

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

Or

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

For the Transition Period from _____ to _____

Commission File Number: 0-29174

LOGITECH INTERNATIONAL S.A.

(Exact name of registrant as specified in its charter)

Canton of Vaud, Switzerland
(State or other jurisdiction
of incorporation or organization)

None
(I.R.S. Employer
Identification No.)

**Logitech International S.A.
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland
c/o Logitech Inc.
7700 Gateway Boulevard
Newark, California 94560**

(Address of principal executive offices and zip code)

(510) 795-8500

(Registrant's telephone number, including area code)

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

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

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

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

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

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

As of October 10, 2018, there were 165,670,205 shares of the Registrant's share capital outstanding.

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Exhibits

In this document, unless otherwise indicated, references to the "Company" or "Logitech" are to Logitech International S.A., its consolidated subsidiaries and predecessor entities. Unless otherwise specified, all references to U.S. Dollar, Dollar or \$ are to the United States Dollar, the legal currency of the United States of America. All references to CHF are to the Swiss Franc, the legal currency of Switzerland.

Logitech, the Logitech logo, and the Logitech products referred to herein are either the trademarks or the registered trademarks of Logitech. All other trademarks are the property of their respective owners.

The Company's fiscal year ends on March 31. Interim quarters are generally thirteen-week periods, each ending on a Friday of each quarter. The second quarter of fiscal year 2019 ended on September 28, 2018. The same quarter in the prior fiscal year ended on September 29, 2017. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 691,146	\$ 632,470	\$ 1,299,626	\$ 1,162,416
Cost of goods sold	432,063	402,722	814,234	737,496
Amortization of intangible assets and purchase accounting effect on inventory	2,966	2,011	5,338	3,515
Gross profit	256,117	227,737	480,054	421,405
Operating expenses:				
Marketing and selling	121,801	107,386	236,385	209,764
Research and development	39,542	36,647	78,529	71,746
General and administrative	25,206	25,266	50,679	50,675
Amortization of intangible assets and acquisition-related costs	4,317	2,491	6,838	3,881
Change in fair value of contingent consideration for business acquisition	—	(2,930)	—	(4,908)
Restructuring charges (credits), net	119	(61)	10,040	(116)
Total operating expenses	190,985	168,799	382,471	331,042
Operating income	65,132	58,938	97,583	90,363
Interest income	1,858	1,048	4,227	2,223
Other income (expense), net	3,389	459	1,818	(570)
Income before income taxes	70,379	60,445	103,628	92,016
Provision for (benefit from) income taxes	6,203	4,087	986	(1,349)
Net income	\$ 64,176	\$ 56,358	\$ 102,642	\$ 93,365
Net income per share:				
Basic	\$ 0.39	\$ 0.34	\$ 0.62	\$ 0.57
Diluted	\$ 0.38	\$ 0.33	\$ 0.61	\$ 0.55
Weighted average shares used to compute net income per share:				
Basic	165,630	164,120	165,474	163,765
Diluted	169,234	169,078	168,996	168,710
Cash dividend per share	\$ 0.69	\$ 0.63	\$ 0.69	\$ 0.63

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

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 64,176	\$ 56,358	\$ 102,642	\$ 93,365
Other comprehensive income (loss):				
Currency translation gain (loss), net of taxes	(2,863)	2,185	(7,826)	3,641
Defined benefit pension plans:				
Net gain and prior service costs, net of taxes	192	532	98	380
Amortization included in other income (expense), net	(69)	52	(139)	102
Hedging gain (loss):				
Deferred hedging gain (loss), net of taxes	298	(2,140)	485	(5,349)
Reclassification of hedging loss included in cost of goods sold	218	2,596	3,069	3,129
Other comprehensive income (loss)	(2,224)	3,225	(4,313)	1,903
Total comprehensive income	<u>\$ 61,952</u>	<u>\$ 59,583</u>	<u>\$ 98,329</u>	<u>\$ 95,268</u>

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

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(unaudited)

	September 30, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 424,950	\$ 641,947
Accounts receivable, net	459,689	214,885
Inventories	358,774	259,906
Other current assets	70,412	56,362
Total current assets	1,313,825	1,173,100
Non-current assets:		
Property, plant and equipment, net	83,731	86,304
Goodwill	346,548	275,451
Other intangible assets, net	130,538	87,547
Other assets	131,565	120,755
Total assets	\$ 2,006,207	\$ 1,743,157
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 440,564	\$ 293,988
Accrued and other current liabilities	434,615	281,732
Total current liabilities	875,179	575,720
Non-current liabilities:		
Income taxes payable	34,456	34,956
Other non-current liabilities	84,408	81,924
Total liabilities	994,043	692,600
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Registered shares, CHF 0.25 par value:	30,148	30,148
Issued shares — 173,106 at September 30 and March 31, 2018		
Additional shares that may be issued out of conditional capitals — 50,000 at September 30 and March 31, 2018		
Additional shares that may be issued out of authorized capital — 34,621 at September 30, 2018 and none at March 31, 2018		
Additional paid-in capital	33,160	47,234
Shares in treasury, at cost — 7,384 at September 30, 2018 and 8,527 at March 31, 2018	(163,481)	(165,686)
Retained earnings	1,210,105	1,232,316
Accumulated other comprehensive loss	(97,768)	(93,455)
Total shareholders' equity	1,012,164	1,050,557
Total liabilities and shareholders' equity	\$ 2,006,207	\$ 1,743,157

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

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 102,642	\$ 93,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,895	19,368
Amortization of intangible assets	10,341	6,238
Gain on investments in privately held companies	(382)	(436)
Share-based compensation expense	25,308	21,683
Deferred income taxes	(9,815)	(11,933)
Change in fair value of contingent consideration for business acquisition	—	(4,908)
Other	75	12
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(133,475)	(91,718)
Inventories	(84,401)	(58,078)
Other assets	(11,056)	(8,490)
Accounts payable	138,186	110,136
Accrued and other liabilities	37,902	(7,739)
Net cash provided by operating activities	97,220	67,500
Cash flows from investing activities:		
Purchases of property, plant and equipment	(18,368)	(17,188)
Investment in privately held companies	(506)	(520)
Acquisitions, net of cash acquired	(133,908)	(85,000)
Proceeds from return of investment in privately held companies	—	237
Purchases of short-term investments	(1,505)	(6,789)
Purchases of trading investments	(3,722)	(999)
Proceeds from sales of trading investments	4,194	1,057
Net cash used in investing activities	(153,815)	(109,202)
Cash flows from financing activities:		
Payment of cash dividends	(113,971)	(104,248)
Purchases of registered shares	(19,901)	(10,682)
Proceeds from exercises of stock options	10,007	30,000
Tax withholdings related to net share settlements of restricted stock units	(27,380)	(23,706)
Net cash used in financing activities	(151,245)	(108,636)
Effect of exchange rate changes on cash and cash equivalents	(9,157)	1,653
Net decrease in cash and cash equivalents	(216,997)	(148,685)
Cash and cash equivalents, beginning of the period	641,947	547,533
Cash and cash equivalents, end of the period	\$ 424,950	\$ 398,848
Supplementary Cash Flow Disclosures:		
Non-cash investing activities:		
Property, plant and equipment purchased during the period and included in period end liability accounts	\$ 4,267	\$ 6,219

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

LOGITECH INTERNATIONAL S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(unaudited)

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
March 31, 2017	173,106	\$ 30,148	\$ 26,596	10,727	\$ (174,037)	\$ 1,074,110	\$ (100,706)	\$ 856,111
Cumulative effect of adoption of new accounting standard	—	—	3,293	—	—	53,912	—	57,205
Total comprehensive income	—	—	—	—	—	93,365	1,903	95,268
Purchases of registered shares	—	—	—	307	(10,682)	—	—	(10,682)
Sales of shares upon exercise of stock options	—	—	15,628	(1,084)	14,372	—	—	30,000
Issuance of shares upon vesting of restricted stock units	—	—	(37,464)	(1,205)	13,758	—	—	(23,706)
Share-based compensation	—	—	21,887	—	—	—	—	21,887
Cash dividends	—	—	—	—	—	(104,248)	—	(104,248)
September 30, 2017	<u>173,106</u>	<u>\$ 30,148</u>	<u>\$ 29,940</u>	<u>8,745</u>	<u>\$ (156,589)</u>	<u>\$ 1,117,139</u>	<u>\$ (98,803)</u>	<u>\$ 921,835</u>

	Registered Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
March 31, 2018	173,106	\$ 30,148	\$ 47,234	8,527	\$ (165,686)	\$ 1,232,316	\$ (93,455)	\$ 1,050,557
Cumulative effect of adoption of new accounting standard (Note 1)	—	—	—	—	—	(10,882)	—	(10,882)
Total comprehensive income	—	—	—	—	—	102,642	(4,313)	98,329
Purchases of registered shares	—	—	—	474	(19,901)	—	—	(19,901)
Sales of shares upon exercise of stock options	—	—	5,951	(311)	4,056	—	—	10,007
Issuance of shares upon vesting of restricted stock units	—	—	(45,430)	(1,306)	18,050	—	—	(27,380)
Share-based compensation	—	—	25,405	—	—	—	—	25,405
Cash dividends	—	—	—	—	—	(113,971)	—	(113,971)
September 30, 2018	<u>173,106</u>	<u>\$ 30,148</u>	<u>\$ 33,160</u>	<u>7,384</u>	<u>\$ (163,481)</u>	<u>\$ 1,210,105</u>	<u>\$ (97,768)</u>	<u>\$ 1,012,164</u>

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

LOGITECH INTERNATIONAL S.A.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — The Company and Summary of Significant Accounting Policies and Estimates

The Company

Logitech International S.A, together with its consolidated subsidiaries, ("Logitech" or the "Company") designs, manufactures and markets products that help connect people to digital and cloud experiences. More than 35 years ago, Logitech created products to improve experiences around the personal PC platform, and today it is a multi-brand, multi-category company designing products that enable better experiences consuming, sharing and creating any digital content such as music, gaming, video and computing, whether it is on a computer, mobile device or in the cloud.

The Company sells its products to a broad network of domestic and international customers, including direct sales to retailers and e-tailers and indirect sales through distributors.

Logitech was founded in Switzerland in 1981 and Logitech International S.A. has been the parent holding company of Logitech since 1988. Logitech International S.A. is a Swiss holding company with its registered office in Apples, Switzerland and headquarters in Lausanne, Switzerland, which conducts its business through subsidiaries in the Americas, Europe, Middle East and Africa ("EMEA") and Asia Pacific. Shares of Logitech International S.A. are listed on both the SIX Swiss Exchange under the trading symbol LOGN and the Nasdaq Global Select Market under the trading symbol LOGI.

Business Acquisition

In August 2018, the Company acquired Blue Microphones Holding Corporation. See "Note 2 - Business Acquisition" for more information.

Basis of Presentation

The condensed consolidated interim financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and therefore do not include all the information required by GAAP for complete financial statements. They should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended March 31, 2018, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on May 21, 2018.

In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of only normal and recurring adjustments, necessary and in all material aspects, for a fair statement of the results of operations, comprehensive income, financial position, cash flows and changes in shareholders' equity for the periods presented. Operating results for the three and six months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2019, or any future periods.

Reclassification

Certain amounts from the comparative period in the accompanying condensed consolidated financial statements have been reclassified to conform to the condensed consolidated financial statement presentation as of and for the three and six months ended September 30, 2018 .

