to any other matter that properly comes before the Annual Meeting or any adjournments or postponements thereof.

The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote at the Annual Meeting. Alternatively, you may vote by proxy by using the accompanying Proxy Card, over the internet or by telephone. Whether or not you plan to attend the Annual Meeting online, we urge you to vote by proxy to ensure your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote online. In such case, your previously submitted proxy will be disregarded.

To vote at the Annual Meeting, attend the Annual Meeting online and follow the instructions posted at [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO).

To vote using the Proxy Card, simply complete, sign and date the accompanying Proxy Card and return it promptly in the envelope provided. If you return your signed Proxy Card to us before the Annual Meeting, we will vote your shares in accordance with the Proxy Card.

To vote by proxy over the internet, follow the instructions provided on the Notice of Internet Availability.

To vote by telephone, you may vote by proxy by calling the toll-free number found on the Notice of Internet Availability.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a voting instruction card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the voting instruction card to ensure that your vote is counted. To vote at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent before you can vote at the Annual Meeting. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

We provide internet proxy voting to allow you to vote your shares online before the Annual Meeting takes place, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

Who counts the votes?

Broadridge Financial Solutions, Inc. (“Broadridge”) has been engaged as our independent agent to tabulate stockholder votes, or Inspector of Election (the “Inspector”). If you are a stockholder of record, your executed Proxy Card is returned

directly to Broadridge for tabulation. As noted above, if you hold your shares through a broker, your broker returns one Proxy Card to Broadridge on behalf of all its clients.

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How are votes counted?

Votes will be counted by the Inspector appointed for the Annual Meeting. For all proposals, the Inspector will separately count “For” and, with respect to Proposal 2 and 3, “Against” votes, abstentions and broker non-votes. In addition, with respect to Proposal 1, the election of directors, the Inspector will count the number of “Withheld” votes received for the nominees. If your shares are held by your broker as your nominee (that is, in “street name”), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to “routine” items, but not with respect to “non-routine” items. See below for more information regarding: “What are “broker non-votes”?” and “Which ballot measures are considered “routine” or “non-routine”?”

What are “broker non-votes”?

Broker non-votes occur when a beneficial owner of shares held in “street name” does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed “non-routine.” Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be “routine,” but not with respect to “non-routine” matters. In the event that a broker, bank, custodian, nominee or other record holder of common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular proposal, then those shares will be treated as broker non-votes with respect to that proposal. Accordingly, if you own shares through a nominee, such as a broker or bank, please be sure to instruct your nominee how to vote to ensure that your vote is counted on each of the proposals.

Which ballot measures are considered “routine” or “non-routine”?

The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017 (Proposal 2) is considered “routine” under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal 2. The election of directors (Proposal 1) and non-binding advisory vote on the compensation of our named executive officers (Proposal 3) are considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals 1 and 3.

How many votes are needed to approve the proposal?

With respect to Proposal 1, the election of directors, the two nominees receiving the highest number of “For” votes will be elected.

With respect to Proposal 2, the affirmative vote of the majority of votes cast (excluding abstentions) is required for approval. This is a routine proposal and therefore we do not expect any broker non-votes.

With respect to Proposal 3, the affirmative vote of the majority of votes cast (excluding abstentions and broker non-votes) is required for approval. While the vote on this resolution is advisory and not binding on us, our Compensation Committee and our Board will consider the outcome of the vote on this resolution when considering future executive compensation decisions.

How many votes do I have?

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On each matter to be voted upon, you have one vote for each share of common stock you own as of the Record Date.

What if I return a Proxy Card but do not make specific choices?

If we receive a signed and dated Proxy Card and the Proxy Card does not specify how your shares are to be voted, your shares will be voted as follows:

- “For” the election of each of the two nominees for director;
- “For” the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2017; and

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•“For” the non-binding, advisory vote regarding the compensation of our named executive officers.  
If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your Proxy Card) will vote your shares in his or her discretion.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one set of materials?

If you receive more than one set of materials, your shares are registered in more than one name or are registered in different accounts. In order to vote all the shares you own, you must either sign and return all of the Proxy Cards or follow the instructions for any alternative voting procedure on each of the Proxy Cards.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date.
- You may send a written notice that you are revoking your proxy to our Corporate Secretary at 1800 Bridge Parkway, Redwood City, California 94065.
- You may attend the Annual Meeting online and vote by following the instructions at [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO). Simply attending the Annual Meeting online will not, by itself, revoke your proxy.

If your shares are held by your broker, bank or other agent, you should follow the instructions provided by them.

When are stockholder proposals due for next year’s Annual Meeting?

To be considered for inclusion in next year’s proxy materials, your proposal must be submitted in writing by December 13, 2017, to our Corporate Secretary at 1800 Bridge Parkway, Redwood City, California 94065; provided that if the date of the annual meeting is more than 30 days from May 25, 2018, the deadline is a reasonable time before we begin to print and send our proxy materials for next year’s annual meeting. Pursuant to the bylaws, in order for a stockholder to present a proposal for next year’s annual meeting, other than proposals to be included in the proxy statement as described above, or to nominate a director, you must do so between January 25, 2018 and February 24, 2018; provided that if the date of that annual meeting is more than 30 days before or more than 60 days after May 25, 2018, you must give notice not later than the 90th day prior to the annual meeting date or, if later, the 10th day following the day on which public disclosure of the annual meeting date is first made. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if the holders of a majority in voting power of the shares of common stock issued and outstanding and entitled to vote are present in attendance online or represented by proxy at the Annual Meeting. On the Record Date, there were 29,264,440 shares outstanding

and entitled to vote. Accordingly, 14,632,221 shares must be represented by stockholders in attendance online at the Annual Meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy or vote at the Annual Meeting. Abstentions will be counted towards the quorum requirement. If there is no quorum, either the chairperson of the Annual Meeting or a majority in

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voting power of the stockholders entitled to vote at the Annual Meeting, in attendance online or represented by proxy, may adjourn the Annual Meeting to another time or place.

How can I find out the results of the voting at the Annual Meeting?

Voting results will be announced by the filing of a Current Report on Form 8-K within four business days after the Annual Meeting. If final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days of the day the final results are available.



PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our Board is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors and each class has a staggered, three-year term. Unless the Board determines that vacancies (including vacancies created by increases in the number of directors) shall be filled by the stockholders, and except as otherwise provided by law, vacancies on the Board may be filled only by the affirmative vote of a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor is elected and qualified.

The Board currently consists of eight seated directors, divided into the three following classes:

- Class I directors: Brad Vale, Ph.D., D.V.M., Michael DeMane and Lisa D. Earnhardt, whose current terms will expire at the annual meeting of stockholders to be held in 2018;
  - Class II directors: Ali Behbahani, M.D., Wilfred E. Jaeger, M.D. and Rami Elghandour, whose current terms will expire at the annual meeting of stockholders to be held in 2019; and
  - Class III directors: Frank Fischer and Shawn T McCormick, whose current terms will expire at the Annual Meeting.
- At each annual meeting of stockholders, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third subsequent annual meeting of stockholders.

Mr. Fischer and Mr. McCormick have been nominated to serve as Class III directors and have each elected to stand for re-election. Each director to be elected will hold office from the date of their election by the stockholders until the third subsequent annual meeting of stockholders or until his successor is elected and has been qualified, or until such director's earlier death, resignation or removal.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the meeting.

## THE BOARD OF DIRECTORS RECOMMENDS A VOTE

## FOR THE ELECTION OF EACH NAMED NOMINEE.

The following table sets forth, for the Class III nominees (who are currently standing for re-election) and for our other current directors who will continue in office after the Annual Meeting, information with respect to their ages and position/office held within the Company as of March 31, 2017:

| Name   | Age | Position/Office Held With the Company | Director Since |
|--|-----|---------------------------------------|----------------|
| Class I Directors whose terms expire at the 2018 Annual Meeting of Stockholders  |     |                                       |                |
| Brad Vale, Ph.D., D.V.M. (2)   | 64  | Director                              | 2015           |
| Michael DeMane   | 60  | Chairman of the Board                 | 2011           |
| Lisa D. Earnhardt (1)(3)   | 47  | Director                              | 2015           |
| Class II Directors whose terms expire at the 2019 Annual Meeting of Stockholders |     |                                       |                |
| Ali Behbahani, M.D. (2)(3)   | 40  | Director                              | 2014           |
| Wilfred E. Jaeger, M.D. (1)(2)   | 61  | Director                              | 2012           |
| Rami Elghandour  | 38  | President and Chief Executive Officer | 2016           |
| Class III Directors whose terms expire at the Annual Meeting                     |     |                                       |                |
| Frank Fischer (3)  | 75  | Director                              | 2012           |
| Shawn T McCormick (1)  | 52  | Director                              | 2014           |

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Set forth below is biographical information for the nominees and each person whose term of office as a director will continue after the Annual Meeting. The following includes certain information regarding our directors' individual experience, qualifications, attributes and skills that led the Board to conclude that they should serve as directors.

## Nominees for Election to a Three-Year Term Expiring at the 2020 Annual Meeting of Stockholders

Frank Fischer has served on our Board since October 2012. Mr. Fischer joined NeuroPace, Inc., a privately held developer of treatment devices for neurological disorders, in 2000 and currently serves as its President and Chief Executive Officer. From May 1998 to September 1999, Mr. Fischer was President, Chief Executive Officer and a director of Heartport, Inc., a formerly publicly traded cardiac surgery company (later acquired by Johnson & Johnson in 2001). From 1987 to 1997, Mr. Fischer served as President and Chief Executive Officer of Ventritex, Inc., a publicly traded designer, developer, manufacturer and marketer of implantable defibrillators and related products for the treatment of ventricular tachycardia and ventricular fibrillation, which was acquired by St. Jude Medical in 1997. Mr. Fischer currently serves on the board of directors of several privately held companies. Mr. Fischer received a B.S. in Mechanical Engineering and an M.S. in Management from Rensselaer Polytechnic Institute. We believe that Mr. Fischer is qualified to serve on our Board due to his extensive operational and management experience in the life science and medical device industries.

Shawn T McCormick has served on our Board since September 2014. Mr. McCormick served as Chief Financial Officer of Tornier N.V., a public medical device company, from September 2012 to October 2015 when Tornier merged with Wright Medical Group. From April 2011 to February 2012, Mr. McCormick was Chief Operating Officer of Lutonix, Inc., a medical device company acquired by C. R. Bard, Inc. in December 2011. From January 2009 to July 2010, Mr. McCormick served as Senior Vice President and Chief Financial Officer of ev3 Inc., a public endovascular device company acquired by Covidien plc in July 2010. From May 2008 to January 2009, Mr. McCormick served as Vice President, Corporate Development at Medtronic, Inc., a public medical device company, where he was responsible for leading Medtronic's worldwide business development activities. From 2007 to 2008, Mr. McCormick served as Vice President, Corporate Technology and New Ventures of Medtronic. From 2002 to 2007, Mr. McCormick was Vice President, Finance for Medtronic's Spinal, Biologics and Navigation business. Prior to that,

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Mr. McCormick held various other positions with Medtronic, including Corporate Development Director, Principal Corporate Development Associate, Manager of Financial Analysis, Senior Financial Analyst and Senior Auditor. Prior to joining Medtronic, he spent four years with the public accounting firm KPMG Peat Marwick. He has been a director of Entellus Medical, Inc., a public medical device company, since November 2014, and serves as the chairman of the audit committee and as a member of the nominating and corporate governance committee. Mr. McCormick has been a director of SurModics, Inc., a public medical device and in vitro diagnostic technologies company, since December 2015 and serves on the audit committee and corporate governance and nominating committee. Mr. McCormick earned his M.B.A. from the University of Minnesota's Carlson School of Management and his B.S. in Accounting from Arizona State University. He is a Certified Public Accountant (inactive license). We believe that Mr. McCormick is qualified to serve on our Board due to his financial expertise and extensive operational experience in the medical device industry.

#### THE BOARD OF DIRECTORS RECOMMENDS A VOTE

#### FOR THE ELECTION OF EACH OF THE ABOVE NAMED NOMINEES

#### Directors Continuing in Office Until the 2018 Annual Meeting of Stockholders

Brad Vale, Ph.D., D.V.M., has served on our Board since March 2015. Dr. Vale was Head of Johnson & Johnson Development Company, or JJDC, from January 2012 to March 2015. Dr. Vale joined JJDC in March 1992, and in April 2008, was appointed to the position of Vice President, Head of Venture Investments. From September 1989 to March 1992, Dr. Vale supported Johnson & Johnson's medical device businesses at the Corporate Office of Science and Technology as an Executive Director. From 1982 to 1989, he was at Ethicon, Inc., a Johnson & Johnson subsidiary, working on preclinical studies, new business development, and a coronary artery bypass graft internal venture. Dr. Vale currently serves or has served on the board of directors of several private companies. Dr. Vale holds a Ph.D. from Iowa State University, a D.V.M. from Washington State University and a B.S. in Chemistry and Biology from Beloit College. We believe that Dr. Vale is qualified to serve on our Board due to his investment experience and strategic leadership in the life sciences industry.

Michael DeMane joined us in March 2011 as Chief Executive Officer until November 2014, at which time he became Chairman and Chief Executive Officer of the company. In June, 2016, Mr. DeMane assumed the role of Executive Chairman of the Board until January 2017 at which time he became Chairman of the Board. Mr. DeMane has served on the boards of directors of several private companies since 2009, and on the board of directors of eResearch Technology, Inc., a public company specializing in contract research clinical services from July 2008 to April 2012. From March 2009 to June 2010, Mr. DeMane served as a Senior Advisor to Thomas, Mc Nerney & Partners, a healthcare venture firm. Mr. DeMane served as the Chief Operating Officer of Medtronic, Inc. from August 2007 to April 2008. Prior to his COO role, Mr. DeMane served at Medtronic Inc. as Senior Vice President from May 2007 to August 2007, Senior Vice President and President: Europe, Canada, Latin America and Emerging Markets from August 2005 to May 2007, Senior Vice President and President: Spinal, ENT and Navigation from February 2002 to August 2005, and President, Spinal from January 2000 to February 2002. Prior to that, he was President Interbody Technologies Division, a division of Medtronic Sofamor Danek, Inc., from June 1998 to December 1999. Mr. DeMane served at Smith & Nephew Pty. Ltd. as Managing Director, Australia/New Zealand from April 1996 to June 1998. Mr. DeMane was President of the Orthopaedic Implant Division of Smith & Nephew Orthopaedics from March 1993 to April 1996. Prior to that, he was Vice President, Orthopaedic Research and Development for Smith & Nephew Orthopaedics from June 1989 until March 1993. Mr. DeMane earned a B.S. in Chemistry from St. Lawrence University and an M.S. in Bioengineering from Clemson University. We believe that Mr. DeMane is qualified to serve on our Board due to his investment experience, strategic leadership track record, service on other boards of directors

of companies in the healthcare industry and his service as our Chief Executive Officer.