Changes in Significant Accounting Policies

Other than the recent accounting pronouncements adopted and discussed below under *Recent Accounting Pronouncements Adopted and Summary of Significant Accounting Policies*, there have been no changes in the Company's significant accounting policies during the six months ended September 30, 2018 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Significant estimates and assumptions made by management involve the fair value of goodwill, intangible assets acquired from business acquisitions, warranty liabilities, accruals for customer incentives, cooperative marketing, and pricing programs ("Customer Programs") and related breakage when appropriate, accrued revenue reserve from returns, allowance for doubtful accounts, inventory valuation, contingent consideration from business acquisitions and periodical reassessment of its fair value, share-based compensation expense, uncertain tax positions, and valuation allowances for deferred tax assets. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results could differ materially from these estimates.

Recent Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09" or "Topic 606") which supersedes the revenue recognition requirements under ASC 605 ("Topic 605"), Revenue Recognition. ASU 2014-09 outlines a new, single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance, including industry-specific guidance. Under the new guidance, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires reporting companies to disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On April 1, 2018, the Company adopted the new standard and all related amendments using the modified retrospective method applied to those contracts which were not completed as of April 1, 2018. Results for reporting periods beginning after April 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting standards under Topic 605.

As result of the adoption of the new standard, the Company recorded: a) a reduction to retained earnings as of April 1, 2018; and b) reclassifications of certain allowances for sales returns and certain other Customer Programs from accounts receivable, net to accrued and other current liabilities and other current assets.

The cumulative effect of the changes to the condensed consolidated balance sheet from the adoption of Topic 606 was as follows (in thousands):

	As of March 31, 2018	Effect of Adoption of Topic 606	As of April 1, 2018
Accounts receivable, net	\$ 214,885	\$ 105,768	\$ 320,653
Other current assets	56,362	6,195	62,557
Accrued and other current liabilities	281,732	122,845	404,577
Retained earnings	1,232,316	(10,882)	1,221,434

Net Reduction to Retained Earnings as of April 1, 2018

- Under Topic 605, accruals for certain Customer Programs were recognized as a reduction of revenue at the later of when the related revenue is recognized or when the program is offered to the customer. Under Topic 606, these programs qualify as variable consideration and are recorded as a reduction of the

transaction price at the contract inception based on the expected value method. The Company is required to estimate the accruals for these programs ahead of commitment date if customary business practice creates an implied expectation that such activities will occur in the future.

- Under Topic 606, variable consideration must be estimated at the outset of the arrangement, subject to the constraint guidance to ensure that a significant revenue reversal will not occur. As a result, upon adoption of Topic 606, estimated breakage for accruals of certain Customer Programs is recognized sooner as compared to Topic 605.

Balance Sheet Reclassifications

- Under Topic 605, the gross amount of accrued revenue reserves for sales returns of \$31.4 million, net of expected returned inventory of \$11.4 million was included within accounts receivable, net as of March 31, 2018. Expected scrap cost of \$5.2 million for such expected returned inventory was included in accrued and other current liabilities as of March 31, 2018. Subsequent to the adoption of Topic 606, such balances are presented on a gross basis as accrued revenue reserve from returns of \$31.4 million included in accrued and other current liabilities and as return assets of \$6.2 million included in other current assets.
- Under Topic 605, revenue reserves for certain Customer Programs totaling \$76.7 million, which were estimated using portfolio approach based on aggregated customer level, were included within accounts receivable, net as of March 31, 2018. Subsequent to the adoption of Topic 606, such balances are presented as accrued customer marketing, pricing and incentive programs included in accrued and other current liabilities.

Certain balances of allowances for sales return and accruals for Customer Programs which were accrued based on Customer Program offers made to individual customers, met the right of offset criteria in accordance with ASC 210-20, "Balance Sheet (Topic 210)", and are still included within accounts receivable, net.

The adoption of Topic 606 did not have an impact over the total cash flows from operating, investing, or financing activities.

The following tables summarize the impacts of adopting Topic 606 on the Company's condensed consolidated statements of operations for the three and six months ended September 30, 2018 and condensed consolidated balance sheet as of September 30, 2018 (in thousands):

	Three Months Ended September 30, 2018			Six Months Ended September 30, 2018		
	As Reported Under ASC 606	If Reported Under ASC 605	Effect of Change	As Reported Under ASC 606	If Reported Under ASC 605	Effect of Change
Net sales	\$ 691,146	\$ 696,090	\$ (4,944)	\$ 1,299,626	\$ 1,304,704	\$ (5,078)

	As of September 30, 2018		
	As Reported Under ASC 606	Balance Under ASC 605	Effect of Change
Accounts receivable, net	459,689	327,131	132,558
Other current assets	70,412	61,092	9,320
Accrued and other current liabilities	434,615	276,777	157,838
Retained earnings	1,210,105	1,226,065	(15,960)

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)" ("ASU 2016-01"). ASU 2016-01 requires entities to measure equity instruments at fair value and recognize any changes in fair value within the statement of operations. The Company adopted ASU 2016-01 effective April 1, 2018 on a prospective basis for its privately held strategic equity securities without readily determinable fair values. The Company elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within the statement of operations. The adoption of ASU 2016-01 did not have a material impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"), which eliminates the deferral of income tax effects of intra-entity asset transfers until the transferred asset is sold to an unrelated party or recovered through use. However, this standard does not apply to intra-entity transfer of inventory. The Company adopted this standard effective April 1, 2018 on a modified retrospective basis, and the adoption of ASU 2016-16 did not have a material impact on its condensed consolidated financial statements.

In December 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted this standard effective April 1, 2018, utilizing the retrospective transition method to each period presented and the adoption of ASU 2016-18 did not have an impact on its condensed consolidated financial statements as the Company did not have restricted cash for either periods presented.

In January 2017, the FASB issued ASU 2017-01, "Business Combination (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which changes the definition of a business to assist with evaluating when a set of transferred assets and activities is a business. The Company adopted this standard effective April 1, 2018, and the adoption of ASU 2017-01 did not have a material impact on its condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefit (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires that the Company disaggregate the service cost component from the other components of net benefit cost, and also provides guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The Company adopted this standard effective April 1, 2018 using a retrospective adoption method. Other than the revised statement of operations presentation for the periods in the current year, the adoption of ASU 2017-07 did not have an impact on the Company's condensed consolidated financial statements. The impact to the comparative period was immaterial and therefore the prior period statements of operations was not revised.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and simplifies the application of the hedge accounting guidance. The Company adopted this standard prospectively on April 1, 2018, and the adoption of ASU 2017-12 did not have a material impact on its condensed consolidated financial statements. In accordance with ASU 2017-12, the Company has started presenting the earnings impact from forward points in cost of goods sold line item, which is used to present the earnings impact of the hedged item.

Recent Accounting Pronouncements to be Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02" or "Topic 842"), which generally requires companies to recognize right-of-use assets and lease liabilities arising from operating and financing leases with terms longer than 12 months in the consolidated balance sheets. The Company will adopt the new guidance in the first quarter of fiscal year 2020 on a modified retrospective basis, which recognizes the cumulative effect of initially applying Topic 842 as an adjustment to retained earnings at the adoption date. Although the Company expects to record significant amounts of right-of-use assets and liabilities on its condensed consolidated balance sheets, the Company is still evaluating the full impact that ASU 2016-02 will have on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements" ("ASU 2018-13"), which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing fair value measurement disclosures. ASU 2018-13 is effective for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted. Retrospective adoption is required, except for certain disclosures which will be required to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. The Company is evaluating the full effect that ASU 2018-13 will have on its condensed consolidated financial statements and the timing of adoption.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefits Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans" ("ASU 2018-14"), which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing defined benefit plan disclosures. ASU 2018-14 is effective for annual periods in fiscal years ending after December 15, 2021. Retrospective adoption is required and early adoption is permitted. The Company is evaluating the full effect that ASU 2018-14 will have on its condensed consolidated financial statements and the timing of adoption.

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15"), which clarifies that implementation costs incurred by customers in cloud computing arrangements are deferred if they would be capitalized by customers in software licensing arrangements under the internal-use software guidance. ASU 2018-15 is effective for annual and interim periods in fiscal years beginning after December 15, 2019, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. The Company is evaluating the full effect that ASU 2018-15 will have on its condensed consolidated financial statements and the timing of adoption.

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or service in an amount that reflects the transaction price the Company expects to receive in exchange for those goods or services.

Substantially all revenue recognized by the Company relates to the contracts with customers to sell products that allow people to connect through music, gaming, video, computing, and other digital platforms. These products are hardware devices, which may include embedded software, and these functions together are considered as one performance obligation. Hardware devices are generally plug and play, requiring no configuration and little or no installation. Revenue is recognized at a point in time when control of the products is transferred to the customer which generally occurs upon shipment. The Company's contracts with its customers generally have a term of no more than one year. The Company applies the practical expedient of not disclosing the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

The Company also provides post-contract customer support ("PCS") for products and related software, which includes unspecified software updates and upgrades, bug fixes and maintenance. The transaction price is allocated to two performance obligations in such contracts, based on a relative standalone selling price. The transaction price allocated to PCS is recognized as revenue on a straight-line basis over the estimated term of the support, which is between one to two years, and is not material for the periods presented herein. Deferred revenue associated with remaining PCS performance obligation is not material as of September 30, 2018 and March 31, 2018.

The Company normally requires payments from customers within thirty to sixty days from invoice date. However, terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables. The Company's contracts with customers typically do not include significant financing components as the period between the satisfaction of performance obligations and timing of payment are generally within one year.

The transaction price received by the Company from sales to its distributors, retail companies ("retailers"), and authorized resellers is calculated as selling price net of variable consideration which may include product returns, price protection, and the Company's payments for Customer Programs related to current period product revenue. The estimated impact of these programs is recorded as a reduction of sales or as an operating expense if the Company receives a distinct good or service from the customer and can reasonably estimate the fair value of that good or service received. Significant management judgment and estimates are used to determine the impact of these programs in any accounting period. Certain Customer Programs require management to estimate the percentage of those programs which will not be claimed or will not be earned by customers based on historical experience and on the specific terms and conditions of particular programs. The percentage of these customer programs that will not be claimed or earned is commonly referred to as "breakage". The Company accounts for breakage as part of variable consideration, subject to constraint, and records the estimated impact in the same

period when revenue is recognized at the expected value considering constraints. Significant management judgments and estimates are used to determine the breakage of the programs in any accounting period.

The Company enters into cooperative marketing arrangements with many of its customers and with certain indirect partners, allowing customers to receive a credit equal to a set percentage of their purchases of the Company's products, or a fixed dollar credit for various marketing and incentive programs. The objective of these arrangements is to encourage advertising and promotional events to increase sales of the Company's products .

Customer incentive programs include consumer rebates and performance-based incentives. Consumer rebates are offered to the Company's customers and indirect partners at the Company's discretion for the primary benefit of end-users. In addition, the Company offers performance-based incentives to many of its customers and indirect partners based on predetermined performance criteria. At management's discretion, the Company also offers special pricing discounts to certain customers. Special pricing discounts are usually offered only for limited time periods or for sales of selected products to specific indirect partners.

Estimates of required accruals for cooperative marketing arrangements and customer incentive programs are determined based on negotiated terms, consideration of historical experience, forecasted incentives, anticipated volume of future purchases, and inventory levels in the channel.

The Company has agreements with certain customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction. Management's decision to make price reductions is influenced by product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Accruals for estimated expected future pricing actions are recognized at the time of sale based on analyses of historical pricing actions by customer and by product, inventories owned by and located at customers, current customer demand, current operating conditions, and other relevant customer and product information, such as stage of product life-cycle.

Product return rights vary by customer. Estimates of expected future product returns qualify as variable consideration and are recorded as a reduction of the transaction price of the contract at the time of sale based on analyses of historical return trends by customer and by product, inventories owned by and located at customers, current customer demand, current operating conditions, and other relevant customer and product information. The Company assesses the estimated returned asset value for impairment, and adjusts the value of the asset if it becomes impaired. Return trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, product sell-through, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors. Return rates can fluctuate over time but are sufficiently predictable to allow the Company to estimate expected future product returns.

Typically, variable consideration does not need to be constrained as estimates are based on predictive historical data or future commitments that are planned and controlled by the Company. However, the Company continues to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur.

The Company regularly evaluates the adequacy of its estimates for Customer Programs and product returns. Future market conditions and product transitions may require the Company to take action to change such programs and related estimates. When the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, the Company would be required to record incremental increases or reductions to sales or operating expenses.

Sales taxes and value added taxes ("VAT") collected from customers, if applicable, which are remitted to governmental authorities are not included in revenue, and are reflected as a liability on the condensed consolidated balance sheets. The Company has elected to exclude sales taxes from the revenue recognized from contracts with customers.

Shipping and Handling Costs

The Company's shipping and handling costs are included in cost of goods sold in the condensed consolidated statements of operations for all periods presented.

Contract Balances

The Company records accounts receivable from contracts with customers when it has an unconditional right to consideration, as accounts receivable, net on the condensed consolidated balance sheet.

The Company records contract liabilities when cash payments are received or due in advance of performance, primarily for implied support and subscriptions. Contract liabilities are included in accrual and other current liabilities on the condensed consolidated balance sheets.

As of September 30, 2018 and for the period then ended, and as of April 1, 2018, the Company did not have any material contract liabilities balances or changes.

Contract Costs

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that otherwise would have been recognized is one year or less. These costs are included in marketing and selling expenses in the condensed consolidated statements of operations. As of September 30, 2018 and for the period then ended, and as of April 1, 2018, the Company did not have material deferred contract costs or changes.

Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained for estimated losses resulting from the Company's customers' inability to make required payments. The allowances are based on the Company's regular assessment of the financial condition of specific customers, as well as its historical experience with bad debts and customer deductions, receivables aging, current economic trends, geographic or country specific risks and the financial condition of its distribution channels.

Note 2 — Business Acquisition

Blue Microphones Acquisition

On August 21, 2018 (the "Acquisition Date"), the Company acquired all equity interests in Blue Microphones Holding Corporation ("Blue Microphones") for a total consideration of \$134.9 million in cash (the "Blue Microphones Acquisition"), which includes a working capital adjustment and repayment of debt on behalf of Blue Microphones.

Blue Microphones is a leading audio manufacturer that designs and produces microphones, headphones, recording tools, and accessories for audio professionals, musicians and consumers. The Blue Microphones Acquisition is consistent with Logitech's merger and acquisition strategy and will supplement the Company's portfolio opportunities.

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Blue Microphones meets the definition of a business, and therefore the acquisition is accounted for using the acquisition method. The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the Acquisition Date (in thousands):

	Estimated Fair Value
Cash and cash equivalents	\$ 1,110
Accounts receivable	10,979
Inventories	20,206
Other current assets	997
Property, plant and equipment	1,103
Intangible assets	53,267
Total identifiable assets acquired	\$ 87,662
Accounts payable	(10,322)
Accrued liabilities	(13,316)
Other long-term liabilities	(271)
Net identifiable assets acquired	\$ 63,753
Goodwill	71,116
Net assets acquired	\$ 134,869

Goodwill related to the acquisition is primarily attributable to opportunities and economies of scale from combining the operations and technologies of Logitech and Blue Microphones and is not deductible for tax purposes.

The fair value of the inventory acquired is estimated at its net realizable value, which uses the estimated selling prices, less the cost of disposal and a reasonable profit allowance for the selling efforts. The difference between the fair value of the inventories and the amount recorded by Blue Microphones immediately before the acquisition date is \$1.8 million, which will be recognized in "amortization of intangibles assets and purchase accounting effect on inventory" in the condensed consolidated statements of operations upon the sale of the acquired inventory.

The following table summarizes the preliminary estimated fair values and estimated useful lives of the components of identifiable intangible assets acquired as of the Acquisition Date (Dollars in thousands):

	Preliminary Fair Value	Estimated Useful Life (years)
Developed technology	\$ 17,967	5.0
Customer relationships	22,800	10.0
Trade name	12,500	7.0
Total intangible assets acquired	\$ 53,267	7.6

Intangible assets acquired as a result of the Blue Microphones Acquisition are being amortized over their estimated useful lives using the straight-line method of amortization, which materially approximates the distribution of the economic value of the identified intangible assets. Amortization of acquired developed technology of \$0.2 million during the three months ended September 30, 2018 is included in "amortization of intangible assets and purchase accounting effect of inventory" in the condensed consolidated statements of operations. Amortization of the acquired customer relationships and trade name of \$0.3 million during the three months ended September 30, 2018 is included in "amortization of intangible assets and acquisition-related costs" in the condensed consolidated statements of operations.

Developed technology relates to existing Blue Microphones products. The economic useful life was determined based on the technology cycle related to developed technology of existing products, as well as the cash flows anticipated over the forecasted periods.

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Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of Blue Microphones. The economic useful life was determined based on historical customer turnover rates and industry benchmarks.

Trade name relates to the "Blue Microphones" trade name. The economic useful life was determined based on the expected life of the trade name and the cash flows anticipated over the forecasted periods.

The fair values of developed technology and trade name were estimated using the relief-from-royalty method, an income approach (Level 3), which estimates the cost savings that accrue to the owner of the intangible assets that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. A royalty rate is applied to the projected revenues associated with the intangible assets to determine the amount of savings, which is then discounted to determine the fair value. The developed technology and trade name were valued using royalty rates of 10% and 3%, respectively, and both were discounted at a rate of 11%.

The fair value of customer relationships was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contributed to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the customer relationships, which were discounted at a rate of 11%.

The Company believes the preliminary fair values of purchased intangible assets recorded above represents their fair values and approximates the amounts a market participant would pay for these intangible assets as of the Acquisition Date.

The fair value of identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of the acquisition. As additional information becomes available, such as finalization of the estimated fair value of the assets acquired and liabilities assumed, and working capital adjustments that may affect the total consideration transferred, the Company may revise its preliminary estimates of fair values during the remainder of the measurement periods (which will not exceed 12 months from the Acquisition Date). Any such revisions or changes may be material as we finalize the fair values of the tangible and intangible assets acquired and liabilities assumed.

The Company incurred acquisition-related costs for the Blue Microphones Acquisition of approximately \$1.5 million for the three months ended September 30, 2018. The acquisition-related costs are included in "amortization of intangible assets and acquisition-related costs" in the condensed consolidated statements of operations.

The Company included Blue Microphones' estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheet beginning on the Acquisition Date. The results of operations for Blue Microphones subsequent to the Acquisition Date have been included in, but are not material to, the Company's condensed consolidated statements of operations. Pro forma results of operations for the Blue Microphones Acquisition have not been presented because they are not material to the condensed consolidated statements of operations. For the three months ended September 30, 2018, Blue Microphones, the acquisition of which was closed on August 21, 2018, contributed \$7.7 million to net sales, representing approximately 1% of the net sales of the Company for the three-month period.

Note 3 — Net Income Per Share

The computations of basic and diluted net income per share for the Company were as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 64,176	\$ 56,358	\$ 102,642	\$ 93,365
Shares used in net income per share computation:				
Weighted average shares outstanding - basic	165,630	164,120	165,474	163,765
Effect of potentially dilutive equivalent shares	3,604	4,958	3,522	4,945
Weighted average shares outstanding - diluted	169,234	169,078	168,996	168,710
Net income per share:				
Basic	\$ 0.39	\$ 0.34	\$ 0.62	\$ 0.57
Diluted	\$ 0.38	\$ 0.33	\$ 0.61	\$ 0.55

Share equivalents attributable to outstanding stock options, restricted stock units ("RSUs") and ESPP totaling 0.8 million and 0.6 million for the three months ended September 30, 2018 and 2017, respectively, and 1.2 million and 1.2 million for the six months ended September 30, 2018 and 2017, respectively, were excluded from the calculation of diluted net income per share because the combined exercise price and average unamortized grant date fair value upon exercise of these options and ESPP or vesting of RSUs were greater than the average market price of the Company's shares during the periods presented herein, and therefore their inclusion would have been anti-dilutive.

Note 4 — Employee Benefit Plans
Employee Share Purchase Plans and Stock Incentive Plans

As of September 30, 2018, the Company offers the 2006 ESPP (2006 Employee Share Purchase Plan (Non-U.S.)), the 1996 ESPP (1996 Employee Share Purchase Plan (U.S.)), the 2006 Plan (2006 Stock Incentive Plan) and the 2012 Plan (2012 Stock Inducement Equity Plan), each as amended.

The following table summarizes the share-based compensation expense and total income tax benefit recognized for share-based awards for the three and six months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Cost of goods sold	\$ 791	\$ 1,091	\$ 1,921	\$ 1,802
Marketing and selling	4,864	4,343	10,650	8,724
Research and development	1,935	1,633	3,484	3,176
General and administrative	4,459	3,911	9,253	7,981
Total share-based compensation expense	12,049	10,978	25,308	21,683
Income tax benefit	(2,650)	(3,677)	(12,179)	(14,959)
Total share-based compensation expense, net of income tax	\$ 9,399	\$ 7,301	\$ 13,129	\$ 6,724

The income tax benefit in the respective period primarily consists of tax benefit related to the share-based compensation expense for the period and direct tax benefit realized, including net excess tax benefits recognized from share-based awards vested or exercised during the period.

As of September 30, 2018 and 2017, the balances of capitalized share-based compensation included in inventory were both \$0.8 million.

Defined Benefit Plans

Certain of the Company's subsidiaries sponsor defined benefit pension plans or non-retirement post-employment benefits covering substantially all of their employees. Benefits are provided based on employees' years of service and earnings, or in accordance with applicable employee benefit regulations. The Company's practice is to fund amounts sufficient to meet the requirements set forth in the applicable employee benefit and tax regulations. The cost recorded of \$2.2 million and \$2.3 million for the three months ended September 30, 2018 and 2017, respectively, and \$4.5 million and \$4.6 million for the six months ended September 30, 2018 and 2017, respectively, was primarily related to service costs.

Note 5 — Income Taxes

The Company is incorporated in Switzerland but operates in various countries with differing tax laws and rates. Further, a portion of the Company's income before taxes and the provision for (benefit from) income taxes are generated outside of Switzerland.

The Company has not adjusted the net provisional charge from remeasuring deferred tax assets related to the Tax Cuts and Jobs Act (the "Tax Act") in the United States in fiscal year 2018. The Company continues to refine the estimate based on ongoing analysis and available information and interpretations through the third quarter of fiscal year 2019.

The income tax provision for the three months ended September 30, 2018 was \$6.2 million based on an effective income tax rate of 8.8% of pre-tax income, compared to an income tax provision of \$4.1 million based on an effective income tax rate of 6.8% of pre-tax income for the three months ended September 30, 2017. The income tax provision for the six months ended September 30, 2018 was \$1.0 million based on an effective income tax rate of 1.0% of pre-tax income, compared to an income tax benefit of \$1.3 million based on an effective income tax rate of (1.5)% of pre-tax income for the six months ended September 30, 2017.