Lisa D. Earnhardt has served on our Board since June 2015. She has served as President and Chief Executive Officer of Intersect ENT and as a member of its board of directors since March 2008. Prior to joining Intersect ENT, Ms. Earnhardt served as President of Boston Scientific's Cardiac Surgery division (formerly known as Guidant Corporation, or Guidant) from June 2006 to January 2008 until its sale to Getinge Group. From August 1996 to April 2006, Ms. Earnhardt worked at Guidant in a variety of sales and marketing leadership positions. Ms. Earnhardt served on the board of directors of Kensey Nash, a publicly traded company from 2011 until it was acquired by Royal DSM NA in 2012, where she served on the board's nominating and governance and audit committees. Ms. Earnhardt holds an M.B.A. from Northwestern's Kellogg School of Management and a B.S. in Industrial Engineering from Stanford University. We believe that Ms. Earnhardt is qualified to serve on our board of directors due to her operational and management experience in the medical device industry.

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Directors Continuing in Office Until the 2019 Annual Meeting of Stockholders

Ali Behbahani, M.D. has served on our Board since September 2014. Dr. Behbahani joined New Enterprise Associates, Inc., or NEA, in 2007 and is a Partner on the healthcare team. Prior to joining NEA, Dr. Behbahani worked as a consultant in business development at The Medicines Company, a specialty pharmaceutical company developing acute care cardiovascular products. Dr. Behbahani previously held positions as a venture associate at Morgan Stanley Venture Partners and as a healthcare investment banking analyst at Lehman Brothers. He conducted basic science research in the fields of viral fusion inhibition and structural proteomics at the National Institutes of Health and at Duke University. Dr. Behbahani currently serves on the board of directors of several private companies. Dr. Behbahani has also been a director of Adaptimmune Therapeutics plc, a public biopharmaceutical company, since September 2014, and serves on the corporate governance and nominating committee. He has been a director of CRISPR Therapeutics AG, a public gene-editing company, since April 2015 and serves on the audit committee and nominating and corporate governance committee. Dr. Behbahani holds an M.D. from The University of Pennsylvania School of Medicine, an M.B.A. from The University of Pennsylvania Wharton School and a B.A. in Biomedical Engineering, Electrical Engineering and Chemistry from Duke University. We believe that Dr. Behbahani is qualified to serve on our Board due to his experience in the life science industry and his investment experience.

Wilfred E. Jaeger, M.D. has served on our Board since January 2012. Dr. Jaeger cofounded Three Arch Partners in 1993 and has served as a Partner and Managing Member since that time. Prior to co-founding Three Arch Partners, Dr. Jaeger was a general partner at Schroder Ventures. Dr. Jaeger currently serves on the board of directors of Concert Pharmaceuticals, Inc., a public clinical stage biopharmaceutical company, Threshold Pharmaceuticals, Inc., a public pharmaceutical company, as well as numerous private companies. Dr. Jaeger received a B.S. in Biology from the University of British Columbia, an M.D. from the University of British Columbia School of Medicine and an M.B.A. from the Stanford Graduate School of Business. We believe that Dr. Jaeger is qualified to serve on our Board due to his investment experience, strategic leadership track record and service on other boards of directors of life sciences companies.

Rami Elghandour joined us in October 2012, has served as our Chief Business Officer and currently serves as our President and Chief Executive Officer. From September 2008 to October 2012, Mr. Elghandour managed investments for Johnson & Johnson Development Corporation, or JJDC, where he led several investments and served on the board of directors of a number of private companies, including our Board. Additionally, he led strategic initiatives in the development and management of JJDC's portfolio. From 2001 to 2006, Mr. Elghandour worked for Advanced Neuromodulation Systems, Inc. (acquired by St. Jude Medical, Inc.), a medical device company, where he led firmware design and development on several implantable neurostimulators. Mr. Elghandour received an M.B.A. from the Wharton School of the University of Pennsylvania and a B.S. in Electrical and Computer Engineering from Rutgers University School of Engineering. We believe that Mr. Elghandour is qualified to serve on our Board due to his investment and engineering experience, strategic track record, and his service as our President and Chief Executive Officer.

## PROPOSAL NO. 2

## RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has engaged PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017, and is seeking ratification of such selection by our stockholders at the Annual Meeting. PricewaterhouseCoopers LLP has audited our financial statements since the year ended December 31, 2006. Representatives of PricewaterhouseCoopers LLP are expected to be in attendance online at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our bylaws nor other governing documents or law require stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, the Audit Committee is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

## Principal Accountant Fees and Services

The following table provides information regarding the fees incurred to PricewaterhouseCoopers LLP during the years ended December 31, 2016 and 2015. The Audit Committee approved all of the fees described below incurred since our initial public offering in November 2014.

|                    | Years Ended  |             |
|--------------------|--------------|-------------|
|                    | December 31, |             |
|                    | 2016         | 2015        |
| Audit Fees (1)     | \$1,826,325  | \$1,645,013 |
| Tax Fees (2)       | 56,257       | —           |
| Audit-Related Fees | —            | —           |
| All Other Fees (3) | 2,700        | 2,700       |
| Total Fees         | \$1,885,282  | \$1,647,713 |

(1) Audit fees of PricewaterhouseCoopers LLP for 2016 and 2015 were for professional services rendered for the audits of our financial statements, including accounting consultation, reviews of quarterly financial statements and for services associated with our underwritten public offering, which was completed in June 2015, and our issuance of convertible senior debt in a registered underwritten public offering, which was completed in June 2016.

(2) Tax fees of PricewaterhouseCoopers LLP for 2016 were for tax advisory services.

(3) Other fees of PricewaterhouseCoopers LLP for 2016 and 2015 include support services not included in the service categories above.

## Pre-Approval Policies and Procedures

The Audit Committee or a delegate of the Audit Committee pre-approves, or provides pursuant to pre-approvals policies and procedures for the pre-approval of, all audit and non-audit services provided by its independent registered public accounting firm. This policy is set forth in the charter of the Audit Committee and is available in the “Corporate Governance” section of our website at <http://www.nevro.com/>.

The Audit Committee approved all of the audit, audit-related, tax and other services provided by PricewaterhouseCoopers LLP since our initial public offering in November 2014 and the estimated costs of those services. Actual amounts billed, to the extent in excess of the estimated amounts, are periodically reviewed and approved by the Audit Committee.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

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## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The material in this report is not “soliciting material,” is not deemed “filed” with the SEC, and is not to be incorporated by reference into any filing of Nevro under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The primary purpose of the Audit Committee is to oversee our financial reporting processes on behalf of our Board. The Audit Committee’s functions are more fully described in its charter, which is available in the “Corporate Governance” section of our website at <http://www.nevro.com/>. Management has the primary responsibility for our financial statements and reporting processes, including our systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management Nevro’s audited financial statements as of and for the year ended December 31, 2016.

The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 1301, “Communications with Audit Committees” issued by the Public Company Accounting Oversight Board (the “PCAOB”). In addition, the Audit Committee discussed with PricewaterhouseCoopers LLP their independence, and received from PricewaterhouseCoopers LLP the written disclosures and the letter required by Ethics and Independence Rule 3526 of the PCAOB. Finally, the Audit Committee discussed with PricewaterhouseCoopers LLP, with and without management present, the scope and results of PricewaterhouseCoopers LLP’s audit of such financial statements.

Based on these reviews and discussions, the Audit Committee has recommended to our Board that such audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC. The Audit Committee also has engaged PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 and is seeking ratification of such selection by the stockholders.

Audit Committee  
Shawn T McCormick, Chairman  
Lisa D. Earnhardt  
Wilfred E. Jaeger, M.D.

PROPOSAL NO. 3

NON-BINDING, ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Summary

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 enables our stockholders to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules, commonly known as a "Say-on-Pay" vote. Accordingly, we are seeking a non-binding, advisory vote to approve the compensation of our named executive officers as described in the "Compensation Discussion and Analysis" section of this proxy statement and the compensation tables and accompanying narrative disclosures that follow.

Board Recommendation

Our Compensation Committee and the Board believe that the information provided in the "Compensation Discussion and Analysis" section of this proxy statement, compensation tables and accompanying narrative disclosures demonstrates that our executive compensation program is designed appropriately, emphasizes pay for performance and aligns management's interests with our stockholders interests to support long-term value creation.

Accordingly, our Board recommends that stockholders vote "FOR" the following resolution:

RESOLVED, that stockholders of Nevro Corp. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in "Compensation Discussion and Analysis," compensation tables and the accompanying narrative disclosures of this Proxy Statement.

While the vote on this resolution is advisory and not binding on us, the Compensation Committee, or our Board, the Compensation Committee and our Board values thoughtful input from stockholders and will consider the outcome of the vote on this resolution when considering future executive compensation decisions. Our Board has adopted a policy of providing for annual advisory votes from stockholders on executive compensation. Unless our Board modifies its policy on the frequency of future Say-on-Pay advisory votes, the next Say-on-Pay advisory vote will be held at the 2018 annual meeting of stockholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE, ON A NON-BINDING ADVISORY BASIS, FOR THE RESOLUTION TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

## CORPORATE GOVERNANCE

### Code of Conduct and Ethics

We have adopted a Code of Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The Code of Conduct and Ethics is available in the “Corporate Governance” section of our website at <http://www.nevro.com/>. We expect that any amendments to the Code of Conduct and Ethics, or any waivers of its requirements, will be disclosed on our website. The reference to our web address does not constitute incorporation by reference of the information contained at or available through our website.

### Corporate Governance Guidelines

We believe in sound corporate governance practices and have adopted formal Corporate Governance Guidelines to enhance our effectiveness. Our Board adopted these Corporate Governance Guidelines in order to ensure that it has the necessary practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The Corporate Governance Guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices our Board follows with respect to Board and committee composition and selection, Board meetings, Chief Executive Officer performance evaluation and succession planning. A copy of our Corporate Governance Guidelines is available on our website at <http://www.nevro.com/>.

### Independence of the Board of Directors

Under New York Stock Exchange rules and regulations, a majority of the members of a listed company’s board of directors must qualify as “independent,” as affirmatively determined by such board. The Board consults with the Company’s counsel to ensure that the Board’s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent New York Stock Exchange listing standards, as in effect from time to time.

Consistent with these considerations, our Board has determined that all of our directors, other than Mr. DeMane and Mr. Elghandour, qualify as “independent” directors in accordance with the New York Stock Exchange listing requirements. Mr. DeMane is not considered independent because he served as an executive officer of Nevro within the last three years. Mr. Elghandour is not considered independent because he is our current President and Chief Executive Officer. The New York Stock Exchange’s independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his family members has engaged in various types of business dealings with us. In addition, as required by New York Stock Exchange rules, our Board has made a subjective determination as to each independent director that no relationships exist, which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our Board reviewed and discussed information provided by the directors and us with regard to each director’s business and personal activities and relationships as they may relate to us and our management. There are no family relationships among any of our directors or executive officers.

As required under New York Stock Exchange rules and regulations, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. All of the committees of our Board are comprised entirely of directors determined by the Board to be independent within the meaning of New York Stock Exchange rules and regulations.

Leadership Structure of the Board

Our bylaws and Corporate Governance Guidelines provide our Board with flexibility to combine or separate the positions of Chairman of the Board and Chief Executive Officer and/or the implementation of a lead director in accordance with its determination that utilizing one or the other structure would be in the best interests of the Company. Currently, Mr. DeMane serves as the Chairman of the Board and Mr. Elghandour serves as the President and Chief Executive Officer.

During 2016, Mr. Fischer served as the presiding independent director at meetings of the independent members of the Board when they met in executive session. In his role as presiding independent director, Mr. Fischer presided over the executive sessions of the Board in which Mr. Elghandour and Mr. DeMane did not participate and served as a liaison to the Chief Executive Officer and management on behalf of the independent members of the Board.

The Board believes its current leadership structure strikes an appropriate balance between effective and efficient Company leadership and oversight by non-management directors. We believe that Mr. DeMane's experience as our Chairman of the Board and as our former Chief Executive Officer helps maintain effective communication and coordination between the Board and Mr. Elghandour, our current President and Chief Executive Officer.

Our Board has concluded that our current leadership structure is appropriate at this time. However, our Board will continue to periodically review our leadership structure and may make changes as it deems appropriate.

#### Role of Board in Risk Oversight Process

Risk assessment and oversight are an integral part of our governance and management processes. Our Board encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings, and conducts specific strategic planning and review sessions during the year that include focused discussions and analyses of the risks facing us. Throughout the year, senior management reviews these risks with the Board at regular Board meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate or eliminate such risks.

Our Board does not have a standing risk management committee, but rather administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure and our Audit Committee is responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines and considers and approves or disapproves any related-person transactions. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs have the potential to encourage excessive risk-taking.

#### Board Committees

##### Audit Committee

Our Audit Committee oversees our corporate accounting and financial reporting process. Among other matters, the Audit Committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our engagement team as required by law;
- is responsible for reviewing our financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- annually reviews the Audit Committee charter and the committee's performance.

The current members of our Audit Committee are Shawn T McCormick, Lisa D. Earnhardt and Wilfred E. Jaeger, M.D. Mr. McCormick serves as the chairperson of the committee. All members of our Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the New York Stock Exchange. Our Board has determined that

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Mr. McCormick is an Audit Committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of the New York Stock Exchange. Under the rules of the SEC, members of the Audit Committee must also meet heightened independence standards. Our Board has determined that each of Mr. McCormick, Ms. Earnhardt and Dr. Jaeger are independent under the applicable rules of New York Stock Exchange and under the applicable rules of the SEC. The Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and New York Stock Exchange. A copy of the Audit Committee charter is available to security holders in the “Corporate Governance” section of the Company’s website at <http://www.nevro.com/>.