The changes in the effective income tax rate for the three and six months ended September 30, 2018, compared to the three and six months ended September 30, 2017, were primarily due to the mix of income and losses in the various tax jurisdictions which the Company operates and less excess tax benefits recognized in the United States in the three and six months ended September 30, 2018. The Company recognized excess tax benefits of \$0.7 million and \$9.0 million, respectively, at 21% federal corporate income tax rate post the Tax Act in the three and six months ended September 30, 2018. In the same periods in fiscal year 2018, the Company recognized \$1.1 million and \$11.0 million of excess tax benefits, respectively, at 35% federal corporate income tax rate, after adoption of ASU 2016-09. In the three and six months ended September 30, 2018, there were discrete tax benefits of \$0.5 million and \$1.4 million, respectively, from the reversal of uncertain tax positions from the expiration of statutes of limitations. In the same periods ended September 30, 2017, the tax benefits from reversal of uncertain tax positions from the expiration of statutes of limitations were \$0.7 million and \$1.3 million, respectively.

As of September 30, 2018 and March 31, 2018, the total amount of unrecognized tax benefits due to uncertain tax positions was \$70.4 million and \$69.1 million, respectively, all of which would affect the effective income tax rate if recognized.

As of September 30, 2018 and March 31, 2018, the Company had \$34.5 million and \$35.0 million, respectively, in non-current income taxes payable including interest and penalties, related to the Company's income tax liability for uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax positions in income tax expense. As of September 30, 2018 and March 31, 2018, the Company had \$2.5 million and \$2.3 million, respectively, of accrued interest and penalties related to uncertain tax positions.

Although the Company has adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. During fiscal year 2019, the Company continues to review its tax positions and provide for or reverse unrecognized tax

benefits as issues arise. During the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. dollar as compared to other currencies. Excluding these factors, uncertain tax positions may decrease by as much as \$3.3 million from the lapse of the statutes of limitations in various jurisdictions during the next twelve months.

Note 6 — Balance Sheet Components

The following table presents the components of certain balance sheet asset amounts as of September 30 and March 31, 2018 (in thousands):

	<u>September 30, 2018</u>	<u>March 31, 2018</u>
Accounts receivable, net:		
Accounts receivable	\$ 639,479	\$ 482,872
Allowance for doubtful accounts	(645)	(122)
Allowance for sales returns (1)	(5,165)	(25,515)
Allowance for cooperative marketing arrangements (1)	(33,879)	(30,389)
Allowance for customer incentive programs (1)	(55,972)	(70,592)
Allowance for pricing programs (1)	(84,129)	(141,369)
	<u>\$ 459,689</u>	<u>\$ 214,885</u>
Inventories:		
Raw materials	\$ 31,756	\$ 33,603
Finished goods	327,018	226,303
	<u>\$ 358,774</u>	<u>\$ 259,906</u>
Other current assets:		
Value-added tax receivables	\$ 34,597	\$ 29,477
Prepaid expenses and other assets (1)	35,815	26,885
	<u>\$ 70,412</u>	<u>\$ 56,362</u>
Property, plant and equipment, net:		
Property, plant and equipment at cost	\$ 359,335	\$ 346,588
Less: accumulated depreciation and amortization	(275,604)	(260,284)
	<u>\$ 83,731</u>	<u>\$ 86,304</u>
Other assets:		
Deferred tax assets	\$ 92,833	\$ 84,651
Trading investments for deferred compensation plan	20,645	17,748
Investments in privately held companies	13,283	12,448
Other assets	4,804	5,908
	<u>\$ 131,565</u>	<u>\$ 120,755</u>

The following table presents the components of certain balance sheet liability amounts as of September 30 and March 31, 2018 (in thousands):

	<u>September 30, 2018</u>	<u>March 31, 2018</u>
Accrued and other current liabilities:		
Accrued personnel expenses	\$ 80,554	\$ 82,330
Accrued revenue reserve from returns (1)	38,359	—
Accrued customer marketing, pricing and incentive programs (1)	173,992	71,962
Warranty accrual	18,470	16,279
Employee benefit plan obligation	2,243	1,763
Income taxes payable	5,741	4,354
Other current liabilities	115,256	105,044
	<u>\$ 434,615</u>	<u>\$ 281,732</u>
Other non-current liabilities:		
Warranty accrual	\$ 13,284	\$ 11,294
Obligation for deferred compensation plan	20,645	17,748
Employee benefit plan obligation	40,857	42,434
Deferred tax liability	1,980	1,980
Other non-current liabilities	7,642	8,468
	<u>\$ 84,408</u>	<u>\$ 81,924</u>

(1) Certain allowances for sales return and certain other Customer Programs were included within accounts receivable, net balance as of March 31, 2018 . Upon adoption of Topic 606, such balances are presented as accrued revenue reserve from returns and accrued customer marketing, pricing and incentive programs included in accrued and other current liabilities, and as return assets included in other current assets, respectively, on the condensed consolidated balance sheet as of September 30, 2018 . Refer to Note 1 to the condensed consolidated financial statements for more information.

Note 7 — Fair Value Measurements

Fair Value Measurements

The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

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

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The following table presents the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis, excluding assets related to the Company's defined benefit pension plans, classified by the level within the fair value hierarchy (in thousands):

	September 30, 2018			March 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash equivalents	\$ 304,627	\$ —	\$ —	\$ 492,535	\$ —	\$ —
Trading investments for deferred compensation plan included in other assets:						
Money market funds	\$ 4,252	\$ —	\$ —	\$ 2,881	\$ —	\$ —
Mutual funds	16,393	—	—	14,867	—	—
Total of trading investments for deferred compensation plan	\$ 20,645	\$ —	\$ —	\$ 17,748	\$ —	\$ —
Currency exchange derivative assets included in other current assets	\$ —	\$ 244	\$ —	\$ —	\$ —	\$ —
Liabilities:						
Currency exchange derivative liabilities included in accrued and other current liabilities	\$ —	\$ 50	\$ —	\$ —	\$ 34	\$ —

Investment Securities

The marketable securities for the Company's deferred compensation plan were recorded at a fair value of \$20.6 million and \$17.7 million, as of September 30, 2018 and March 31, 2018, respectively, based on quoted market prices. Quoted market prices are observable inputs that are classified as Level 1 within the fair value hierarchy. Unrealized trading gains (losses) related to trading securities for the three and six months ended September 30, 2018 and 2017 were not material and are included in other income (expense), net in the Company's condensed consolidated statements of operations.

Non-marketable Investments

The Company has certain non-marketable investments included in other assets that are accounted for under the equity method of accounting, with carrying value of \$5.8 million and \$5.1 million as of September 30, 2018 and March 31, 2018, respectively.

In addition, the Company has certain investments without readily determinable fair values due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management's judgment. When certain events or circumstances indicate that impairment may exist, the Company revalues the investments using various assumptions, including the financial metrics and ratios of comparable public companies. The carrying value is also adjusted for observable price changes with a same or similar security from the same issuer. The amount of these investments included in other assets as of September 30, 2018 and March 31, 2018 was \$7.5 million and \$7.3 million, respectively.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company's non-financial assets, such as intangible assets and acquisition-related property, plant and equipment, are recorded at fair value only upon initial recognition or if an impairment is recognized. There was no impairment of these assets during the three and six months ended September 30, 2018 or 2017.

Note 8 — Derivative Financial Instruments

Under certain agreements with the respective counterparties to the Company's derivative contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, the Company presents its derivative assets and derivative

liabilities on a gross basis on the condensed consolidated balance sheets as of September 30, 2018 and March 31, 2018 .

The fair values of the Company's derivative instruments were not material as of September 30, 2018 or March 31, 2018 . The amount of gain (loss) recognized on derivatives not designated as hedging instruments was not material in all periods presented herein. The following table presents the amounts of gains (losses) on the Company's derivative instruments designated as hedging instruments and their locations on its condensed consolidated statements of operations and condensed consolidated statements of comprehensive income for the three and six months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2018	2017	2018	2017
Cash flow hedges	\$ 298	\$ (2,140)	\$ 218	\$ 2,596

	Six Months Ended September 30,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2018	2017	2018	2017
Cash flow hedges	\$ 485	\$ (5,349)	\$ 3,069	\$ 3,129

Upon adoption of ASU 2017-12, the Company has started presenting the earnings impact from forward points in the same line item that is used to present the earnings impact of the hedged item, i.e. cost of goods sold, for hedging forecasted inventory purchases and such amount is not material for all periods presented.

Cash Flow Hedges

The Company enters into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Cash flows from such hedges are classified as operating activities in the condensed consolidated statements of cash flows. Hedging relationships are discontinued when hedging contract is no longer eligible for hedge accounting, or is sold, terminated or exercised, or when Company removes hedge designation for the contract. Gains and losses in the fair value of the effective portion of the discontinued hedges continue to be reported in accumulated other comprehensive loss until the hedged inventory purchases are sold, unless it is probable that the forecasted inventory purchases will not occur by the end of the originally specified time period or within an additional two -month period of time thereafter. In all periods presented herein, there have been no forecasted inventory purchases that were probable to not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. The notional amounts of foreign currency exchange forward contracts outstanding related to forecasted inventory purchases were \$89.1 million as of September 30, 2018 . As of March 31, 2018 , there were no currency forward contracts outstanding related to forecasted inventory purchases. The Company had \$0.3 million of net gains related to its cash flow hedges included in accumulated other comprehensive loss as of September 30, 2018 which will be reclassified into earnings within the next 12 months.

Other Derivatives

The Company also enters into foreign currency exchange forward and swap contracts to reduce the short-term effects of currency exchange rate fluctuations on certain receivables or payables denominated in currencies other than the functional currencies of its subsidiaries. These contracts generally mature within one month. The primary risk managed by using forward and swap contracts is the currency exchange rate risk. The gains or losses on these contracts are recognized in other income (expense), net in the condensed consolidated statements of operations based on the changes in fair value. The notional amounts of these contracts outstanding as of September 30, 2018

and March 31, 2018 were \$71.5 million and \$47.2 million, respectively. Open forward and swap contracts outstanding as of September 30, 2018 and March 31, 2018 consisted of contracts in Mexican Pesos, Japanese Yen, Canadian Dollars, Taiwan New Dollars and Australian Dollars to be settled at future dates at pre-determined exchange rates.

The fair value of all foreign currency exchange forward and swap contracts is determined based on observable market transactions of spot currency rates and forward rates. Cash flows from these contracts are classified as operating activities in the condensed consolidated statements of cash flows.

Note 9 — Goodwill and Other Intangible Assets

The Company conducts its impairment analysis of goodwill annually at December 31 and as necessary, if changes in facts and circumstances indicate that it is more likely than not that the fair value of the Company's reporting units may be less than its carrying amount. There have been no events or circumstances during the six months ended September 30, 2018 that have required the Company to perform an interim assessment of goodwill.

The following table summarizes the activities in the Company's goodwill balance during the six months ended September 30, 2018 (in thousands):

As of March 31, 2018	\$	275,451
Acquisition (Note 2)		71,116
Currency translation		(19)
As of September 30, 2018	\$	<u>346,548</u>

The Company's acquired intangible assets subject to amortization were as follows (in thousands):

	September 30, 2018			March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and trade names	\$ 36,370	\$ (11,199)	\$ 25,171	\$ 23,870	\$ (9,482)	\$ 14,388
Developed technology	95,207	(55,722)	39,485	77,175	(50,755)	26,420
Customer contracts/relationships	82,310	(16,428)	65,882	59,510	(12,771)	46,739
Total	<u>\$ 213,887</u>	<u>\$ (83,349)</u>	<u>\$ 130,538</u>	<u>\$ 160,555</u>	<u>\$ (73,008)</u>	<u>\$ 87,547</u>

Note 10 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating \$79.3 million as of September 30, 2018. There are no financial covenants under these lines of credit with which the Company must comply. As of September 30, 2018, the Company had outstanding bank guarantees of \$26.3 million under these lines of credit. There was no borrowing outstanding under these lines of credit as of September 30, 2018 or March 31, 2018.

Note 11 — Commitments and Contingencies

Product Warranties

All of the Company's products are covered by warranty to be free from defects in material and workmanship for periods ranging from one year to five years. The Company's warranty doesn't provide a service beyond assuring that the product complies with agreed-upon specifications and is not sold separately. The warranty the Company provides qualifies as an assurance warranty and is not treated as a separate performance obligation. The Company estimates cost of product warranties at the time the related revenue is recognized based on historical warranty claim rates, historical costs, and knowledge of specific product failures that are outside of the Company's typical experience. The Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of the warranty obligation. Each quarter, the Company reevaluates estimates to assess the adequacy of recorded warranty liabilities considering the size of the installed base of

products subject to warranty protection and adjusts the amounts as necessary. When the Company experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company's results of operations.

Changes in the Company's warranty liability for the three and six months ended September 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Beginning of the period	\$ 28,853	\$ 22,056	\$ 27,573	\$ 21,911
Assumed from business acquisition	351	1,230	351	1,230
Provision	11,020	5,414	19,320	9,715
Settlements	(8,330)	(4,611)	(14,882)	(9,179)
Currency translation	(140)	260	(608)	672
End of the period	\$ 31,754	\$ 24,349	\$ 31,754	\$ 24,349

Guarantees

Logitech Europe S.A., one of the Company's wholly-owned subsidiaries, guaranteed payments of certain third-party contract manufacturers' purchase obligations. As of September 30, 2018, the maximum amount of this guarantee was \$3.8 million, of which \$1.5 million of guaranteed purchase obligations were outstanding.

Indemnifications

The Company indemnifies certain of its suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances, includes indemnification for damages and expenses, including reasonable attorneys' fees. As of September 30, 2018, no amounts have been accrued for these indemnification provisions. The Company does not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under its indemnification arrangements.

The Company also indemnifies its current and former directors and certain of its current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. The Company is unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not limited, the obligations are conditional in nature and the facts and circumstances involved in any situation that might arise are variable.

Legal Proceedings

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of its business. The Company is currently subject to several such claims and a small number of legal proceedings. The Company believes that these matters lack merit and intends to vigorously defend against them. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial condition, cash flows or results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain a necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect the Company's business.

Note 12 — Shareholders' Equity**Share Repurchase Program**

In March 2017, the Company's Board of Directors approved the 2017 share buyback program, which authorizes the Company to use up to \$250.0 million to purchase up to 17.3 million shares of its own shares. The Company's share buyback program is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. As of September 30, 2018, \$200.0 million is still available for repurchase under the 2017 buyback program.

Cash Dividend on Shares of Common

During the three and six months ended September 30, 2018, the Company declared and paid cash dividends of CHF 0.67 (USD equivalent of \$0.69) per common share, totaling \$114.0 million on the Company's outstanding common stock. During the three and six months ended September 30, 2017, the Company declared and paid cash dividends of CHF 0.61 (USD equivalent of \$0.63) per common share, totaling \$104.2 million on the Company's outstanding common stock.

Any future dividends will be subject to the approval of the Company's shareholders.

Additional Authorized and Conditional Shares

The Company has reserved conditional capital of 25,000,000 shares for potential issuance on the exercise of rights granted under the Company's employee equity incentive plans and additional conditional capital for financing purposes, representing the issuance of up to 25,000,000 shares to cover any conversion rights under a future convertible bond issuance. During the 2018 Annual General Meeting, the shareholders of the Company authorized the Board of Directors to issue up to an additional 34,621,324 shares of the Company until September 5, 2020.

Accumulated Other Comprehensive Income (Loss)

The accumulated other comprehensive income (loss) was as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)			
	Cumulative Translation Adjustment (1)	Defined Benefit Plan (1)	Deferred Hedging Losses (1)	Total
March 31, 2018	\$ (83,848)	\$ (6,398)	\$ (3,209)	\$ (93,455)
Other comprehensive income (loss)	(7,826)	(41)	3,554	(4,313)
September 30, 2018	\$ (91,674)	\$ (6,439)	\$ 345	\$ (97,768)

(1) Tax effect was not significant as of September 30 or March 31, 2018.

Note 13 — Segment Information

The Company has determined that it operates in a single operating segment that encompasses the design, manufacturing and marketing of peripherals for PCs, tablets and other digital platforms. Operating performance measures are provided directly to the Company's CEO, who is considered to be the Company's Chief Operating Decision Maker. The CEO periodically reviews information such as net sales and adjusted operating income (loss) to make business decisions. These operating performance measures do not include restructuring charges (credits), net, share-based compensation expense, amortization of intangible assets, charges from the purchase accounting effect on inventory, acquisition-related costs, change in fair value of contingent consideration from business acquisition, or gain (loss) from investments in privately held companies.

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Net sales by product categories and sales channels, excluding intercompany transactions, for the three and six months ended September 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Pointing Devices	\$ 128,337	\$ 123,643	\$ 256,127	\$ 245,717
Keyboards & Combos	131,872	119,200	260,094	235,313
PC Webcams	28,221	27,466	57,895	53,091
Tablet & Other Accessories	36,710	30,784	69,146	54,002
Video Collaboration	57,176	46,139	115,968	81,756
Mobile Speakers	77,100	90,548	111,427	153,466
Audio & Wearables	61,560	62,445	113,714	112,647
Gaming	160,792	113,722	296,818	191,430
Smart Home	9,241	18,323	18,252	34,789
Other (1)	137	200	185	205
Total net sales	\$ 691,146	\$ 632,470	\$ 1,299,626	\$ 1,162,416

(1) Other category includes products that the Company currently intends to transition out of, or has already transitioned out of, because they are no longer strategic to the Company's business.

Net sales by geographic region (based on the customers' locations) for the three and six months ended September 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Americas	\$ 283,714	\$ 261,993	\$ 560,642	\$ 507,393
EMEA	218,300	218,323	378,932	368,914
Asia Pacific	189,132	152,154	360,052	286,109
Total net sales	\$ 691,146	\$ 632,470	\$ 1,299,626	\$ 1,162,416

Sales are attributed to countries on the basis of the customers' locations.

The United States and Germany each represented more than 10% of the total consolidated net sales for each of the periods presented herein. China represented more than 10% of the total consolidated net sales for the three and six months ended September 30, 2018. No other countries represented 10% or more of the Company's total consolidated net sales for the periods presented herein.

Switzerland, the Company's home domicile, represented 4% and 3% of the Company's total consolidated net sales for the three and six months ended September 30, 2018, respectively, and 2% for each of the three and six months ended September 30, 2017.

Two customer groups of the Company each represented more than 10% of the total consolidated net sales for each of the periods presented herein.

Property, plant and equipment, net by geographic region were as follows (in thousands):

	September 30, 2018	March 31, 2018
Americas	\$ 33,508	\$ 35,404
EMEA	4,327	4,690
Asia Pacific	45,896	46,210
Total property, plant and equipment, net	\$ 83,731	\$ 86,304

Property, plant and equipment, net in the United States and China were \$33.5 million and \$38.2 million, respectively, as of September 30, 2018, and \$35.3 million and \$37.9 million, respectively, as of March 31, 2018. No

other countries represented more than 10% of the Company's total consolidated property, plant and equipment, net as of September 30, 2018 or March 31, 2018 . Property, plant and equipment, net in Switzerland, the Company's home domicile, were \$1.6 million and \$1.9 million as of September 30, 2018 and March 31, 2018 , respectively.

Note 14 — Restructuring

During the first quarter of fiscal year 2019, the Company implemented a restructuring plan to streamline and realign the Company's overall organizational structure and reallocate resources to support long-term growth opportunities. In July 2018, the Company's Board of Directors approved to allow additional costs under this restructuring plan, totaling pre-tax charges of approximately \$10.0 million to \$15.0 million , of which \$10.0 million was recognized during the first half of fiscal year 2019. The total charges consisted of cash severance and other personnel costs and are presented as restructuring charges (credit), net in the condensed consolidated statements of operations, and the accrual balances are presented in accrued and other current liabilities in the condensed consolidated balance sheets. The Company expects to substantially complete this restructuring within the next six to nine months.

The following table summarizes restructuring related activities during the three and six months ended September 30, 2018 (in thousands):

	Termination Benefits
Accrual balance at March 31, 2018	\$ —
Charges	9,921
Cash payments	(2,014)
Accrual balance at June 30, 2018	7,907
Charges	119
Cash payments	(1,945)
Accrual balance at September 30, 2018	\$ 6,081

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

You should read the following discussion in conjunction with the interim unaudited condensed consolidated financial statements and related notes.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, among other things, statements regarding our strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position, our business strategy, the impact of investment prioritization decisions, product offerings, sales and marketing initiatives, strategic investments, addressing execution challenges, trends in consumer demand affecting our products and markets, trends in the composition of our customer base, our current or future revenue and revenue mix by product, among our lower- and higher-margin products, our new product introductions and by geographic region, our expectations regarding the potential growth opportunities for our products in mature and emerging markets and the enterprise market, our expectations regarding economic conditions in international markets, including China, Russia and Ukraine, our expectations regarding trends in global economic conditions and consumer demand for PCs and mobile devices, tablets, gaming, audio, pointing devices, wearables, remotes and other accessories and computer devices and the interoperability of our products with such third party platforms, our expectations regarding the convergence of markets for computing devices and consumer electronics, our expectations regarding the growth of cloud-based services, our expected reduction in size of our product portfolio and dependence on new products, our competitive position and the effect of pricing, product, marketing and other initiatives by us and our competitors, the potential that our new products will overlap with our current products, our expectations regarding competition from well-established consumer electronics companies in existing and new markets, potential tariffs, their effects and our ability to mitigate their effects, our expectations regarding the recoverability of our goodwill, goodwill impairment charge estimates and the potential for future impairment charges, the impact of our current and proposed product divestitures, changes in our planned divestitures, restructuring of our organizational structure and the timing thereof, our expectations regarding the success of our strategic acquisitions, including integration of acquired operations, products, technology, internal controls, personnel and management teams, significant fluctuations in currency exchange rates and commodity prices, the impact of new product introductions and product innovation on future performance or anticipated costs and expenses and the timing thereof, resolution of our North American distribution center issues, cash flows, the sufficiency of our cash and cash equivalents, cash generated and available borrowings (including the availability of our uncommitted lines of credit) to fund future cash requirements, our expectations regarding future sales compared to actual sales, our expectations regarding share repurchases, dividend payments and share cancellations, our expectations regarding our future working capital requirements and our anticipated capital expenditures needed to support our product development and expanded operations, our expectations regarding our future tax benefits, tax settlements, the adequacy of our provisions for uncertain tax positions, the impact of the Tax Cuts and Jobs Act on our overall effective income tax rate, our expectations regarding our potential indemnification obligations, and the outcome of pending or future legal proceedings and tax audits, our expectations regarding the impact of new accounting pronouncements on our operating results, and our ability to achieve and sustain renewed growth, profitability and future success. Forward-looking statements also include, among others, those statements including the words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "seek," "should," "will," and similar language. These forward-looking statements involve risks and uncertainties that could cause our actual performance to differ materially from that anticipated in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview of Our Company

Logitech is a world leader in designing, manufacturing and marketing products that help connect people to digital and cloud experiences. More than 35 years ago, Logitech created products to improve experiences around the personal PC platform, and today it is a multi-brand, multi-category company designing products that enable better experiences consuming, sharing and creating any digital content such as music, gaming, video and computing, whether it is on a computer, mobile device or in the cloud. Logitech's brands include Logitech, Ultimate Ears, Jaybird, Blue Microphones, Logitech G and ASTRO Gaming.