#### Compensation Committee

Our Compensation Committee reviews and recommends policies relating to compensation and benefits of our officers and employees. The Compensation Committee reviews and recommends to our Board corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives and sets the compensation of these officers, other than the Chief Executive Officer, based on such evaluations. Our Board retains the authority to determine and approve, upon the recommendation of the Compensation Committee, the compensation of the Chief Executive Officer, unless such authority has been delegated to the Compensation Committee. Our executive officers submit proposals to the Compensation Committee regarding our executive and director compensation, which the Compensation Committee may recommend to our Board. The Compensation Committee also recommends to our Board the issuance of stock options and other awards under our stock plans. The Compensation Committee will review and evaluate, at least annually, the performance of the Compensation Committee and its members, including compliance by the Compensation Committee with its charter. The Compensation Committee is entitled to delegate any or all of its responsibilities to a subcommittee to the extent consistent with our certificate of incorporation, bylaws, Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), applicable laws, regulations and New York Stock Exchange rules. The current members of our Compensation Committee are Drs. Behbahani, Jaeger and Vale. Dr. Jaeger serves as the chairman of the committee. Each of the members of our Compensation Committee is independent under the applicable rules and regulations of the New York Stock Exchange and is a “non-employee director” as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and an “outside director” as that term is defined in Section 162(m) of the Code.

In 2016, our Compensation Committee retained Radford Consulting, Inc. (“Radford”), a nationally recognized compensation consulting firm, to serve as its independent compensation consultant and to conduct market research and analysis on our various executive positions, to assist the committee in developing appropriate incentive plans for our executives, to provide the committee with advice and ongoing recommendations regarding material executive compensation decisions, and to review compensation proposals of management. Radford reports directly to the Compensation Committee and does not provide any non-compensation related services to the Company. In compliance with the disclosure requirements of the SEC regarding the independence of compensation consultants, Radford addressed each of the six independence factors established by the SEC with the Compensation Committee. Its responses affirmed the independence of Radford on executive compensation matters. Based on this assessment, the Compensation Committee determined that the engagement of Radford does not raise any conflicts of interest or similar concerns. In addition, the Compensation Committee evaluated the independence of its other outside advisors to the Compensation Committee, including outside legal counsel, considering the same independence factors and concluded their work for the Compensation Committee does not raise any conflicts of interest. Prior to our engagement of Radford, we retained Compensia, Inc. (“Compensia”) as our independent compensation consultant for purposes of assisting our Compensation Committee. During its engagement, Compensia reported directly to the Compensation Committee and did not provide any non-compensation related services to the Company. Compensia addressed each of the six independence factors established by the SEC with the Compensation Committee and affirmed its independence on executive compensation matters. Based on that assessment, the Compensation

Committee determined that the Compensia's engagement did not raise any conflicts of interest or similar concerns.

The Compensation Committee operates under a written charter that satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Compensation Committee charter is available to security holders in the "Corporate Governance" section of the Company's website at <http://www.nevro.com/>.

#### Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is responsible for making recommendations to our Board regarding candidates for directorships and the size and composition of our Board. In addition, the Nominating and Corporate Governance Committee is responsible for overseeing our corporate governance policies and reporting and making recommendations to our Board concerning governance matters. The current members of our Nominating and Corporate Governance Committee are Dr. Behbahani, Ms. Earnhardt and Mr. Fischer. Mr. Fischer serves as the chairman of the committee. Each of the members of our Nominating and



Corporate Governance Committee is an independent director under the applicable rules and regulations of the New York Stock Exchange relating to Nominating and Corporate Governance Committee independence. The Nominating and Corporate Governance Committee operates under a written charter. A copy of the Nominating and Corporate Governance Committee charter is available to security holders in the “Corporate Governance” section of the Company’s website at <http://www.nevro.com/>.

Our Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the Nominating and Corporate Governance Committee, in recommending candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following: diversity of personal and professional background, perspective and experience; personal and professional integrity, ethics and values; experience in corporate management, operations or finance, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today’s business environment; experience in the industries in which we compete and with relevant social policy concerns; experience as a board member or executive officer of another publicly held company; relevant academic expertise or other proficiency in an area of the Company’s operations; diversity of business and career experience relevant to the success of the Company; and practical and mature business judgment. The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best maximize the success of the Company and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. For a stockholder to make any nomination for election to the Board at an annual meeting, the stockholder must provide notice to the Company, which notice must be delivered to, or mailed and received at, the Company’s principal executive offices not less than 90 days, and not more than 120 days, prior to the one-year anniversary of the preceding year’s annual meeting; provided, that if the date of the annual meeting is more than 30 days before, or more than 60 days after, such anniversary date, the stockholder’s notice must be delivered, or mailed and received, not later than 90 days prior to the date of the annual meeting or, if later, the 10th day following the date on which public disclosure of the date of such annual meeting is made. Further updates and supplements to such notice may be required at the times, and in the forms, required under our bylaws. As set forth in our bylaws, submissions must include the name and address of the proposed nominee, information regarding the proposed nominee that is required to be disclosed in a proxy statement or other filings in a contested election pursuant to Section 14(a) under the Exchange Act, information regarding the proposed nominee’s indirect and direct interests in shares of the Company’s common stock, and a completed and signed questionnaire, representation and agreement of the proposed nominee. Our bylaws also specify further requirements as to the form and content of a stockholder’s notice. We recommend that any stockholder wishing to make a nomination for director review a copy of our bylaws, as amended and restated to date, which is available, without charge, from our Corporate Secretary, at 1800 Bridge Parkway, Redwood City, California 94065.

#### Meetings of the Board of Directors, Board and Committee Member Attendance and Annual Meeting Attendance

Our Board met seven times during the last year. The Audit Committee met six times, the Compensation Committee met six times and the Nominating and Corporate Governance Committee met once. During 2016, each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served. We encourage all of our directors and nominees for director to attend our annual meeting of stockholders; however, attendance is not mandatory. All of our directors attended our annual general meeting of stockholders in 2016.

#### Stockholder or Any Other Interested Party Communications with the Board of Directors

Should stockholders or any other interested party wish to communicate with the Board or any specified individual directors, such correspondence should be sent to the attention of the Corporate Secretary, at 1800 Bridge Parkway, Redwood City, California 94065. The Corporate Secretary will forward the communication to the Board members.

#### Compensation Committee Interlocks and Insider Participation

During 2016, our Compensation Committee consisted of Drs. Behbahani, Jaeger and Vale. None of the members of our Compensation Committee has at any time been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our Board or Compensation Committee.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Below, we describe below transactions and series of similar transactions, during our last fiscal year, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

### Indemnification Agreements and Directors' and Officers' Liability Insurance

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, penalties, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

### Registration Rights Agreement

We entered into an amended and restated registration rights agreement with certain of our investors, including entities with which certain of our directors are or were affiliated, prior to our initial public offering in November 2014. As of December 31, 2016, the holders of approximately 1.4 million shares of our common stock, including the shares of common stock issuable upon exercise of outstanding options, are entitled to rights with respect to the registration of their shares under the Securities Act of 1933, as amended (the "Securities Act").

### Policies and Procedures for Related Party Transactions

Our Board has adopted a written related person transaction policy setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our Audit Committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The material in this report is not “soliciting material,” is not deemed “filed” with the SEC, and is not to be incorporated by reference into any filing of Nevro under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Compensation Committee reviewed and discussed with management the “Compensation Discussion and Analysis” included in this Proxy Statement. Based on those reviews and discussions, the Compensation Committee recommended to the Board that the “Compensation Discussion and Analysis” be included in this Proxy Statement.

Compensation Committee  
Wilfred E. Jaeger, M.D., Chairman  
Ali Behbahani, M.D.  
Brad Vale, Ph.D., D.V.M.

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## DIRECTOR COMPENSATION

In connection with, and effective as of, our initial public offering in 2014, we implemented a compensation policy for our non-employee directors (the “Director Compensation Program”). Pursuant to the Director Compensation Program, each non-employee director receives an annual cash retainer of \$40,000. Non-employee directors who serve on one or more committees are eligible to receive the following annual committee fees:

| Committee                                     | Other    |          |
|---|----------|----------|
|   | Chair    | Member   |
| Audit Committee                               | \$20,000 | \$10,000 |
| Compensation Committee                        | \$15,000 | \$8,000  |
| Nominating and Corporate Governance Committee | \$10,000 | \$5,000  |

Under the Director Compensation Program, each non-employee director who is initially elected or appointed to our Board will receive an option for that number of shares of our common stock necessary for the award to have an aggregate grant date fair value of approximately \$150,000 upon the director’s initial appointment or election to our Board (the “Initial Grant”). In addition, each non-employee director who is serving on our Board immediately following an annual stockholder’s meeting will receive an annual option to purchase that number of shares of our common stock necessary for the award to have an aggregate grant date fair value of approximately \$90,000 on the date of such annual stockholder’s meeting (the “Annual Grant”). The Initial Grant will vest as to 1/3rd of the shares subject to the Initial Grant each year following the grant date, subject to continued service through each applicable vesting date. The Annual Grant will vest as to 1/12th of the shares subject to the Annual Grant each month following the grant date, which vesting will accelerate in full on the date of the next annual stockholder’s meeting to the extent unvested as of such date, subject to continued service through each applicable vesting date. All equity awards, including any Initial Grants and Annual Grants, held by our non-employee directors will vest in full immediately prior to the occurrence of a change in control.

The following table sets forth information concerning the compensation earned by our non-employee directors during the year ended December 31, 2016.

| Name                     | Fees                       |                   | Total     |
|--------------------------|----------------------------|-------------------|-----------|
|                          | Earned or Paid in Cash (1) | Option Awards (2) |           |
| Ali Behbahani            | \$53,000                   | \$89,995          | \$142,995 |
| Lisa D. Earnhardt        | \$55,000                   | \$89,995          | \$144,995 |
| Frank Fischer            | \$50,000                   | \$89,995          | \$139,995 |
| Wilfred E. Jaeger, M.D.  | \$65,000                   | \$89,995          | \$154,995 |
| Shawn T McCormick        | \$60,000                   | \$89,995          | \$149,995 |
| Brad Vale, Ph.D., D.V.M. | \$48,000                   | \$89,995          | \$137,995 |

(1) The amounts reported in this column represent the aggregate dollar amount of all fees earned or paid in cash to each non-employee director in fiscal 2016 for their service as a director, including any annual retainer fees, committee and/or chairmanship fees.

(2) The amounts reported in this column represent the grant date fair value calculated in accordance with the provisions of ASC Topic 718, excluding the impact of estimated forfeitures related to service-based vesting provisions. The valuation assumptions used in determining such amounts are described in Note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

As of December 31, 2016, each of our non-employee directors during 2016 held the following outstanding options:

| Name                     | Shares<br>Subject to<br>Outstanding<br>Options |
|--------------------------|--|
| Ali Behbahani            | 15,899   |
| Lisa D. Earnhardt        | 9,093  |
| Frank Fischer            | 15,899   |
| Wilfred E. Jaeger, M.D.  | 15,899   |
| Shawn T McCormick        | 21,551   |
| Brad Vale, Ph.D., D.V.M. | 16,171   |

In November 2016, our Board approved certain changes to our Director Compensation Program (the “Amended Director Compensation Program”), effective January 1, 2017. Under the Amended Director Compensation Program, each non-employee director will receive an annual cash retainer of \$55,000, and the non-executive chair of the Board will receive an additional annual cash retainer of \$50,000. In addition, non-employee directors who serve on one or more committees will be eligible to receive the following annual committee fees:

| Committee                                     | Chair    | Other Member |
|---|----------|--------------|
| Audit Committee                               | \$25,000 | \$12,000     |
| Compensation Committee                        | \$15,000 | \$8,000      |
| Nominating and Corporate Governance Committee | \$12,000 | \$6,000      |

Under the Amended Director Compensation Program, each non-employee director who is serving on our Board immediately following an annual stockholder’s meeting will receive an equity award with a grant date fair value of \$225,000. Each non-employee director who is initially elected or appointed to our Board will receive an equity award with same grant date fair value, prorated for the director’s months of services before the next annual stockholder’s meeting. Fifty percent of the value of each equity award will be granted in the form of stock options, and 50% of the value of each equity award will be granted in the form of restricted stock units (“RSUs”). Each stock option will vest as to 1/12th of the shares subject to the option each month following the grant date, which vesting will accelerate in full on the date of the next annual stockholder’s meeting to the extent unvested as of such date, subject to continued service through each applicable vesting date. Each restricted stock unit award will vest on the earlier of the first anniversary of the grant date or the date of the next annual stockholder’s meeting, subject to continued service through such date. All equity awards held by our non-employee directors will vest in full immediately prior to the occurrence of a change in control.

## EXECUTIVE OFFICERS

The following is biographical information for our executive officers and significant employees as of March 31, 2017.

| Name                         | Age | Position(s)                                     |
|------------------------------|-----|---|
| <b>Executive Officers</b>    |     |   |
| Rami Elghandour              | 38  | President and Chief Executive Officer           |
| Andrew H. Galligan           | 60  | Chief Financial Officer                         |
| Doug Alleavitch              | 56  | Vice President, Quality                         |
| Christofer Christoforou      | 47  | Vice President, Research and Development        |
| Michael Enxing               | 50  | Vice President, Sales                           |
| Patrick Schmitz              | 57  | Vice President, Operations                      |
| <b>Significant Employees</b> |     |   |
| David Caraway, M.D., Ph.D.   | 60  | Chief Medical Officer                           |
| Richard B. Carter            | 46  | Vice President of Finance, Corporate Controller |
| Bradford E. Gliner           | 51  | Vice President, Clinical & Regulatory           |
| Michael W. Hall              | 69  | General Counsel                                 |
| Neeraj Teotia                | 42  | Vice President, Marketing                       |

## Executive Officers

See above under "Proposal No. 1 Election of Directors" for biographical information for Rami Elghandour.

Andrew H. Galligan has served as our Chief Financial Officer since May 2010. From February 2009 to July 2010, Mr. Galligan served as Vice President of Finance and Chief Financial Officer at OOMA, a consumer electronics manufacturer and VOIP service provider. From 2007 to 2008, Mr. Galligan served as Vice President of Finance and CFO of Reliant Technologies, Inc. (later acquired by Solta Medical, Inc.), a medical device company. Mr. Galligan has also held the top financial executive position at several other medical device companies and began his career in various financial positions at KPMG and Raychem Corp. Mr. Galligan has served on the board of directors at OOMA, a publicly held consumer telecommunications company, since December 2014. Mr. Galligan also served on the board of directors of DiaDexus, Inc., a public medical diagnostics company, until January 2015. Mr. Galligan received a degree in Business Studies from Trinity College in Dublin, Ireland and is also a Fellow of the Institute of Chartered Accountants in Ireland.