Our products participate in five large markets that all have growth opportunities: Gaming, Video Collaboration, Smart Home, Music, and Creativity & Productivity. We sell our products to a broad network of domestic and international customers, including direct sales to retailers and e-tailers, and indirect sales through distributors. Our worldwide channel network includes consumer electronics distributors, retailers, mass merchandisers, specialty stores, computer and telecommunications stores, value-added resellers and online merchants.

From time to time, we may seek to partner with, or acquire when appropriate, companies that have products, personnel, and technologies that complement our strategic direction. We continually review our product offerings and our strategic direction in light of our profitability targets, competitive conditions, changing consumer trends and the evolving nature of the interface between the consumer and the digital world.

On August 21, 2018 (the "Acquisition Date"), we acquired all equity interests in Blue Microphones Holding Corporation ("Blue Microphones") for a total consideration of \$134.9 million in cash (the "Blue Microphones Acquisition"), which includes a working capital adjustment and repayment of a debt on behalf of Blue Microphones. Blue Microphones is a leading audio manufacturer that designs and produces microphones, headphones, recording tools, and accessories for audio professionals, musicians and consumers. The Blue Microphones Acquisition is consistent with Logitech's merger and acquisition strategy and will supplement the Company's portfolio opportunities. For the three months ended September 30, 2018, Blue Microphones contributed one percentage point of the net sales growth rate.

Summary of Financial Results

Our net sales for the three and six months ended September 30, 2018 increased 9% and 12%, respectively, compared to the three and six months ended September 30, 2017, mainly due to stronger net sales in the Americas and Asia Pacific.

Our net sales for the three months ended September 30, 2018 increased 8% and 24% in the Americas and Asia Pacific, respectively, compared to the same period of the prior fiscal year. Our net sales for the three months ended September 30, 2018 in EMEA remained flat, compared to the same period of the prior fiscal year. Our net sales for the six months ended September 30, 2018 increased 10%, 3% and 26% in the Americas, EMEA and Asia Pacific, respectively, compared to the same period of the prior fiscal year.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results could be affected by shifts in currency exchange rates. See "Results of Operations" for information on the effect of currency exchange results on our net sales. If the U.S. Dollar becomes stronger or weaker in comparison to other currencies, it will also affect our results of operations in future periods.

Our gross margin for the three months ended September 30, 2018 increased 110 basis points to 37.1% from 36.0% for the three months ended September 30, 2017. Our gross margin benefited from a one-time tariff duty refund of approximately \$7.1 million, favorable exchange rates, cost reduction efforts and product mix, partially offset by unfavorable impact from adoption of ASC 606, increase in spending in Customer Programs to support our growth, as well as U.S. tariffs implemented in July 2018 for certain of our products imported into the United States.

Our gross margin for the six months ended September 30, 2018 increased 60 basis points to 36.9% from 36.3% for the six months ended September 30, 2017 as a result of a one-time tariff duty refund of approximately \$7.1 million, and a one-time benefit from a legal settlement with our prior distribution center supplier in the Americas, as well as favorable exchange rates and cost reduction efforts. Those benefits were partially offset by unfavorable impact from adoption of ASC 606 and increase in spending in Customer Programs.

We have various initiatives being implemented to mitigate the impact of recently implemented and announced U.S. tariffs, such as product reclassifications, tactical inventory pull-ins, supply chain or production shifts, and potential pricing adjustments. As some of these mitigating initiatives take time to implement, there could be an adverse impact to our gross margin in the future periods as we adjust to tariffs and other trade restrictions.

Operating expenses for the three months ended September 30, 2018 were \$191.0 million, or 27.6% of net sales, compared to \$168.8 million, or 26.7% of net sales, in the same period of the prior fiscal year. Operating expenses for the six months ended September 30, 2018 were \$382.5 million, or 29.4% of net sales, compared to \$331.0 million, or 28.5% of net sales, in the same period of the prior fiscal year. The increase in operating expenses for the three months ended September 30, 2018 was primarily driven by \$8.8 million higher advertising and

marketing expenses to support our new product introductions, \$5.2 million higher personnel-related cost due to additional headcount from business acquisition and increased performance based variable compensation, and \$3.0 million from the prior year's credit for change in fair value of contingent consideration from an acquisition. The increase in operating expenses for the six months ended September 30, 2018 was primarily driven by \$32.2 million higher personnel-related cost due to restructuring charges in the current period, increased performance based variable compensation and additional headcount from business acquisitions, \$9.6 million higher advertising and marketing expenses to support our new product introduction, and \$4.9 million from the prior year's credit for change in fair value of contingent consideration from an acquisition.

Net income for the three and six months ended September 30, 2018 was \$64.2 million and \$102.6 million, compared to \$56.4 million and \$93.4 million for the three and six months ended September 30, 2017.

Trends in Our Business

Our strategy focuses on five large multi-category markets, including Gaming, Video Collaboration, Music, Smart Home and Creativity & Productivity. We see opportunities to deliver growth in all these markets.

We believe our future growth will be determined by our ability to rapidly create innovative products across multiple digital platforms, including gaming, digital music devices, video and computing. The following discussion represents key trends specific to our market opportunities.

Trends Specific to Our Five Market Opportunities

Gaming: The PC gaming and console gaming platform continues to show strong growth as online gaming, multi-platform experiences, and eSports gain greater popularity and gaming content becomes increasingly more demanding. We believe Logitech is well positioned to benefit from the PC gaming market growth. With ASTRO Gaming, we are also strengthening our portfolio in adjacent categories, such as the console gaming market.

Video Collaboration: The near and long-term structural growth opportunities in the video collaboration market are significant. Video meetings are on the rise, and companies increasingly want lower-cost, cloud-based solutions. We are continuing our efforts to create and sell innovative products to accommodate the increasing demand from medium-sized meeting rooms to small-sized rooms such as huddle rooms. We will continue to invest in select business-specific products, targeted product marketing and sales channel development.

Music: The music market grew during fiscal year 2018, driven by growing consumption of music through mobile devices such as smartphones and tablets. The integration of personal voice assistants has become increasingly competitive in the speaker categories and the market for third-party, voice-enabled speakers has not yet gained traction. Moreover, the market for mobile speakers appears to be maturing with slower growth. While we continue to introduce new products for improved experiences, we're adjusting our investments to match the slower market growth outlook. With Blue Microphones, we are also strengthening our portfolio in adjacent categories, such as the microphones market.

Smart Home: This market grew in fiscal year 2018 due to the integration of Amazon Alexa and Google Assistant voice capabilities into our Logitech Harmony Hub that enables voice control of the living room entertainment experience when used with an Amazon Echo or Google Home device. Through Harmony, Alexa can turn on/off and control a TV and AV system. While the market so far in fiscal year 2019 has slowed due to more difficult comparisons, we continue to see various long-term opportunities in the broader smart home market. Accordingly, we will be prudent in how we deploy our resources in the near term.

Creativity & Productivity: New PC shipments continue to be stable and the installed base of PC users remains large. We believe that innovative PC peripherals, such as our mice and keyboards, can renew the PC usage experience, providing growth opportunities. Smaller mobile computing devices, such as tablets, have created new markets and usage models for peripherals and accessories. We offer a number of products to enhance the use of mobile devices, including keyboard folios for the iPad and iPad mini, and keyboard covers and folios for the iPad Air. In fiscal year 2018, we saw the recovery of the iPad tablet market and our Tablet & Other Accessories category has benefited from the recovery along with our innovative products.

Business Seasonality, Product Introductions and Acquisitions

We have historically experienced higher net sales in our third fiscal quarter ending December 31, compared to other fiscal quarters in our fiscal year, due in part to seasonal holiday demand. Additionally, new product

introductions and business acquisitions can significantly impact net sales, product costs and operating expenses. Product introductions can also impact our net sales to our distribution channels as these channels are filled with new product inventory following a product introduction, and often channel inventory of an earlier model product declines as the next related major product launch approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction or changes in business circumstances. However, neither historical seasonal patterns nor historical patterns of product introductions should be considered reliable indicators of our future pattern of product introductions, future net sales or financial performance.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, goodwill and intangible assets from business acquisitions, contingent consideration from business acquisitions, and net sales and expenses.

We consider an accounting estimate critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to an understanding of our financial condition and operating results.

We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, actual results could differ from those estimates. Management has discussed the development, selection and disclosure of these critical accounting estimates with the Audit Committee of the Board of Directors.

Other than the recent accounting pronouncement adoptions discussed below and *Summary of Significant Accounting Policies* discussed in Note 1 to the condensed consolidated financial statements, there have been no substantial changes in the Company's significant accounting policies during the six months ended September 30, 2018, compared with the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Adoption of New Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09" or "Topic 606") which supersedes the revenue recognition requirements under ASC 605 ("Topic 605"), Revenue Recognition. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance, including industry-specific guidance. Under the new guidance, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires reporting companies to disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On April 1, 2018, we adopted the new standard and all related amendments using the modified retrospective method applied to those contracts which were not completed as of April 1, 2018. Results for reporting periods beginning after April 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting standards under Topic 605.

Refer to Note 1 to the condensed consolidated financial statements for further details of the impact of adoption of Topic 606.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)" ("ASU 2016-01"). ASU 2016-01 requires entities to measure equity instruments at fair value and recognize any changes in fair value within the statement of operations. We adopted ASU 2016-01 effective April 1, 2018 on a prospective basis for our privately held strategic equity securities without readily determinable fair values. We elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within the statement of operations. The adoption of ASU 2016-01 did not have a material impact on our condensed consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"), which eliminates the deferral of income tax effects of intra-entity asset transfers until the transferred asset is sold to an unrelated party or recovered through use. However, this standard does not apply to intra-entity transfer of inventory. We adopted this standard effective April 1, 2018 on a modified retrospective basis, and the adoption of ASU 2016-16 did not have a material impact on our condensed consolidated financial statements.

In December 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. We adopted this standard effective April 1, 2018 utilizing the retrospective transition method to each period presented, and the adoption of ASU 2016-18 did not have an impact on our condensed consolidated financial statements as we did not have restricted cash for either periods presented.

In January 2017, the FASB issued ASU 2017-01, "Business Combination (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which changes the definition of a business to assist with evaluating when a set of transferred assets and activities is a business. We adopted this standard effective April 1, 2018, and the adoption of ASU 2017-01 did not have a material impact on our condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefit (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires that the Company disaggregate the service cost component from the other components of net benefit cost, and also provides guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. We adopted this standard effective April 1, 2018 using a retrospective adoption method. Other than the revised statement of operations presentation for the periods in the current year, the adoption of ASU 2017-07 did not have an impact on our condensed consolidated financial statements. The impact to the comparative period was immaterial and therefore prior period statements of operations was not revised.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and simplifies the application of the hedge accounting guidance. We adopted this standard effective April 1, 2018, and the adoption of ASU 2017-12 did not have a material impact on our condensed consolidated financial statements. In accordance with ASU 2017-12, we have started presenting the earnings impact from forward points in cost of goods sold line item, which is used to present the earnings impact of the hedged item.

Refer to Note 1 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for recent accounting pronouncements to be adopted.

Impact of Constant Currency

We refer to our net sales growth rates excluding the impact of currency exchange rate fluctuations as "constant dollar" sales growth rates. Percentage of constant dollar sales growth is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results could be affected by significant shifts in currency exchange rates. See "Results of Operations" for information on the effect of currency exchange results on our net sales. If the U.S. Dollar appreciates or depreciates in comparison to other currencies in future periods, this will affect our results of operations in future periods as well.

Sales Denominated in Other Currencies

Although our financial results are reported in U.S. Dollars, a portion of our sales was generated in currencies other than the U.S. Dollar, such as the Euro, Chinese Renminbi, Japanese Yen, Canadian Dollar, Taiwan New Dollar, British Pound and Australian Dollar. During the three months ended September 30, 2018, 51% of our net sales were denominated in currencies other than the U.S. Dollar.

Results of Operations**Net Sales**

Our net sales in the three and six months ended September 30, 2018 increased 9% and 12% , respectively, compared to the same periods of the prior fiscal year. Sales increased in the Americas and Asia Pacific during the three and six months ended September 30, 2018 . If currency exchange rates had been constant in the three and six months ended September 30, 2018 and 2017 , our constant dollar sales growth rates would have been 10% and 11% , respectively. We grew double digits in our Gaming, Video Collaboration, Keyboards & Combos, and Tablets and Other Accessories. Sales for Mobile Speaker and Smart Home declined across the regions. The adoption of Topic 606 lowered the net sales for the three or six months ended September 30, 2018 by \$4.9 million and \$5.1 million, respectively.

Net Sales by Region

The following table presents the change in net sales by region for the three and six months ended September 30, 2018 , compared with the three and six months ended September 30, 2017 :

	Sales Growth Rate		Constant Dollar Sales Growth Rate	
	Three Months Ended September 30, 2018	Six Months Ended September 30, 2018	Three Months Ended September 30, 2018	Six Months Ended September 30, 2018
Americas	8 %	10%	9%	11%
EMEA	— %	3%	1%	1%
Asia Pacific	24 %	26%	26%	25%

Americas:

The increases in net sales in our Americas region for the three-month period presented above was primarily driven by growth in Gaming, Keyboards and Combos, Video Collaboration and Pointing Devices, partially offset by a decline in sales for Mobile Speakers and Smart Home. The increases in net sales in our Americas region for the six-month period presented above was primarily driven by the same categories. In addition, Tablets and Other Accessories and PC Webcams also contributed to the increase for the six-month period.

EMEA:

The net sales in our EMEA region remained flat for the three-month period presented above. The net sales in our EMEA region increased 3% for the six-month period presented above, which was primarily driven by growth in Gaming, Tablets and Other Accessories and Video Collaboration, partially offset by a decline in sales for Mobile Speakers and Smart Home.

Asia Pacific:

The growth in our Asia Pacific region during both periods presented above were primarily driven by growth in Gaming, Keyboards and Combos, Video Collaboration, Pointing Devices and Mobile Speakers.

Net Sales by Product Categories

Net sales by product category for the three and six months ended September 30, 2018 and 2017 were as follows (Dollars in thousands):

	Three Months Ended September 30,			Six Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
Pointing Devices	\$ 128,337	\$ 123,643	4%	\$ 256,127	\$ 245,717	4%
Keyboards & Combos	131,872	119,200	11	260,094	235,313	11
PC Webcams	28,221	27,466	3	57,895	53,091	9
Tablet & Other Accessories	36,710	30,784	19	69,146	54,002	28
Video Collaboration	57,176	46,139	24	115,968	81,756	42
Mobile Speakers	77,100	90,548	(15)	111,427	153,466	(27)
Audio & Wearables	61,560	62,445	(1)	113,714	112,647	1
Gaming	160,792	113,722	41	296,818	191,430	55
Smart Home	9,241	18,323	(50)	18,252	34,789	(48)
Other (1)	137	200	(32)	185	205	(10)
Total net sales	\$ 691,146	\$ 632,470	9	\$ 1,299,626	\$ 1,162,416	12

(1) Other category includes products that we currently intend to transition out of, or have already transitioned out of, because they are no longer strategic to our business.

Net Sales by Product Categories**Creativity & Productivity Market:***Pointing Devices*

Our Pointing Devices category comprises PC and Mac-related mice, touchpads and presenters.

Net sales of Pointing Devices increased 4% in the three and six months ended September 30, 2018, respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by an increase in sales for cordless mice, such as M280 Wireless Mouse, M510 Wireless Mouse, and MX Master 2S Wireless Mouse. MX Vertical Wireless Mouse introduced in the second quarter of fiscal year 2018 also contributed to the sales increase for both periods.

Keyboards & Combos

Our Keyboards & Combos category comprises PC keyboards and keyboard/mice combo products.

Net sales of Keyboards & Combos increased 11% in the three and six months ended September 30, 2018, respectively, compared to the same periods of the prior fiscal year. The increases in both periods were primarily driven by an increase in sales of cordless keyboards and combos, mainly from the introductions of MK540 Wireless Keyboard Mouse Combo in the fourth quarter of fiscal year 2018 and MK545 Wireless Keyboard Mouse Combo in the first quarter of fiscal year 2019, and increases in sales of MK270 Wireless Combo and MK235 Wireless Combo.

PC Webcams

Our PC Webcams category comprises PC-based webcams targeted primarily at consumers.

PC Webcams net sales increased 3% and 9% in the three and six months ended September 30, 2018, respectively, compared to the same periods of the prior fiscal year. The increases in both periods were primarily driven by increases in sales for our HD Pro Webcam C920 and 1080P Pro Stream Webcam.

Tablet & Other Accessories

Our Tablet & Other Accessories category primarily comprises keyboards for tablets.

Net sales of Tablet & Other Accessories products increased 19% and 28% in the three and six months ended September 30, 2018 , respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by the introductions of our education-based Rugged Combo 2 in the first quarter of fiscal year 2019, our Slim Folio keyboard cases in the second quarter of fiscal year 2019, Slim Combo keyboard cases in the third quarter of fiscal year 2018, and Crayon (a digital pencil) and POWERED (a wireless charging dock for iPhone) in the second quarter of fiscal year 2019.

Video Collaboration market:

Video Collaboration

Our Video Collaboration category primarily includes products which combine audio and video and other products that can connect any-sized user groups.

Net sales of Video Collaboration products increased 24% and 42% in the three and six months ended September 30, 2018 , respectively, compared to the same periods of the prior fiscal year. The increases for both periods were primarily driven by an increase in sales for our Meetup video conference camera, PTZ Pro 2 group camera, and high-end business webcams.

Music market:

Mobile Speakers

Our Mobile Speakers category is made up entirely of Bluetooth wireless speakers.

Net sales of Mobile Speakers decreased 15% and 27% for the three and six months ended September 30, 2018 , respectively, compared to the same periods of the prior fiscal year. The decreases for both periods were primarily due to a decline in sales for our Ultimate Ears Megaboom, Boom 2, and Wonderboom mobile speakers. The decreases were partially offset by sales from the introduction of our Ultimate Ears Megaboom 3 and Boom 3 mobile speakers in the second quarter of fiscal year 2019.

Audio & Wearables

Our Audio & Wearables category comprises PC speakers, PC headsets, in-ear headphones, premium wireless audio wearables and studio-quality microphones for professionals and consumers.

Audio & Wearables net sales decreased 1% for the three months ended and increased 1% for the six months ended September 30, 2018 , respectively, compared to the same periods of the prior fiscal year. The decrease for the three-month period was primarily due to a decrease in sales of PC speakers and Jaybird products, partially offset by the sales from Blue Microphones products as a result of our business acquisition (refer to Note 2 to the condensed consolidated financial statements). The increase for the six-month period was driven by a sales increase for our corded headsets, Revol Custom Fit Earbuds, and sales from Blue Microphones products, partially offset by a decrease in sales of PC speakers and Jaybird products.

Gaming market:

Gaming

Our Gaming category comprises gaming mice, keyboards, headsets, gamepads, steering wheels, Saitek simulation controllers and ASTRO console gaming headsets.

Gaming net sales increased 41% and 55% for the three and six months ended September 30, 2018 , respectively, compared to the same periods of the prior fiscal year. The significant increases for both periods were primarily driven by the strong performance of the ASTRO console gaming headsets - which benefited from the growing gaming market, growth in eSports, expansions in new channels and regions, and expansion in product portfolios - as well as the continued success for our gaming mice and PC gaming headsets. The increases for the six-month period, and to a lesser extent for the three-month period, were also driven by the fact that the acquisition

of ASTRO closed on August 11, 2017, in the middle of our fiscal year 2018 second quarter, resulting in a partial comparative period impact.

Smart Home market:*Smart Home*

Our Smart Home category includes our Harmony line of advanced home entertainment controllers and home security cameras.

Smart Home net sales decreased 50% and 48% during the three and six months ended September 30, 2018, respectively, compared to the same periods of the prior fiscal year. The decreases for both periods were primarily due to a decline in sales for our Harmony remotes and home video products.

Gross Profit

Gross profit for the three and six months ended September 30, 2018 and 2017 was as follows (Dollars in thousands):

	Three Months Ended September 30,			Six Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
Net sales	\$ 691,146	\$ 632,470	9%	\$ 1,299,626	\$ 1,162,416	12%
Gross profit	\$ 256,117	\$ 227,737	12	\$ 480,054	\$ 421,405	14
Gross margin	37.1%	36.0%		36.9%	36.3%	

Gross profit consists of net sales less cost of goods sold (which includes materials, direct labor and related overhead costs, costs of manufacturing facilities, royalties, costs of purchasing components from outside suppliers, distribution costs, warranty costs, customer support, shipping and handling costs, outside processing costs and write-down of inventories), amortization of intangible assets and purchase accounting effect on inventory.

Operating Expenses

Operating expenses for the three and six months ended September 30, 2018 and 2017 were as follows (Dollars in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Marketing and selling	\$ 121,801	\$ 107,386	\$ 236,385	\$ 209,764
% of net sales	17.6%	17.0 %	18.2%	18.0 %
Research and development	39,542	36,647	78,529	71,746
% of net sales	5.7%	5.8 %	6.0%	6.2 %
General and administrative	25,206	25,266	50,679	50,675
% of net sales	3.6%	4.0 %	3.9%	4.4 %
Amortization of intangible assets and acquisition-related costs	4,317	2,491	6,838	3,881
% of net sales	0.6%	0.4 %	0.5%	0.3 %
Change in fair value of contingent consideration for business acquisition	—	(2,930)	—	(4,908)
% of net sales	—%	(0.5)%	—%	(0.4)%
Restructuring charges (credits), net	119	(61)	10,040	(116)
% of net sales	—%	— %	0.8%	— %
Total operating expenses	\$ 190,985	\$ 168,799	\$ 382,471	\$ 331,042
% of net sales	27.6%	26.7 %	29.4%	28.5 %

Marketing and Selling

Marketing and selling expenses consist of personnel and related overhead cost, corporate and product marketing, promotions, advertising, trade shows, customer and technical support, and facilities costs.