Doug Alleavitch has served as our Vice President, Quality since April 2015. From October 2009 to April 2015, Mr. Alleavitch served as Vice President, Operations and Quality Assurance at AEGEA Medical, Inc., a medical device company, where he oversaw the manufacturing and quality assurance procedures. From August 2007 to September 2009, Mr. Alleavitch served first as Senior Director, Manufacturing and later as Vice President, Operations at AngioScore, Inc., a medical device company, where he oversaw AngioScore's production, supply chain management and manufacturing engineering. From February 2002 to July 2007, Mr. Alleavitch served first as Director, Quality Assurance and later as Director, Operations at Boston Scientific, a medical device company. Mr. Alleavitch received a B.S. in Chemical Engineering from Cornell University, an M.S. in Industrial Engineering and an M.B.A. from the University of Illinois and an M.S. in Chemical Engineering from the Illinois Institute of



Technology.

Christofer Christoforou has served as our Vice President, Research and Development since July 2016. From December 2014 to July 2016, Mr. Christoforou served as Vice President, Quality Engineering at Thoratec Corporation, a medical device company, where he oversaw the operational, design and supplier quality engineering functions. From October 1999 to December 2014, Mr. Christoforou served in several leadership positions of increasing levels of responsibility at Thoratec Corporation. From August 1993 to February 1999, Mr. Christoforou served as a Manager of Engineering and various Engineering positions for United States Surgical Corporation, a producer of tools for use in surgery. Mr. Christoforou received a B.S. in Biomedical Engineering from Boston University and an M.S. in Biomedical Engineering from The Johns Hopkins University in Maryland.

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Michael Enxing has served as our Vice President, Sales since December 2012. From 2009 to December 2012, Mr. Enxing served as Vice President of Vertos Medical Inc., a medical device company. From 1990 to 2009, Mr. Enxing held various executive positions at Cardiovascular Systems, Inc. (f/k/a Cardio Vascular Solutions (CSI)), a medical device company, Advanced Neuromodulation Systems, Inc. (acquired by St. Jude Medical), a medical device company, Stryker Corporation, a medical technology company, and Tecno Medical Products, Inc. (acquired by Kimberly Clark), a medical device company. Mr. Enxing is a graduate of Iowa State University with a B.S. in Communications and focus in business administration.

Patrick Schmitz has served as our Vice President, Operations since March 2016. From 2005 to October 2015, Mr. Schmitz served as Vice President, Operations at Thoratec Corporation, a medical device company, where he oversaw all domestic and international operations. From 2003 to 2005, Mr. Schmitz served as Vice President, North American Operations at GN ReSound, a medical device company. Mr. Schmitz also held several leadership positions in increasing levels of responsibility at St. Jude from 1993 to 2003. Mr. Schmitz holds a B.S. in Industrial Technology from the University of Wisconsin – Stout.

#### Significant Employees

David Caraway, M.D., Ph.D. has served as our Chief Medical Officer since April 2014. From 2001 until joining Nevro, Dr. Caraway was the CEO of The Center for Pain Relief, Tri-State, L.L.C., in partnership with St. Mary's Regional Medical Center in Huntington, West Virginia. Dr. Caraway has maintained an active medical practice for over 20 years and has held leadership positions in the North American Neuromodulation and the American Society of Interventional Pain Physicians. As a nationally recognized expert in the treatment of chronic pain, he has lectured regionally, nationally and internationally in the field of Interventional Pain Medicine and authored numerous publications in this field. Dr. Caraway received a B.S. in chemical engineering from the University of Virginia School of Engineering, an M.D. from the University of Virginia School of Medicine and a Ph.D. in biophysics from the University of Virginia Graduate School of Arts and Sciences. He also received post-graduate training in anesthesiology and pain management from the University of Virginia. Dr. Caraway is board certified by the American Board of Anesthesiology.

Richard B. Carter has served as our Vice President of Finance, Corporate Controller since November 2015, having held roles of increasing responsibility in finance and accounting since joining Nevro as Corporate Controller in September 2014. From October 2013 to October 2014, Mr. Carter served as Corporate Controller at ClearEdge Power, Inc., a privately held fuel cell manufacturing company. From December 2011 to October 2013, Mr. Carter served as the Vice President of Finance and Corporate Controller at Kovio, Inc., a privately held electronic device manufacturing company. From March 2007 to December 2011, Mr. Carter served as Vice President of Finance and Corporate Controller at MiaSolé, a thin-film solar panel manufacturer. Previously, Mr. Carter served as the Corporate Controller at PortalPlayer, Inc. and Transmeta Corporation, both publicly traded fabless semiconductor companies. Mr. Carter received a B.S. in Business Administration from California State University, Chico. Mr. Carter is a Certified Public Accountant (inactive license) and began his career as an auditor at Ernst & Young, LLP.

Bradford E. Gliner has served as our Vice President of Clinical and Regulatory Affairs since May 2011. From 2008 to May 2011, Mr. Gliner was President and CEO at MitoGuard Neuroscience, Inc., a photobiomodulation medical device company. From 1999 to 2008, Mr. Gliner was Vice President of Research at Northstar Neuroscience, Inc., a medical device company, where he led research on numerous neuromodulation applications. From 1992 to 1999, Mr. Gliner was also a co-founder of Heartstream, Inc. (acquired by Koninklijke Philips Electronics NV), a medical device company that manufactures and markets automatic external defibrillators. Mr. Gliner received a B.S. in Electrical Engineering from the University of Illinois and an M.S. in Biomedical Engineering from Johns Hopkins University in Maryland.

Michael W. Hall has served as our General Counsel since January 2015. He was a partner at Latham & Watkins from February 1999 to December 2014. Mr. Hall practiced for a number of years at Wilson, Sonsini, Goodrich & Rosati and was a co-founder of Venture Law Group prior to joining Latham & Watkins. His practice was focused on representation of life science companies primarily in the medical device industry. He also represented underwriters and venture capital firms in both public and private financing transactions. Mr. Hall received a B.A. from California State University, Sonoma and a J.D. from the University of California at Berkeley School of Law (Boalt Hall).

Neeraj Teotia has served as our Vice President of Marketing since May 2016, having held roles of increasing responsibility in marketing since joining Nevro as Director, Marketing in April 2014. From July 2012 to April 2014 Mr. Teotia served as a Director, New Business Development in the Global Surgery Group at Johnson & Johnson where he was responsible for assessing various licensing and acquisition opportunities. Prior to his role in New Business Development, Mr. Teotia worked in various marketing, licensing & acquisitions and research & development roles within the medical device group at Johnson & Johnson. Mr. Teotia

received an M.B.A. from the Kellogg School of Management at Northwestern University and holds a B.S. in Electrical Engineering from the University of Illinois at Urbana-Champaign.

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## COMPENSATION DISCUSSION AND ANALYSIS

### General

The following Compensation Discussion and Analysis (“CD&A”) provides information on the compensation arrangements for our Named Executive Officers (our Chief Executive Officer, our Chief Financial Officer, our other three most highly compensated executive officers serving at the end of fiscal 2016 and our former Chief Executive Officer and Executive Chairman, collectively our “NEOs”) and is intended to provide context for the decisions underlying the compensation paid to our NEOs in 2016. This CD&A should be read together with the compensation tables and related disclosures set forth below. Our NEOs for 2016 and their positions as of the end of fiscal 2016 were as follows:

- Rami Elghandour, President and Chief Executive Officer;
- Andrew H. Galligan, Chief Financial Officer;
- Michael DeMane, Chairman of the Board and former Chief Executive Officer and Executive Chairman;
- Doug Alleavitch, Vice President, Quality;
- Christofer Christoforou, Vice President, Research and Development; and
- Patrick Schmitz, Vice President, Operations.

We underwent several changes in our executive leadership during 2016. In accordance with an executive leadership transition plan approved by the Board in February 2016, effective June 1, 2016, Mr. DeMane transitioned from our Chairman and Chief Executive Officer to Executive Chairman of the Board, and Mr. Elghandour assumed the role of President and Chief Executive Officer. Mr. Elghandour was also elected a member of our Board at our 2016 annual meeting of stockholders. As contemplated by the leadership transition, effective January 1, 2017, Mr. DeMane transitioned from Executive Chairman to the role of Chairman of the Board, ceasing in his executive officer role with the Company. We entered into new compensatory arrangements with each of Messrs. DeMane and Elghandour as part of the leadership transition plan, as described in more detail under “Employment Agreements” below. During 2016, we also hired Mr. Schmitz as our Vice President, Operations effective as of March 14, 2016 and Mr. Christoforou as our Vice President, Research and Development, effective as of July 25, 2016.

### Executive Summary

**2016 Performance Highlights and Pay for Performance.** Our executive compensation programs are designed to deliver pay in accordance with corporate and individual performance, rewarding superior performance and providing consequences for underperformance. We believe that compensation of our NEOs for fiscal year 2016 was aligned with the Company’s performance during 2016. Highlights of that performance include, but are not limited to:

- We achieved revenue of \$228.5 million for the full year 2016, an increase of 228% as reported, over the prior year.
- We hired and trained 93 additional sales representatives in the United States, allowing us to expand the commercialization of our HF10 therapy in the United States.
- We received U.S. Food & Drug Administration approval for Surpass<sup>TM</sup> surgical leads for the Senza<sup>®</sup> Spinal Cord Stimulation System.
- We successfully met product demand for the year.

In order to align pay with performance, a significant portion of our NEOs’ compensation is delivered in the form of equity awards and annual cash incentives, each of which depends on our actual performance. For fiscal year 2016, approximately 90% of our NEOs’ total target compensation was in the form of stock options, restricted stock units and annual cash incentives.

2016 Compensation Highlights. Consistent with our compensation philosophy, key compensation decisions for 2016 included the following:

• **Base Salaries and Target Annual Cash Incentive Opportunities.** The 2016 base salaries and target bonuses for our NEOs remained level or were increased in order to maintain competitive levels of compensation for our NEOs and were set by our

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Compensation Committee based on a number of considerations, including reference to reports setting forth the 25th, 50th and 75th percentiles of compensation paid by our peer group of companies.

• **Annual Cash Incentives.** For 2016, our Compensation Committee selected eight performance goals for our performance-based annual bonus program that were intended to promote our business plan and short-term goals, including with respect to sales and marketing, operations, product development and clinical research. In light of our achievement of each of the performance goals, the Board determined to pay out annual bonuses at 150% of target for each of our NEOs.

• **Equity-Based Long Term Incentives.** In 2016, we granted approximately 81% of our NEOs' target direct compensation as equity-based compensation in the form of stock options and restricted stock units. We believe that stock options and restricted stock units effectively align the interests of our executives with those of our stockholders, providing significant leverage if our growth objectives are achieved while also placing a significant portion of compensation at risk if our objectives are not achieved. In the event that our executives fail to increase stockholder value over the term of their stock options, or if stockholder value remains stagnant, then our NEOs will realize no value from their stock options. In addition, restricted stock units complement our equity compensation program by providing additional retention value.

**Compensation Governance and Best Practices.** We are committed to having strong governance standards with respect to our compensation programs, procedures and practices. Our key compensation practices include the following:

• **Pay for performance.** A significant portion of executive compensation is "at risk" based on corporate performance, and additionally is equity-based, in order to align the interests of our executive officers with stockholders.

• **Strong link between performance measures and strategic objectives.** Performance measures for incentive compensation are linked to operating priorities designed to create long-term stockholder value.

• **Independent compensation consultant.** The Compensation Committee retains an independent compensation consultant to review our executive compensation program and practices.

• **No guaranteed annual salary increases or bonuses.** Our NEOs' salary increases are based on individual evaluations and their annual cash incentives are tied to corporate performance.

• **No tax gross-ups.** We do not provide any tax gross-ups to our NEOs.

• **Limited perquisites.** We do not provide any perquisites or personal benefits to our NEOs, other than in limited circumstances.

• **No hedging or pledging.** We prohibit our employees and directors from hedging or pledging any Company securities.

**Executive Compensation Objectives and Philosophy**

The key objective in our executive compensation program is to attract, motivate and reward leaders with the skills and experience necessary to successfully execute on our strategic plan to maximize stockholder value. Our executive compensation program is designed to:

• **Attract and retain talented and experienced executives in a competitive and dynamic market;**

• **Motivate our NEOs to help the Company achieve the best possible financial and operational results;**

• **Provide reward opportunities consistent with our performance on both a short-term and long-term basis; and**

• **Align the long-term interests of our NEOs with those of our stockholders.**

We strive to set our overall total compensation at a competitive level. Executives may be compensated above or below the targeted market position based on factors such as experience, performance, scope of position and the competitive demand for proven executive talent, as described further below under "Determination of Executive Compensation."

#### Determination of Executive Compensation

Our Compensation Committee is responsible for establishing and overseeing our executive compensation programs and annually reviews and determines the compensation to be provided to our NEOs, other than with respect to our Chief Executive Officer, whose compensation is determined by the Board.





In setting executive compensation, the Compensation Committee considers a number of factors, including the recommendations of our Chief Executive Officer (other than with respect to himself), current and past total compensation, competitive market data and analysis provided by the Compensation Committee’s independent compensation consultant, Company performance and each executive’s impact on performance, each executive’s relative scope of responsibility and potential, each executive’s individual performance and demonstrated leadership and internal equity pay considerations. Our Chief Executive Officer’s recommendations are based on his evaluation of each other NEO’s individual performance and contributions, of which he has direct knowledge. Our Board makes decisions regarding our Chief Executive Officer’s compensation, following recommendation from the Compensation Committee.

#### Competitive Market Data and Independent Compensation Consultant

In order to design a competitive executive compensation program that will continue to attract top executive talent, our Compensation Committee engages an independent compensation consultant to provide a competitive review of executive compensation, including base salary, annual incentives and equity compensation as compared with market data. In 2015, our Compensation Committee retained Compensia to provide these services. In August 2015, Compensia provided an analysis of data derived from (i) members of our peer group, as further described below, and (ii) the Radford 2015 Life Sciences Industry Survey, which included U.S. companies in the life science sector with headcounts of between 150 and 500. In consultation with Compensia, in August 2015, our Compensation Committee selected our peer group based on the following general criteria: revenues between approximately \$50 million to \$250 million; market capitalization between approximately \$315 million to \$5.0 billion; and GICS classification of healthcare equipment and supplies with a focus on medical devices. In addition, the peer group was refined by excluding companies in the business of disposable products and diagnostics. The peer group approved by our Compensation Committee in August 2015 (the “2015 Peer Group”) was comprised of the following companies:

- Abaxis
- ABIOMED
- Anika Therapeutics
- AtriCure
- Cardiovascular Systems
- Endologix
- Inogen
- K2M Group Holdings
- LDR Holdings
- OraSure Technologies
- Quidel
- Rockwell Medical
- Spectranetics
- STAAR Surgical
- SurModics
- Tandem Diabetes Care
- Vascular Solutions
- ZELTIQ Aesthetics

As of July 2015, as compared to the 2015 Peer Group, we were at the 12th percentile for revenue for the preceding four quarters, the 94th percentile for 30 day average market cap and the 18th percentile for headcount. For 2016, the Compensation Committee used Compensia’s analysis of the 2015 Peer Group to consider the positioning of base salaries and target bonuses in October 2015 for fiscal 2016, as well as the position of annual equity awards granted in late 2015.

In 2016, our Compensation Committee engaged Radford as our new independent compensation consultant to provide competitive analysis of our executive compensation program. In September 2016, following consultation with Radford, our Compensation Committee approved a new peer group (the “2016 Peer Group”) based primarily on an analysis of peer group revenue, headcount, and market capitalization. The 2016 Peer Group consisted of the following:

- Abaxis
- ABIOMED
- CONMED
- Cynosure
- Inogen
- Insulet
- NxStage Medical
- Seattle Genetics

- Alkermes
- Dexcom
- Integra LifeSciences Holdings
- Spectranetics
- Bio-Techne
- Global Medical
- Masimo
- Wright Medical Group N.V.
- Cantel Medical
- ICU Medical
- Nuvasive
- ZELTIQ Aesthetics

As of November 2016, as compared to the 2016 Peer Group, we were the lowest for revenue for the preceding four quarters and headcount and at the 56th percentile for 30 day average market cap. In November 2016, our Compensation Committee reviewed Radford's analysis of our 2016 executive compensation program with respect to the 2016 Peer Group. Based on this analysis, our CEO and CFO's total cash compensation was at our below the market 25th percentile, and our other NEOs' total cash compensation generally fell between the 25th and 75th percentiles. Equity ownership as of the 12 months prior to the analysis generally aligned with the 50th percentile for our CEO and CFO and between the 50th and 75th percentiles for our other NEOs (excluding new hire grants).

Our Compensation Committee generally uses the peer group to help structure a competitive executive compensation program, position executive compensation by considering the 25th, 50th and 75th percentiles of market data, and make individual compensation decisions based on comparable positions at companies with which we compete for talent. While the Compensation Committee does not establish compensation levels solely based on a review of competitive data, it believes such data is a useful tool in its deliberations

as our compensation policies and practices must be competitive in the marketplace for us to be able to attract, motivate and retain qualified executive officers.

### Components of Compensation

The primary elements of our NEOs' compensation and the main objectives of each are:

- **Base Salary.** Base salary attracts and retains talented executives, recognizes individual roles and responsibilities and provides stable income;
- **Annual Performance-Based Incentive Compensation.** Annual performance bonuses promote short-term performance objectives and reward executives for their contributions toward achieving those objectives; and
- **Equity Based Long-Term Incentive Compensation.** Equity compensation, provided in the form of stock options and restricted stock units, aligns executives' interests with our stockholders' interests, emphasizes long-term financial and operational performance, and helps retain executive talent.

In addition, our NEOs are eligible to participate in our health and welfare programs and our 401(k) plan on the same basis as our other employees. We also maintain severance and change in control arrangements, which aid in attracting and retaining executive talent and help executives to remain focused and dedicated during potential transition periods due to a change in control. Each of these elements of compensation for 2016 is described further below.

### Base Salary

Base salaries provide our NEOs with a reasonable degree of financial certainty and stability. Our Compensation Committee annually reviews and determines the base salaries of our executives and evaluates the base salaries of new hires at the time of hire. In October 2015, our Compensation Committee approved salary increases, effective for 2016, of 14% for Mr. Elghandour and 5% for Mr. Alleavitch. The Compensation Committee determined to maintain Mr. Galligan's base salary as then in effect. The base salary for each of Messrs. Christoforou and Schmitz was set by the Compensation Committee at the time of their hire in July 2016 and March 2016, respectively. In setting the base salaries of our NEOs, the Compensation Committee considered a number of factors, including those set forth above under "Determination of Executive Compensation", as well as, for reference, the 25th, 50th and 75th percentiles of compensation paid by our peer group of companies, though it did not benchmark to any particular percentile. Following such determinations, our NEOs' base salaries were as set forth below:

| Name                    | 2016<br>Annualized<br>Base Salary |
|-------------------------|-----------------------------------|
| Rami Elghandour         | \$ 377,000                        |
| Andrew H. Galligan      | \$ 331,000                        |
| Michael DeMane          | \$ 550,000                        |
| Doug Alleavitch         | \$ 305,000                        |
| Christofer Christoforou | \$ 285,000                        |
| Patrick Schmitz         | \$ 305,000                        |

In February 2016, the Board approved an executive leadership succession plan pursuant to which, effective June 1, 2016, Mr. DeMane transitioned to the role of Executive Chairman of the Board and Mr. Elghandour assumed the role of President and Chief Executive Officer. We entered into new compensatory arrangements with each of Messrs. DeMane and Elghandour reflecting their new roles with the Company. Pursuant to these new arrangements, effective

June 1, 2016, Mr. DeMane became eligible to receive an annual salary of \$500,000 for his service as Executive Chairman, and Mr. Elghandour became eligible to receive an annual base salary of \$523,000.

Additionally, Mr. DeMane transitioned from Executive Chairman to Chairman of the Board of Directors effective January 1, 2017, in accordance with the terms of his amended employment agreement, and ceased his employment as an executive officer of the Company. Effective upon his transition to Chairman of the Board of Directors, Mr. DeMane was compensated in accordance with the Company's existing Non-Employee Director Compensation Program.

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## Annual Performance-Based Incentive Compensation

Our annual performance-based bonus program is designed to motivate our executives to meet or exceed company-wide short-term performance objectives. Our annual bonus program provides for the payment of cash bonuses based on each NEOs' target annual bonus and our achievement of corporate performance objectives.

In October 2015, our Compensation Committee approved the following increases to our NEOs' target cash bonuses, expressed as a percentage of annual base salary, effective January 2016: Mr. DeMane: 80% from 75%; Mr. Elghandour: 60% from 50%; Mr. Galligan: 60% from 50%; Mr. Alleavitch: 50% from 40%. The target cash bonus for each of Messrs. Christoforou and Schmitz was set by the Compensation Committee at the time of their hire in July 2016 and March 2016, respectively. In setting the target cash bonuses of our NEOs, the Compensation Committee considered a number of factors, including those set forth above under "Determination of Executive Compensation", as well as, for reference, the 25th, 50th and 75th percentiles of compensation paid by our peer group of companies, though it did not benchmark to any particular percentile. Following such determinations, our NEOs' target bonuses were as set forth below:

| Name                    | 2016<br>Target<br>Bonus |
|-------------------------|-------------------------|
| Rami Elghandour         | 60%                     |
| Andrew H. Galligan      | 60%                     |
| Michael DeMane          | 80%                     |
| Doug Alleavitch         | 50%                     |
| Christofer Christoforou | 50%                     |
| Patrick Schmitz         | 50%                     |

Pursuant to the Board-approved executive leadership succession plan in February 2016, the new compensatory arrangements with each of Messrs. DeMane and Elghandour, effective June 1, 2016, amended the target cash bonus for each at 75% of base salary.

For fiscal year 2016, our Compensation Committee approved eight goals in the categories of sales and marketing, operations, research and development and clinical research under our annual bonus program. Our primary goals included (i) achieving worldwide revenue target of \$178.7 million (which was at least 157% year over year revenue growth), (ii) hiring and training an additional 60 U.S. sales representatives by December 31, 2016, (iii) successfully meeting the product demand forecast for fiscal year 2016, (iv) receiving Federal Drug Administration and CE mark for certain products by December 31, 2016, and (v) completing certain clinical study enrollments and initiating other enrollment for other feasibility studies by December 31, 2016. Our 2016 cash incentive program also included a "kicker" goal – developing a viable second source for our Senza IPG product – which, subject to 100% achievement of all goals, could result in overall achievement of over 100% of our program. Given that certain of our non-financial research and development and clinical research goals are related to our business strategy and are highly confidential, we do not publicly disclose them. We believe their disclosure would provide our competitors, customers and other third parties with significant insights regarding our confidential business strategies that could cause us substantial competitive harm. These goals were set by our Compensation Committee at a level our Compensation Committee determined would require substantial effort to be achieved, such that the goals would not be expected to be achieved with average or below average performance.

For fiscal year 2016, our Compensation Committee allocated specific weightings to each performance goal. With respect to our worldwide revenue goal, percentage achievement was adjusted up or down by 2% for each 1% of underachievement or overachievement between underachievement and overachievement of 12.5% of the target level. For our sales representative training goal, achievement would be deemed 100% at 60 representatives, 107.5% at 65 representatives and 115% at 70 representatives or more. For each other performance goal under the annual cash incentive program, the Board sets general performance targets, but there is no minimum or maximum achievement for each performance target; instead, the Board weighs the achievement, partial achievement or non-achievement for each performance target when deciding the overall achievement level. Our corporate goals and their applicable weightings are set forth in the table below:

| Performance Area   | Weight |
|--|--------|
| Worldwide revenue of \$178.7M  | 50%    |
| Hire and train 60 U.S. sales representatives   | 20%    |
| Successfully meet product demand forecast  | 10%    |
| Receive FDA and CE mark for certain products   | 10%    |
| Completing certain clinical study enrollments and initiate other enrollments for other feasibility studies | 10%    |
| Total (primary goals)  | 100%   |
| Develop a second source for our Senza IPG Product  | 10%    |
| Total  | 110%   |

Corporate goals and performance targets are reviewed and approved by the Compensation Committee, which gives its recommendations to the Board prior to any allocation of the bonus. In March 2017, the Compensation Committee reviewed our 2016 company-wide performance with respect to determining bonuses to executive officers and the Board determined, after reviewing the recommendations from the Compensation Committee, a company-wide achievement of 150% based on achievement of all the performance goals either at or above established targets. With respect to the worldwide revenue and the hiring of U.S. sales representatives targets, the Board determined that the Company exceeded the target, having achieved worldwide revenue of \$228.5 million in fiscal year 2016 and hired and trained more than the maximum of 70 U.S. sales representatives, which increased the 2016 bonus payout to 140%. With our primary goals achieved in addition to having developed a viable second source for our Senza IPG product, the bonus payout was increased to 150%. Accordingly, following its review and determinations, the Board approved, based on recommendations from the Compensation Committee, cash bonuses to the NEOs at 150% of their target bonus opportunity. The NEOs' 2016 performance bonuses are set forth in the column entitled "Non-Equity Incentive Plan Compensation" in the "2016 Summary Compensation Table" below.

#### Equity-Based Long-Term Incentive Awards

Our Compensation Committee believes it is essential to provide equity-based compensation to our executive officers in order to link the interests and risks of our executive officers with those of our stockholders, reinforcing our commitment to ensuring a strong linkage between company performance and pay. In 2016, we granted equity-based compensation to our NEOs in the form of stock options and restricted stock units, which we believe effectively align the interests of our executives with those of our stockholders. Upon the recommendation of Compensia, our Compensation Committee determined to grant 2/3rds of the annual grant value for each NEO in the form of stock options and the remaining 1/3rd in the form of RSUs.

In connection with the Board-approved executive leadership succession plan in February 2016, we granted Mr. Elghandour an option to purchase 269,726 shares of the Company's common stock and 63,695 restricted stock units. The option award vests as to an aggregate of 202,294 shares over a period of four years in equal monthly installments commencing on June 1, 2016, subject to Mr. Elghandour's continued service as of each vesting date. The remaining 67,432 shares subject to the option award vests, if at all, as to 1/4th of the shares annually upon the filing of the Company's Annual Report on Form 10-K for each year, beginning in 2017, subject to Mr. Elghandour's continued service and to the achievement of certain performance criteria for the annual installment. The restricted stock unit award vests as to an aggregate of 47,771 shares on each of the first four anniversaries of the June 1, 2016, subject to continued service. The remaining 15,924 shares under the restricted stock unit award vests, if at all, as to 1/4th of the shares annually upon the filing of the Company's Annual Report on Form 10-K for each year, beginning in 2017, subject to Mr. Elghandour's continued service and to the achievement of certain performance criteria for the annual installment. In connection with each of Messrs. Schmitz's and Christoforou's commencement of employment with us, we granted them initial awards of options and RSUs. Each of Messrs. Schmitz's and Christoforou's initial stock option grants cover 20,000 shares of the Company's common stock, respectively, and vest as to 25% of the shares on the first anniversary of the executive's hire date and as to 1/4<sup>th</sup> of the shares on each monthly anniversary thereafter, subject to continued employment on each applicable vesting date. Messrs. Schmitz and Christoforou's initial RSU grants cover

4,500 and 10,000 shares of the company's common stock, respectively, and vest in substantially equal installments on each of the first four anniversaries of April 5, 2016 and August 2, 2016, respectively, subject to continued employment on each applicable vesting date. In addition, in November 2016, we made the following grants of stock options to our NEOs:

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| Name                    | Number of<br>Shares<br>Underlying<br>Stock |       |
|-------------------------|--|-------|
|                         | Options                                    | RSUs  |
| Andrew H. Galligan      | 27,333                                     | 6,833 |
| Doug Alleavitch         | 13,333                                     | 3,333 |
| Christofer Christoforou | 10,000                                     | 2,500 |
| Patrick Schmitz         | 13,333                                     | 3,333 |

The stock option awards vest as to 1/48th of the shares subject to the option on each monthly anniversary of November 5, 2016, subject to continued employment. The RSUs vest as to 1/4th of the shares on each anniversary of November 1, 2016, subject to continued employment. In light of the grants made to Mr. Elghandour in connection with our executive leadership transition plan, the Board determined not to make an additional annual equity grant to Mr. Elghandour in November 2016.

In setting the overall values of the stock option grants to our NEOs, the Compensation Committee considered a number of factors, including those set forth above under “Determination of Executive Compensation”, as well as, for reference, the 25th, 50th and 75th percentiles of compensation paid by our peer group of companies, though it did not benchmark to any particular percentile. The Compensation Committee considered the levels of such grants to be appropriate in order to provide retention value, increase the amount of compensation at risk and more closely tie our NEOs’ pay to our stockholders interests.

#### Retirement Savings, Health and Welfare Benefits

Our NEOs participate in our company-sponsored benefit programs on generally the same basis as other salaried employees, including a standard complement of health and welfare benefit plans and a 401(k) plan, which is intended to qualify under Section 401(k) of the Code, such that a portion of their eligible compensation may be deferred on a pre-tax basis. Under the 401(k) plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit and to have the amount of such reduction contributed to the 401(k) plan. In 2016, we began a matching contribution program to employees under the 401(k) plan, for which our NEO’s are eligible to participate. The matching contribution related to 2016 was funded in March 2017 and is subject to annual pro-rata vesting based upon the employee’s employment with the Company for the first four years of employment, at which point all matching contributions are fully vested.

#### Perquisites and Other Personal Benefits

Pursuant to the employment agreement with Mr. DeMane, we reimburse or directly pay the costs incurred by him for commuting from the Minneapolis, Minnesota area to the Company’s offices in Redwood City, California, including reasonable travel expenses and accommodations. Our Compensation Committee believes that this commuting-related benefit is reasonable and necessary to retain Mr. DeMane and is intended to reduce the obstacles to Mr. DeMane in performing services for the Company. In addition, we provide supplemental insurance benefits to Mr. Elghandour, which we believe to be reasonable and necessary to retain Mr. Elghandour.

Other than the commuting-related benefit provided to Mr. DeMane and supplemental insurance benefits provided to Mr. Elghandour, we do not currently provide perquisites to our NEOs, and we do not view perquisites or other personal benefits as a significant component of our executive compensation program. In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual executive officer in the performance of his or her duties, to make our executive officers more efficient and effective or for recruitment, motivation, or retention purposes. All future practices with respect to perquisites or other

personal benefits will be approved by the Compensation Committee.

#### Employment Agreements

Employment Agreement with Mr. Elghandour. We entered into an employment agreement with Mr. Elghandour upon his appointment as our President and Chief Executive Officer effective June 1, 2016. The employment agreement provided that his base salary would be increased to \$523,000 and his target bonus would be increased to 75% of base salary. In addition, pursuant to the employment agreement, Mr. Elghandour was granted an option award and RSU award as described above under “Equity-Based Long-Term Incentive Awards.” Mr. Elghandour’s employment agreement also provides for certain severance payments and benefits in the event of qualifying terminations of employment as described under “Potential Payments Upon Termination or Change in Control” below.

Employment Agreement with Mr. DeMane. In October 2014, we entered into an employment agreement with Mr. DeMane, which provided for a base salary of \$500,000, a target bonus of 75% (increased to 80% in October 2015) and certain severance payments and benefits in the event of qualifying terminations of employment. The employment agreement also provided that the Company would pay or reimburse Mr. DeMane for the cost of commuting from the Minneapolis, Minnesota to the Company's principal offices in California. In connection with Mr. DeMane's transition to our Executive Chairman, effective June 1, 2016, we entered into a letter amendment to his existing employment agreement with him, setting forth the terms of his employment in his new role. Pursuant to the DeMane Letter Amendment, Mr. DeMane was to continue employment with the Company as Executive Chairman at least through November 30, 2016, but no longer than May 31, 2017, following which he would continue to serve as Chairman of the Board. During his employment as Executive Chairman, Mr. DeMane was eligible to receive an annual base salary of \$500,000, a target bonus of 75% of base salary and continued payment or reimbursements of his commuting costs. In addition, Mr. DeMane's equity awards would continue to vest during his service as an executive or Chairman of the Board. In the event the Company terminated his service as Chairman of the Board prior to December 31, 2018 for other than cause, then each of his equity awards would be accelerated in full. In addition, pursuant to the terms of the DeMane Letter Amendment, Mr. DeMane became ineligible to receive severance payments and benefits upon any termination between November 30, 2016 and May 30, 2017, and he waived the right to resign for "good reason" based on the changes to his employment as set forth in the letter amendment.

Offer Letters with Messrs. Schmitz and Christoforou. In connection with Messrs. Schmitz and Christoforou's commencement of employment with us, we entered into offer letters with each of them. Mr. Schmitz's offer letter provides for an annual base salary of \$305,000 and an annual bonus of up to 50% of base salary. Pursuant to his offer letter, Mr. Schmitz was granted a stock option covering 20,000 shares of the Company's common stock, which vests as to 25% of the shares on the first anniversary of his hire date, and as to 1/48th of the shares each monthly anniversary thereafter, subject to continued employment, and 4,500 RSUs, which vest as to 25% on each of the first four anniversaries of April 5, 2016, subject to continued employment.

Mr. Christoforou's offer letter provides for an annual base salary of \$285,000 and an annual bonus of up to 50% of base salary. Pursuant to his offer letter, Mr. Christoforou was granted a stock option covering 20,000 shares of the Company's common stock, which vests as to 25% of the shares on the first anniversary of his hire date, and as to 1/48th of the shares each monthly anniversary thereafter, subject to continued employment, and 10,000 RSUs, which vest as to 25% on each of the first four anniversaries of August 2, 2016, subject to continued employment. Mr. Christoforou also received a sign-on bonus of \$150,000, and reimbursement of relocation expenses up to \$50,000.

#### Change in Control Severance Agreements

We have entered into change in control severance agreements with each of our other NEOs, which provide for severance benefits and payments upon certain terminations without cause or resignations for good reason, which we amended and restated in May 2016. Our Compensation Committee believes that these types of arrangements are necessary to attract and retain executive talent and are a customary component of executive compensation. In particular, such arrangements can serve to mitigate a potential disincentive for them when they are evaluating a potential acquisition of the Company and can encourage retention through the conclusion of the transaction. The payments and benefits provided under our severance and change in control arrangements are designed to provide our NEOs with treatment that is competitive with market practices. A description of these arrangements, as well as information on the estimated payments and benefits that our NEOs would have been eligible to receive as of December 31, 2016, are set forth in "Potential Payments Upon Termination or Change in Control" below.

#### Other Policies and Considerations

Derivatives Trading, Hedging, and Pledging Policies. Our Insider Trading Policy provides that no officer, director, employee or consultant, or any immediate family member or any member of the household of any such person, shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company. This prohibition includes any interest or position relating to put options, call options or short sales, or engaging in hedging transactions. In addition, our Insider Trading Policy provides that no employee, officer or director may pledge Company securities as collateral to secure loans. This prohibition means, among other things, that these individuals may not hold Company securities in a “margin” account, which would allow the individual to borrow against their holdings to buy securities.

Deductibility of Compensation. Section 162(m) of the Code generally disallows the deductibility of certain compensation expenses in excess of \$1,000,000 to any one executive officer within a fiscal year. Compensation that is “performance-based” is excluded from this limitation. For compensation to be “performance-based,” it must meet certain criteria, including performance goals approved by our stockholders and, in certain cases, objective targets based on performance goals approved by our stockholders. We believe that

maintaining the discretion to evaluate the performance of our executive officers through the use of performance-based compensation is an important part of our responsibilities and benefits our stockholders, even if it may be non-deductible under Section 162(m) of the Code.

**Nonqualified Deferred Compensation.** The Compensation Committee takes into account whether components of the compensation for our executive officers will be adversely impacted by the penalty tax imposed by Section 409A of the Code, and aims to structure these components to be compliant with or exempt from Section 409A to avoid such potential adverse tax consequences.

**“Golden Parachute” Payments.** Sections 280G and 4999 of the Code provide that certain executive officers and other service providers who are highly compensated or hold significant equity interests may be subject to an excise tax if they receive payments or benefits in connection with a change in control of the company that exceeds certain prescribed limits, and that we, or a successor, may forfeit a deduction on the amounts subject to this additional tax. We do not provide any executive officer, including any NEO, with a “gross-up” or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G or 4999.

**Accounting for Share-Based Compensation.** We follow Financial Accounting Standard Board Accounting Standards Codification Topic 718 (“ASC Topic 718”) for our share-based compensation awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options and restricted stock units, based on the grant date “fair value” of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their share-based compensation awards in their income statements over the period that an executive officer is required to render service in exchange for the option or other award.

## EXECUTIVE COMPENSATION TABLES

## 2016 Summary Compensation Table

The following table sets forth total compensation earned by our NEOs for the fiscal years ending on December 31, 2016, 2015 and 2014.

| Name and Principal Position   | Year | Salary (\$) | Bonus (\$)             | Stock Awards (\$)(1) | Option Awards (\$)(1) | Non-Equity Incentive Plan Compensation (\$)(2) | All Other Compensation (\$)(3) | Total (\$) |
|---|------|-------------|------------------------|----------------------|-----------------------|--|--------------------------------|------------|
| Rami Elghandour,<br>Chief Executive<br>Officer and President                                | 2016 | 462,167     | —                      | 3,471,378            | 6,982,565             | 484,594  | 81,184                         | 11,481,888 |
|   | 2015 | 331,000     | —                      | —                    | 1,486,867             | 165,500  | 84,283                         | 2,067,650  |
|   | 2014 | 278,336     | 13,917                 | —                    | 589,809               | 55,667   | 73,362                         | 1,011,091  |
| Andrew H. Galligan,<br>Chief Financial<br>Officer   | 2016 | 331,000     | —                      | 598,707              | 1,110,474             | 297,900  | —                              | 2,338,082  |
|   | 2015 | 331,000     | —                      | —                    | 1,336,678             | 165,500  | —                              | 1,833,178  |
|   | 2014 | 288,730     | 28,873                 | —                    | 589,809               | 57,746   | —                              | 965,158    |
| Michael DeMane,<br>Former Chief<br>Executive Officer<br>and<br>Former Executive<br>Chairman | 2016 | 520,833     | —                      | —                    | —                     | 603,125  | 12,855                         | 1,136,813  |
|   | 2015 | 500,000     | —                      | —                    | 3,003,770             | 375,000  | 51,420                         | 3,930,190  |
|   | 2014 | 500,000     | 50,000                 | —                    | 1,474,521             | 250,000  | 101,898                        | 2,376,419  |
| Doug Alleavitch,<br>Vice President,<br>Quality  | 2016 | 305,000     | —                      | 292,037              | 541,688               | 228,750  | —                              | 1,367,476  |
|   | 2015 | 217,317     | 20,000                 | —                    | 1,624,738             | 86,927   | —                              | 1,948,982  |
| Christofer<br>Christoforou,<br>Vice President,<br>Research and<br>Development               | 2016 | 124,231     | 150,000 <sup>(4)</sup> | 1,194,250            | 1,304,298             | 93,173   | —                              | 2,865,951  |
| Patrick Schmitz<br>Vice President,<br>Operations  | 2016 | 241,458     | —                      | 552,542              | 1,089,804             | 182,853  | —                              | 2,066,658  |

(1) For the stock and option awards columns, amounts shown represents the grant date fair value of options granted as calculated in accordance with ASC Topic 718, excluding the impact of estimated forfeitures related to service-based vesting provisions. See Note 8 to our consolidated financial statements included in our Form 10-K for the assumptions used in calculating these amounts.

(2) The amounts reported in the Non-Equity Incentive Plan Compensation column represent the annual cash performance-based bonuses earned by our NEOs pursuant to the achievement of certain company performance objectives. For fiscal year 2016, these amounts were paid to the NEOs in March 2017. Please see the descriptions of the annual performance bonuses paid to our NEOs in the section entitled “Compensation Discussion and Analysis - Annual Performance-Based Incentive Compensation” above.

(3) The amounts reported in the All Other Compensation column for 2016 represent (i) for Mr. DeMane, monthly lease payments paid directly by the Company for Mr. DeMane’s residence in Palo Alto, California of \$4,285 over 3 months, pursuant to terms and conditions of the Mr. DeMane’s employment agreement, whereby the Company reimburses or directly pays the costs incurred by Mr. DeMane for commuting from Minneapolis, Minnesota to the Company’s offices in Redwood City, California and (ii) for Mr. Elghandour, supplemental insurance benefits.

(4) Reflects a one-time signing bonus paid to Mr. Christoforou pursuant to his offer letter.

## 2016 Grants of Plan-Based Awards

The following table summarizes information about the non-equity incentive awards and equity-based awards granted to our NEOs in 2016:

| Name                    | Grant Date                | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) |              | All Other Stock Awards: (#) of Shares or Units | All Other Option Awards: (#) of Securities Underlying Options | Exercise or Base Price of Awards (\$/Share) | Grant Date Fair Value of Stock and Option Awards (2) |
|-------------------------|---------------------------|---|--------------|--|---|---|--|
|                         |                           | Target (\$)   | Maximum (\$) |  |   |   |  |
| Rami Elghandour         | 03/09/2016 <sup>(4)</sup> | 323,063   | 484,594      | 47,771   | 202,294   | \$ 54.50                                    | \$7,855,780  |
|                         | 03/09/2016 <sup>(5)</sup> |   |              | 15,924   | 67,432  | \$ 54.50                                    | \$2,598,163  |
| Andrew H. Galligan      | 11/16/2016 <sup>(3)</sup> | 198,600   | 297,900      | 6,833  | 27,333  | \$ 87.62                                    | \$1,709,182  |
| Michael DeMane          |                           | 402,083   | 603,125      |  |   |   |  |
| Doug Alleavitch         | 11/16/2016 <sup>(3)</sup> | 152,500   | 228,750      | 3,333  | 13,333  | \$ 87.62                                    | \$833,725  |
| Christofer Christoforou | 08/15/2016 <sup>(6)</sup> | 62,115  | 93,173       | 10,000   | 20,000  | \$ 97.52                                    | \$1,873,222  |
|                         | 11/16/2016 <sup>(3)</sup> |   |              | 2,500  | 10,000  | \$ 87.62                                    | \$625,326  |
| Patrick Schmitz         | 03/14/2016 <sup>(7)</sup> | 121,902   | 182,853      | 4,500  | 20,000  | \$ 57.89                                    | \$808,621  |
|                         | 11/16/2016 <sup>(3)</sup> |   |              | 3,333  | 13,333  | \$ 87.62                                    | \$833,725  |

(1) Pursuant to our 2016 annual bonus program, the target bonuses for each of our NEOs, as a percentage of annualized base salary, was: Mr. DeMane: 80% for the period from January 2016 to May 2016 when he served as Chairman and Chief Executive Officer and 75% for the period from June 2016 to December 2016 when he served as Executive Chairman; Mr. Elghandour: 60% for the period from January 2016 to May 2016 and 75% for the period from June 2016 to December 2016 when he additionally served as Chief Executive Officer; Mr. Galligan: 60%; Mr. Alleavitch: 50%; Mr. Christoforou: 50%; and Mr. Schmitz: 50%. Amounts are prorated to reflect length of service in each applicable role or since the applicable hire date in 2016. Maximum amounts assume achievement at the highest level for worldwide revenue and the sales representative hiring and training goals and full achievement of all other goals. For additional detail on our annual bonus program, please see “Compensation Discussion and Analysis – Annual Performance-Based Incentive Compensation” above.

(2) The amounts shown represent the fair value per share as of the grant date determined pursuant to stock compensation accounting, multiplied by the number of shares. See Note 8 to our consolidated financial statements



included in our Form 10-K for the assumptions used in calculating these values.

(3) Options vest as to 1/48th of the shares subject to the option on each monthly anniversary of November 5, 2016, subject to continued employment. RSUs vest as to 1/4th of the shares on the each annual anniversary of November 1, 2016, subject to continued employment.

(4) Options vest as to 1/48th of the shares subject to the option on each monthly anniversary of June 1, 2016, subject to continued employment. RSUs vest as to 1/4th of the shares on the each annual anniversary of June 1, 2016, subject to continued employment.

(5) Options and RSUs each vest as to 1/4th of the shares upon the timely filing of the Company's Form 10-K over each of the four years following grant date, subject to the achievement of certain revenue milestones and continued employment.

(6) Options vest as to 1/4th of the shares on the one year anniversary of July 25, 2016 and vests as to 1/48th of the shares on each monthly anniversary thereafter, such that all shares will be vested on the fourth anniversary, subject to continued employment. RSUs vest as to 1/4th of the shares on the each annual anniversary of August 2, 2016, subject to continued employment.

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(7) Options vest as to 1/4th of the shares on the one year anniversary of March 14, 2016, and vests as to 1/48th of the shares on each monthly anniversary thereafter, such that all shares will be vested on the fourth anniversary, subject to continued employment. RSUs vest as to 1/4th of the shares on the each annual anniversary of April 5, 2016, subject to continued employment.

Outstanding Equity Awards at 2016 Fiscal Year End

The following table lists all outstanding equity awards held by our NEOs as of December 31, 2016.

| Name               | Stock Option Awards           |   |   |                     |                        | Restricted Stock Units        |  |   | Equity Incentive Plan Awards:                              |  |
|--------------------|-------------------------------|---|---|---------------------|------------------------|-------------------------------|--|---|--|--|
|                    | Vesting Commencement Date (1) | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Exercise Price (\$) | Option Expiration Date | Vesting Commencement Date (2) | Number of Shares or Units Not Vested (#) | Market Value of Stock That Have Not Vested (\$) | Number of Shares, Units or Rights That Have Not Vested (#) | Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) |
| Rami Elghandour    | 12/18/2012 <sup>(4)</sup>     | 119,546   | —   | 3.60                | 12/17/2022             |                               |  |   |  |  |
|                    | 05/15/2013                    | 65,861  | 9,190   | 3.60                | 05/14/2023             |                               |  |   |  |  |
|                    | 11/05/2014                    | 29,433  | 27,081  | 18.00               | 11/04/2024             |                               |  |   |  |  |
|                    | 11/05/2015                    | 13,406  | 36,094  | 63.23               | 11/30/2014             |                               |  |   |  |  |
|                    | 06/01/2016                    | 25,286  | 177,008   | 54.50               | 03/08/2026             | 06/01/2016                    | 47,771                                   | 3,471,041                                       |  |  |
|                    | 06/01/2016 <sup>(5)</sup>     | —   | 67,432  | 54.50               | 03/08/2026             | 06/01/2016 <sup>(6)</sup>     |  |   | 15,924   | 1,157,038  |
| Andrew H. Galligan | 05/18/2010 <sup>(4)</sup>     | 27,404  | —   | 1.44                | 05/17/2020             |                               |  |   |  |  |
|                    | 09/29/2011 <sup>(4)</sup>     | 59,546  | —   | 3.60                | 09/28/2021             |                               |  |   |  |  |
|                    | 05/15/2013                    | 37,337  | 5,093   | 3.60                | 05/14/2023             |                               |  |   |  |  |
|                    | 11/05/2014                    | 15,586  | 27,081  | 18.00               | 11/04/2024             |                               |  |   |  |  |
|                    | 11/05/2015                    | 12,052  | 32,488  | 63.23               | 11/30/2025             |                               |  |   |  |  |
|                    | 11/05/2016                    | 569   | 26,764  | 87.62               | 11/15/2026             | 11/01/2016                    | 6,833                                    | 496,486   |  |  |
| Michael DeMane     | 05/15/2013                    | 31,844  | 22,657  | 3.60                | 05/14/2023             |                               |  |   |  |  |
|                    | 11/05/2014                    | 16,913  | 67,700  | 18.00               | 11/04/2024             |                               |  |   |  |  |
|                    | 11/05/2015                    | 8,333   | 72,917  | 63.23               | 11/30/2025             |                               |  |   |  |  |
| Doug Alleavitch    | 04/09/2015 <sup>(4)</sup>     | 15,208  | 21,292  | 53.70               | 04/09/2025             |                               |  |   |  |  |

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|            |       |        |       |            |            |       |         |  |
|------------|-------|--------|-------|------------|------------|-------|---------|--|
| 11/05/2015 | 5,687 | 15,313 | 63.23 | 11/30/2025 |            |       |         |  |
| 11/05/2016 | 277   | 13,056 | 87.62 | 11/15/2026 | 11/01/2016 | 3,333 | 242,176 |  |

Christofer

|              |                           |     |        |       |            |            |        |         |
|--------------|---------------------------|-----|--------|-------|------------|------------|--------|---------|
| Christoforou | 07/25/2016 <sup>(4)</sup> | —   | 20,000 | 97.52 | 08/14/2026 | 08/02/2016 | 10,000 | 726,600 |
|              | 11/05/2016                | 208 | 9,792  | 87.62 | 11/15/2026 | 11/01/2016 | 2,500  | 181,650 |

Patrick

|         |                           |     |        |       |            |            |       |         |
|---------|---------------------------|-----|--------|-------|------------|------------|-------|---------|
| Schmitz | 03/14/2016 <sup>(4)</sup> | —   | 20,000 | 57.89 | 03/13/2026 | 04/05/2016 | 4,500 | 326,970 |
|         | 11/05/2016                | 277 | 13,056 | 87.62 | 11/15/2026 | 11/01/2016 | 3,333 | 242,176 |

(1) Except as otherwise noted, options vest as to 1/48th of the shares on each monthly anniversary of the vesting commencement date, such that all shares will be vested on the fourth anniversary of the vesting commencement date, subject to the holder continuing to provide services to the Company through each such vesting date.

(2) Except as otherwise noted, RSUs vest as to 1/4th of the shares on each annual anniversary of the vesting commencement date, such that all shares will be vested on the fourth anniversary of the vesting commencement date, subject to the holder continuing to provide services to the Company through each such vesting date.

(3) Values is based on \$72.66, the closing stock price of our common stock on December 30, 2016, the last trading day of fiscal 2016.

(4) The option vests as to 1/4th of the shares on the one year anniversary of the vesting commencement date and vests as to 1/48th of the shares on each monthly anniversary thereafter, such that all shares will be vested on the fourth anniversary of the vesting commencement date, subject to the holder continuing to provide services to the Company through each such vesting date.

(5) The option vests as to 1/4th of the shares upon the timely filing of the Company's Form 10-K over each of the four years following grant date, subject to the achievement of certain revenue milestones and the holder continuing to provide services to the Company through each such vesting date.

(6) The RSUs vest as to 1/4th of the shares upon the timely filing of the Company's Form 10-K over each of the four years following grant date, subject to the achievement of certain revenue milestones and the holder continuing to provide services to the Company through each such vesting date.

#### Option Exercises

The following table summarizes the stock options exercised during the year ended December 31, 2016, and the value realized upon exercise by our NEOs. Our NEOs did not have any restricted stock units that vested during the year ended December 31, 2016.

| Name               | Option Awards                             |                                      |
|--------------------|---|--------------------------------------|
|                    | Number of Shares Acquired on Exercise (#) | Value Realized Upon Exercise (\$)(1) |
| Rami Elghandour    | 24,000                                    | 1,624,189                            |
| Andrew H. Galligan | 60,500                                    | 3,697,753                            |
| Michael DeMane     | 179,514                                   | 14,303,695                           |

(1) The value realized equals the excess of the market price of our common stock at exercise over the option exercise price, multiplied by the number of shares for which the option was exercised.

#### Potential Payments Upon Termination or Change in Control

In 2016, we were party to an employment agreement with Mr. DeMane (the "DeMane Agreement"), as amended by a letter agreement, an employment agreement with Mr. Elghandour (the "Elghandour Agreement") and change in control severance agreements with each of our other NEOs (the "CIC Severance Agreements"), each of which provided for severance benefits and payments upon certain terminations without cause or resignations for good reason, both outside of a change in control and in connection with a change in control.

Under the DeMane Agreement, in the event Mr. DeMane's employment is terminated by us other than for "cause" or as a result of Mr. DeMane resigning for "good reason" (each, as defined in the DeMane Agreement), then Mr. DeMane will receive (i) a severance payment equal to 12 months of Mr. DeMane's base salary, payable in a cash lump sum, and (ii) payment or reimbursement by us of COBRA premiums for up to 12 months. In the event Mr. DeMane's employment is terminated within the period commencing three months prior to and ending 12 months following a change of control, by us other than for cause or as a result of Mr. DeMane resigning for good reason, then in lieu of the foregoing severance benefits, Mr. DeMane will receive (i) a severance payment equal to the sum of (a) two times Mr. DeMane's annual base salary and (b) two times Mr. DeMane's annual target bonus, payable in cash lump sum, (ii) payment or reimbursement by us of COBRA premiums for up to 24 months, and (iii) 100% of Mr. DeMane's then-unvested options and other equity awards will immediately vest and, if applicable, become exercisable. Mr. DeMane's severance benefits are contingent on Mr. DeMane providing a general release of claims against us. However, pursuant to the terms of the letter agreement with Mr. DeMane that set forth the terms of Mr. DeMane's transition from our Chairman and Chief Executive Officer to our Executive Chairman, Mr. DeMane was not eligible

to receive any of the foregoing severance benefits in the event of a termination of his employment between November 30, 2016 and May 30, 2017.

Pursuant to the Elghandour Agreement, which we entered into in connection with Mr. Elghandour's appointment as our President and Chief Executive Officer, Mr. Elghandour is eligible for the same severance benefits as those set forth in the original DeMane Agreement. The Elghandour Agreement superseded the terms of his CIC Severance Agreement (as defined below).

Pursuant to the terms of the CIC Severance Agreements with our other NEOs, as in effect at the beginning of 2016, in the event the executive's employment is terminated by us other than for "cause" or the executive experiences a "constructive termination" (each, as defined in the CIC Severance Agreements and hereinafter, a qualifying termination), then the executive will receive as severance six months of base salary in a single cash lump sum payment and six months of COBRA reimbursement; provided, that if the termination or resignation occurs within the period commencing three months prior to a change in control and ending 24 months after a change in control, the severance will consist of 12 months of base salary paid in a single cash lump sum, 100% of the executive's target bonus paid in a single cash lump sum, 12 months of COBRA reimbursement and full vesting acceleration for each stock option and other equity award held by the executive. The executive must timely deliver an effective release of claims to us in order to be eligible for the foregoing severance benefits.

In May 2016, our Compensation Committee approved the entry into amended and restated CIC Severance Agreements (the “Amended CIC Severance Agreements”), which provide that, in the event of a qualifying termination that occurs within the period commencing three months prior to and ending 24 months after a change in control, each NEO would be eligible to receive the sum of 18 months of base salary and 1.5 times the NEO’s target annual bonus, payable in a lump sum, 18 months of COBRA reimbursement and full vesting acceleration for each stock option and other equity award held by the NEO. The severance benefits payable in the event of a qualifying termination outside of a change in control remain unchanged under the Amended CIC Severance Agreements.

Each of the foregoing agreements provide for a parachute payment “best pay” provision, under which payments and benefits will either be made to the executive in full or as to such lesser amount as which would result in no portion of the payments and benefits being subject to an excise tax under Section 280G of the Code, whichever of the foregoing amounts is greater on an after-tax basis.

The following table shows the payments and benefits that would be made to our NEOs assuming a qualifying termination or a qualifying termination following a change in control occurred on December 31, 2016. Pursuant to the DeMane Agreement, as amended, Mr. DeMane would not have been entitled to any severance payments or benefits upon a qualifying termination as of December 31, 2016.

| Name  | Base Salary and Target Bonus (\$) | COBRA Premiums (\$) | Equity Acceleration (\$) (1) | Total Potential Payment (\$) (2) |
|---|-----------------------------------|---------------------|------------------------------|----------------------------------|
| Rami Elghandour                                 |                                   |                     |                              |                                  |
| Qualifying Termination                          | 523,000                           | 31,454              |                              | 554,454                          |
| Qualifying Termination in Connection with a CIC | 1,692,125                         | 63,087              | 11,522,385                   | 13,277,597                       |
| Andrew H. Galligan                              |                                   |                     |                              |                                  |
| Qualifying Termination                          | 165,500                           | 15,772              |                              | 181,272                          |
| Qualifying Termination in Connection with a CIC | 794,400                           | 47,315              | 2,634,441                    | 3,476,156                        |
| Doug Alleavitch                                 |                                   |                     |                              |                                  |
| Qualifying Termination                          | 152,500                           | 10,797              |                              | 163,297                          |
| Qualifying Termination in Connection with a CIC | 686,250                           | 32,392              | 790,274                      | 1,508,916                        |
| Christofer Christoforou                         |                                   |                     |                              |                                  |
| Qualifying Termination                          | 142,500                           | 15,772              |                              | 158,272                          |
| Qualifying Termination in Connection with a CIC | 520,673                           | 47,315              | 908,250                      | 1,476,238                        |
| Patrick Schmitz                                 |                                   |                     |                              |                                  |
| Qualifying Termination                          | 152,500                           | 10,797              |                              | 163,297                          |
| Qualifying Termination in Connection with a CIC | 640,353                           | 32,392              | 864,546                      | 1,537,291                        |

(1) With respect to options, the value of equity acceleration was calculated by (i) multiplying the number of accelerated shares of common stock underlying the unvested, in-the-money options by \$72.66, the closing stock price of our common stock on December 30, 2016, the last trading day of fiscal 2016 and (ii) subtracting the exercise price for the unvested stock options. With respect to RSUs, the value of equity acceleration was calculated by multiplying the number of accelerated RSUs by \$72.66, the closing stock price of our common stock on December 30, 2016, the last trading day of fiscal 2016.

(2) Amounts shown are the maximum potential payment the NEO would have received as of December 31, 2016. Amounts of any reduction pursuant to the parachute payment best pay provision, if any, would be calculated upon actual termination of employment.

#### Compensation Risk Assessment

Consistent with the SEC's disclosure requirements, we have assessed our compensation programs for all employees. We have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on us. Management has evaluated our executive and employee compensation and benefits programs to determine if these programs' provisions and operations create undesired or unintentional risk of a material nature. The risk assessment process includes a review of program policies and practices; analysis to identify risks and risk controls related to our compensation programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, the effectiveness of our risk controls and the impacts of our compensation programs and their risks to our strategy. Although we periodically review all compensation programs, we focus on the programs with variability of payout, with the ability of a participant to directly affect payout and the controls on participant action and payout. In relation to this, we believe that our incentive compensation arrangements provide

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incentives that do not encourage risk taking beyond our ability to effectively identify and manage significant risks and are compatible with effective internal controls and our risk management practices.

The Compensation Committee monitors our compensation programs on an annual basis and expects to make modifications as necessary to address any changes in our business or risk profile.

#### Equity Compensation Plan Information

The following table provides certain information as of December 31, 2016, with respect to all of our equity compensation plans in effect on that date.

| Plan Category   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) |
|---|---|---|---|
| Equity Compensation Plan Approved by Stockholders (1)(2)(3) | 3,166,782   | \$ 29.85  | 2,823,268   |
| Equity Compensation Plan Not Approved by Stockholders       | —   | \$ —  | —   |
| <b>Total</b>  | <b>3,166,782</b>  |   | <b>2,823,268</b>  |

- (1) Includes the 2014 Equity Incentive Award Plan, the 2007 Stock Incentive Plan and the 2014 Employee Stock Purchase Plan.
- (2) The 2014 Equity Incentive Award Plan contains an “evergreen” provision, pursuant to which the number of shares of common stock reserved for issuance or transfer pursuant to awards under the 2014 Equity Incentive Award Plan shall be increased on the first day of each year beginning in 2015 and ending in 2024, equal to the lesser of (A) four percent (4%) of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our Board; provided, however, that no more than 11,125,000 shares of stock may be issued upon the exercise of incentive stock options.
- (3) The 2014 Employee Stock Purchase Plan contains an “evergreen” provision, pursuant to which the maximum number of shares of our common stock authorized for sale under the 2014 Employee Stock Purchase Plan shall be increased on the first day of each year beginning in 2015 and ending in 2024, equal to the lesser of (A) one percent (1%) of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such number of shares of common stock as determined by our Board; provided, however, no more than 2,166,666 shares of our common stock may be issued thereunder.





## INFORMATION ABOUT STOCK OWNERSHIP

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information as to the beneficial ownership of our common stock as of April 3, 2017 for:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each named executive officer as set forth in the summary compensation table above;
- each of our directors; and
- all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of April 3, 2017 and shares of our common stock subject to RSUs that will vest within 60 days of April 3, 2017 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Percentage ownership of our common stock in the table is based on 29,264,440 shares of our common stock issued and outstanding on April 3, 2017. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o Nevro Corp., 1800 Bridge Parkway, Redwood City, California 94065.

| Name of Beneficial Owner                                  | Shares of Common Stock Beneficially Owned<br>(1) |   |  |         |
|---|--|---|--|---------|
|   | Common<br>Stock                                  | Securities<br>That May<br>Be<br>Acquired<br>Within 60<br>Days | Number of<br>Shares<br>Beneficially<br>Owned | Percent |
| <b>5% Stockholders:</b>                                   |  |   |  |         |
| FMR LLC(2)  | 2,696,587  | —   | 2,696,587                                    | 9.2 %   |
| The Vanguard Group(3)                                     | 1,836,038  | —   | 1,836,038                                    | 6.3 %   |
| Entities affiliated with The Goldman Sachs Group, Inc.(4) | 1,738,608  | —   | 1,738,608                                    | 5.9 %   |
| Entities affiliated with Franklin Resources, Inc.(5)      | 1,702,389  | —   | 1,702,389                                    | 5.8 %   |
| BlackRock, Inc.(6)  | 1,518,025  | —   | 1,518,025                                    | 5.2 %   |
| <b>Named Executive Officers and Directors:</b>            |  |   |  |         |
| Rami Elghandour(7)  | 485  | 342,179   | 342,664                                      | 1.2 %   |
| Andrew H. Galligan(8)                                     | —  | 163,455   | 163,455                                      | *       |
| Michael DeMane(9)   | 610,349  | 91,259  | 701,608                                      | 2.4 %   |
| Doug Alleavitch(10)                                       | 7,651  | 28,551  | 36,202                                       | *       |
| Christofer Christoforou(11)                               | —  | 1,250   | 1,250  | *       |
| Patrick Schmitz(12)                                       | —  | 8,624   | 8,624  | *       |
| Frank Fischer(13)   | 59,000   | 15,899  | 74,899                                       | *       |

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|  |           |         |           |     |   |
|--|-----------|---------|-----------|-----|---|
| Wilfred E. Jaeger, M.D.(14)                            | 1,150,138 | 15,899  | 1,166,037 | 4.0 | % |
| Ali Behbahani, M.D.(15)                                | 47        | 15,899  | 15,946    | *   |   |
| Lisa D. Earnhardt(16)                                  | —         | 5,191   | 5,191     | *   |   |
| Shawn T McCormick(17)                                  | —         | 16,842  | 16,842    | *   |   |
| Brad Vale, Ph.D., D.V.M.(18)                           | 2,000     | 13,255  | 15,255    | *   |   |
| All 13 directors and executive officers as a group(19) | 1,867,633 | 804,139 | 2,671,772 | 9.1 | % |

\*Represents beneficial ownership of less than one percent of the outstanding shares of common stock.

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- (1) Represents shares of common stock held, options held by such individuals that were exercisable within 60 days of April 3, 2017 and shares deliverable under RSUs that will vest within 60 days of April 3, 2017. Includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. Reported numbers do not include options that vest more than 60 days after April 3, 2017.
- (2) As reported on Schedule 13G/A filed with the SEC on February 14, 2017. Abigail P. Johnson is a Director, the Vice Chairman and the Chief Executive Officer of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.
- (3) As reported on Schedule 13G filed with the SEC on February 10, 2017. The report states that The Vanguard Group ("Vanguard") has sole dispositive power over 1,789,209 shares, shared dispositive power over 46,829 shares, sole voting power over 46,972 shares and shared voting power over 1,100 shares. Vanguard reported its beneficial ownership on behalf of itself and the following: Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each a wholly-owned subsidiary of Vanguard. The address of Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.
- (4) As reported on Schedule 13G filed with the SEC on February 14, 2017. The report states that Goldman, Sachs & Co., a subsidiary of The Goldman Sachs Group, has shared voting and dispositive power over 1,738,608 shares. The address of The Goldman Sachs Group, Inc. is 200 West Street, New York, NY 10282.
- (5) As reported on Schedule 13G filed with the SEC on February 7, 2017. Consists of (a) 1,690,292 shares held by Franklin Advisers, Inc., (b) 11,600 shares held by Fiduciary Trust Company International and (c) 497 shares held by Franklin Templeton Investments (Asia) Ltd. These securities are beneficially owned by investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of Franklin Resources Inc. ("FRI"). Charles B. Johnson and Rupert H. Johnson, Jr. (collectively, the "Principal Shareholders") each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI. FRI and the Principal Shareholders may be deemed to be the beneficial owners of securities held by persons and entities for whom or for which FRI subsidiaries provide investment management services. The address of Franklin Resources, Inc. is One Franklin Parkway, San Mateo, CA 94403 1906.
- (6) As reported on Schedule 13G filed with the SEC on January 30, 2017. The report states that BlackRock Inc. has sole voting power over 1,434,879 shares and sole dispositive power over 1,518,025 share. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (7) Consists of 485 shares held by Mr. Elghandour and 342,179 shares that may be acquired pursuant to the exercise of stock options or the delivery of shares underlying RSUs that will vest within 60 days of April 3, 2017.
- (8) Consists of 30,000 shares held by Mr. Galligan and 163,455 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (9) Consists of 537,795 shares held by Mr. DeMane, 72,554 held by Catherine Q. DeMane Trustee, Michael F. DeMane 2012 Irrevocable Trust U/A/D July 26, 2012, and 91,259 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (10) Consists of 5,961 shares held by Mr. Alleavitch, 1,690 shares held by his spouse and 28,551 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (11) Consists of 1,250 shares held by Mr. Christoforou that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (12) Consists of 8,624 shares held by Mr. Schmitz may be acquired pursuant to the exercise of stock options or the delivery of shares underlying RSUs that will vest within 60 days of April 3, 2017.

(13) Consists of 59,000 shares of common stock, of which 735 shares are subject to repurchase upon termination of services for cause as of April 3, 2017, and 15,899 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.

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- (14) Consists of 15,899 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017. Consists of (a) 1,125,291 shares held by Three Arch Partners IV, L.P. (“Partners”) and (b) 24,847 shares held by Three Arch Associates IV, L.P. (“Associates”). Three Arch Management IV, LLC (the “General Partner”) is the general partner of Partners and Associates. Wilfred E. Jaeger, M.D. is a managing member of the General Partner and a member of our Board. As the managing member of the General Partner he, together with Mark Wan, may be deemed to have voting and dispositive power over the shares held by Partners and Associates, and may be deemed to beneficially own certain of the shares held by Partners and Associates. Such persons and entities disclaim beneficial ownership of all shares held by Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P. in which they do not have an actual pecuniary interest. The address of Partners and Associates is 3200 Alpine Road, Portola Valley, CA 94028.
- (15) Consists of 47 shares held by Dr. Behbahani and 15,899 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (16) Consists of 5,191 shares that may be acquired pursuant to the exercise of stock options within 60 days of April 3, 2017.
- (17) Consists of 16,842 shares of common stock issuable upon the exercise of stock options within 60 days of April 3, 2017.
- (18) Consists of 2,000 shares held by Dr. Vale and 13,255 shares of common stock issuable upon the exercise of stock options within 60 days of April 3, 2017.
- (19) Consists of 1,867,633 shares held by all 13 directors and executive officers as a group, and 804,139 shares of common stock issuable upon the exercise of stock options or the delivery of share underlying RSUs that will vest within 60 days of April 3, 2017.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 2016, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, except with respect to a Form 4 report for Dr. Jaeger that was filed one day late in May 2016.

## ADDITIONAL INFORMATION

### Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

Brokers with account holders who are Nevro stockholders may be "householding" our proxy materials. A single proxy statement may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you notify your broker or the Company that you no longer wish to participate in "householding."

If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, you may (1) notify your broker, (2) direct your written request to: 1800 Bridge Parkway, Redwood City, California 94065 or (3) contact our Investor Relations manager, Katherine Bock, by telephone at (650) 433-3247. Stockholders who currently receive multiple copies of this Proxy Statement at their address and would like to request "householding" of their communications should contact their broker. In addition, the Company will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the Form 10-K, Proxy Statement, Proxy Card or Notice of Internet Availability of Proxy Materials to a stockholder at a shared address to which a single copy of the documents was delivered.

### Other Matters

As of the date of this Proxy Statement, the Board does not intend to present any matters other than those described herein at the Annual Meeting and is unaware of any matters to be presented by other parties. If other matters are properly brought before the Annual Meeting for action by the stockholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in the discretion of the proxy holder.

We have filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 with the SEC. It is available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov). Upon written request by a Nevro stockholder, we will mail without charge a copy of our Annual Report on Form 10-K, including the financial statements and financial

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statement schedules, but excluding exhibits to the Annual Report on Form 10-K. Exhibits to the Annual Report on Form 10-K are available upon payment of a reasonable fee, which is limited to our expenses in furnishing the requested exhibit. All requests should be directed to the Corporate Secretary, 1800 Bridge Parkway, Redwood City, California 94065.

By Order of the Board of Directors

/S/ RAMI ELGHANDOUR

Rami Elghandour

President and Chief Executive Officer

April 12, 2017



NEVRO CORP. 1800 BRIDGE PARKWAY REDWOOD CITY, CA 94065 VOTE BY INTERNET Before The Meeting - Go to [www.proxyvote.com](http://www.proxyvote.com) Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. During The Meeting - Go to [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO) You may attend the Meeting via the Internet and vote during the Meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. E25296-P91730 NEVRO CORP. For Withhold For All To withhold authority to vote for any individual All All Except nominee(s), mark "For All Except" and write the The Board of Directors recommends you vote FOR number(s) of the nominee(s) on the line below. the following: 1. Election of Directors ! ! ! Nominees: 01) Frank Fischer 02) Shawn T McCormick The Board of Directors recommends you vote FOR the following proposals: For Against Abstain 2. To ratify the selection, by the Audit Committee of the Company's Board of Directors, of PricewaterhouseCoopers LLP as the independent registered ! ! ! public accounting firm of the Company for its fiscal year ending December 31, 2017 3. To approve the compensation of the named executive officers as disclosed in the Company's proxy statement in accordance with the compensation ! ! ! disclosure rules of the Securities and Exchange Commission NOTE: The proxies are authorized to vote in their discretion upon such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof. For address changes and/or comments, please check this box ! and write them on the back where indicated. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice and Proxy Statement and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com). E25297-P91730 NEVRO CORP. Annual Meeting of Stockholders May 25, 2017 10:30 AM This proxy is solicited by the Board of Directors The stockholder(s) hereby appoint(s) Rami Elghandour, Andrew H. Galligan and Michael W. Hall, or any of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of NEVRO CORP. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 10:30 AM, PDT on May 25, 2017, at [www.virtualshareholdermeeting.com/NVRO](http://www.virtualshareholdermeeting.com/NVRO), and any adjournment or postponement thereof, on all matters set forth on the reverse side and in the discretion of the proxies upon such other matters as may properly come before the Annual Meeting. This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations. Address Changes/Comments:

\_\_\_\_\_ (If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.) Continued and to be signed on reverse side