During the three and six months ended September 30, 2018 , marketing and selling expenses increased \$14.4 million and \$26.6 million , respectively, compared to the same periods of the prior fiscal year. The increases were primarily driven by higher advertising and marketing expenses to support our new products, and higher personnel-related costs due to increased headcount and increased performance based variable compensation.

Research and Development

Research and development expenses consist of personnel and related overhead costs for contractors and outside consultants, supplies and materials, equipment depreciation and facilities costs, all associated with the design and development of new products and enhancements of existing products.

During the three and six months ended September 30, 2018 , research and development expenses increased \$2.9 million and \$6.8 million , respectively, compared to the same periods in the prior fiscal year. The increases were primarily driven by higher personnel-related costs due to increased headcount from business acquisitions and increased performance based variable compensation, and higher investment in new product developments.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead, information technology, and facilities costs for the infrastructure functions such as finance, information systems, executives, human resources, and legal functions.

During the three and six months ended September 30, 2018 , general and administrative expenses remained relatively flat, compared to the same periods in the prior fiscal year.

Amortization of Intangibles and Acquisition-Related Costs

Amortization of intangibles and acquisition-related costs during the three and six months ended September 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Amortization of intangible assets	\$ 2,861	\$ 1,750	\$ 5,382	\$ 2,839
Acquisition-related costs	1,456	741	1,456	1,042
Total	\$ 4,317	\$ 2,491	\$ 6,838	\$ 3,881

Amortization of intangible assets consists of amortization of acquired intangible assets, including customer relationships and trade names. The increases in amortization of intangible assets during the three and six months ended September 30, 2018 compared with the same periods of the prior fiscal year were primarily driven by the acquisition of ASTRO in the second quarter of fiscal year 2018 and the acquisition of Blue Microphones in the second quarter of fiscal year 2019. Acquisition-related costs include legal expense, due diligence costs, and other professional costs incurred for business acquisitions.

Change in Fair Value of Contingent Consideration for Business Acquisition

There was no contingent consideration for business acquisition during the three and six months ended September 30, 2018. The decrease in fair value of contingent consideration during the three months ended September 30, 2017 was primarily due to the agreement we reached with the sellers of Jaybird LLC, the company we acquired in April 2016. During the six months ended September 30, 2017, the fair value of the contingent consideration decreased \$4.9 million due to the agreement reached with the sellers of Jaybird LLC and lower-than-expected net sales of Jaybird products, partially offset by the change in the time value of money.

Restructuring Charges

During the first quarter of fiscal year 2019, we implemented a restructuring plan to streamline and realign our overall organizational structure and reallocate resources to support the long-term growth opportunities. In July, 2018, our Board of Directors approved to allow additional costs under this restructuring plan, totaling pre-tax charges of approximately \$10.0 million to \$15.0 million, of which \$10.0 million was recognized during the first half of fiscal year 2019. The total charges consisted of cash severance and other personnel costs and are presented as restructuring charges (credit), net in the condensed consolidated statements of operations. We expect to substantially complete this restructuring within the next six to nine months.

The following table summarizes restructuring related activities during the three and six months ended September 30, 2018 (in thousands):

	Termination Benefits
Accrual balance at March 31, 2018	\$ —
Charges	9,921
Cash payments	(2,014)
Accrual balance at June 30, 2018	7,907
Charges	119
Cash payments	(1,945)
Accrual balance at September 30, 2018	\$ 6,081

Provision for (Benefit from) Income Taxes

The provision for (benefit from) income taxes and effective tax rates for the three and six months ended September 30, 2018 and 2017 were as follows (Dollars in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	2017	2018	2017
Provision for (benefit from) income taxes	\$ 6,203	\$ 4,087	\$ 986	\$ (1,349)
Effective income tax rate	8.8%	6.8%	1.0%	(1.5)%

We have not adjusted the net provisional charge from remeasuring deferred tax assets related to the Tax Act in the United States in fiscal year 2018. We continue to refine the estimate based on ongoing analysis and available information and interpretations through the third quarter of fiscal year 2019.

The changes in the effective income tax rate for the three and six months ended September 30, 2018, compared to the three and six months ended September 30, 2017, were primarily due to the mix of income and losses in the various tax jurisdictions in which we operate and less excess tax benefits recognized in the United States in the three and six months ended September 30, 2018. We recognized excess tax benefits of \$0.7 million and \$9.0 million, respectively, at 21% federal corporate income tax rate post the Tax Act in the three and six months ended September 30, 2018. In the same periods in fiscal year 2018, we recognized \$1.1 million and \$11.0 million of excess tax benefits, respectively, at 35% federal corporate income tax rate after adoption of ASU 2016-09. In the three and six months ended September 30, 2018, there were discrete tax benefits of \$0.5 million and \$1.4 million, respectively, from the reversal of uncertain tax positions from the expiration of statutes of limitations. In the same periods ended September 30, 2017, the tax benefits from reversal of uncertain tax positions from the expiration of statutes of limitations were \$0.7 million and \$1.3 million, respectively.

As of September 30, 2018 and March 31, 2018, the total amounts of unrecognized tax benefits due to uncertain tax positions were \$70.4 million and \$69.1 million, respectively, all of which would affect the effective income tax rate if recognized.

Liquidity and Capital Resources**Cash Balances, Available Borrowings, and Capital Resources**

As of September 30, 2018, we had cash and cash equivalents of \$425.0 million, compared to \$641.9 million as of March 31, 2018. As of September 30, 2018, 62% of the cash and cash equivalents was held in Switzerland, 18% held in Hong Kong and China and 9% held in the United Kingdom. We do not expect to incur any material adverse tax impact except for what has been recognized, or be significantly inhibited by any country in which we do business from the repatriation of funds to Switzerland, our home domicile.

The decrease in cash and cash equivalents for the six months ended September 30, 2018, was primarily due to the Blue Microphones Acquisition ("Note 2 - Business Acquisition" to the condensed consolidated financial statements), payment of cash dividends, purchases of property, plant and equipment, tax withholdings related to settlements of restricted stock units and the purchases of our shares, partially offset by proceeds from exercises of stock options and purchase rights and net cash provided by operating activities.

As of September 30, 2018, our working capital was \$438.6 million, compared to \$597.4 million as of March 31, 2018. The decrease was primarily driven by higher accounts payable, higher accruals, lower cash and cash equivalents offset by higher accounts receivable, net and inventories. Our working capital was \$445.5 million as of September 30, 2017.

We had several uncommitted, unsecured bank lines of credit aggregating \$79.3 million as of September 30, 2018. There are no financial covenants under these lines of credit with which we must comply. As of September 30, 2018, we had outstanding bank guarantees of \$26.3 million under these lines of credit.

The following table summarizes our Condensed Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 97,220	\$ 67,500
Net cash used in investing activities	(153,815)	(109,202)
Net cash used in financing activities	(151,245)	(108,636)
Effect of exchange rate changes on cash and cash equivalents	(9,157)	1,653
Net decrease in cash and cash equivalents	<u>\$ (216,997)</u>	<u>\$ (148,685)</u>

The following table presents selected financial information and statistics as of and for the three months ended September 30, 2018 and 2017 (Dollars in thousands):

	As of September 30,	
	2018	2017
Accounts receivable, net	\$ 459,689	\$ 277,839
Accounts payable	\$ 440,564	\$ 386,963
Inventories	\$ 358,774	\$ 330,422

	Three Months Ended September 30,	
	2018	2017
Days sales in accounts receivable ("DSO") (Days) (1)	60	40
Days accounts payable outstanding ("DPO") (Days) (2)	91	86
Inventory turnover ("ITO") (x)(3)	4.9	4.9

(1) DSO is determined using ending accounts receivable, net as of the most recent quarter-end and net sales for the most recent quarter.

(2) DPO is determined using ending accounts payable as of the most recent quarter-end and cost of goods sold for the most recent quarter.

(3) ITO is determined using ending inventories and annualized cost of goods sold (based on the most recent quarterly cost of goods sold).

DSO for the three months ended September 30, 2018 increased by 20 days to 60 days, as compared to 40 days for the same period of the prior fiscal year. The adoption of Topic 606 negatively impacted our DSO for the three months ended September 30, 2018 by 18 days, mainly as a result of changes in the balance sheet presentation of certain reserve balances previously shown net within accounts receivable which are now presented as liabilities. The adoption of Topic 606 did not have an impact over the total cash flows from operating, investing or financing activities. Refer to Note 1 to the condensed consolidated financial statements for the details of the adoption impact of Topic 606. Timing of sales and customer payments also drove the increase in DSO.

DPO for the three months ended September 30, 2018 increased five days, compared to the same period of the prior fiscal year, primarily due to the timing of purchases and related payments.

ITO for the three months ended September 30, 2018 remained constant, compared to the same period of the prior fiscal year.

Certain of our products are subject to the increased tariff duty effective September 24, 2018, which did not have material impact to our condensed consolidated financial statements as of September 30, 2018 and for the period then ended.

If we are not successful in launching and phasing in our new products, or market competition increases during the current fiscal year, or we are not able to sell the new products at the prices planned, it could have a material impact on our net sales, gross profit margin, operating results including operating cash flow, and inventory turnover in the future.

During the six months ended September 30, 2018, we generated \$97.2 million cash in operating activities. Our main sources of operating cash flows were from net income after adding back non-cash expenses of depreciation, amortization, and share-based compensation expense, and from changes in operating assets and liabilities. The increases in accounts receivable, net, excluding the impact from the adoption of Topic 606 at adoption date were primarily due to higher business volumes, timing of sales and customer payments. The increases in inventories were primarily driven by increased sales expectation for the holidays in the third quarter, and higher inventory balances to support tariff impact mitigation. We strategically invested in our inventory ahead of the recent tariff implementation. The increases in accounts payable were primarily driven by the higher inventory purchases and timing of payment. The increases in accrued and current liabilities were primarily driven by higher sales reserve liability due to higher business volumes.

Net cash used in investing activities was \$ 153.8 million, primarily due to \$133.8 million payment of the net cash purchase price for the Blue Microphones Acquisition and \$18.4 million of purchases of property, plant and equipment.

Our expenditures for property, plant and equipment during the six months ended September 30, 2018 increased by \$1.2 million, compared to the same period of the prior fiscal year, mainly due to the higher amount of tooling purchases.

Net cash used in financing activities was \$151.2 million, primarily for the \$114.0 million payment of cash dividend, \$19.9 million in repurchases of our registered shares, and \$27.4 million tax withholdings related to net share settlements of restricted stock units, partially offset by \$10.0 million in proceeds received from exercises of stock options and purchase rights.

During the six months ended September 30, 2018, there was a \$9.2 million loss from currency exchange rate effect on cash and cash equivalents, compared to a gain of \$1.7 million during the same period of the prior fiscal year. The loss from currency exchange rate effect during the six months ended September 30, 2018 was primarily due to the weakening of the Euro, Chinese Renmibi, Brazilian Real, and Japanese Yen against the U.S. Dollar by 6%, 9%, 18% and 6%, respectively, during the period. The gain from currency translation exchange effect during the six months ended September 30, 2017 was primarily due to the strengthening of the Euro against the U.S. Dollar by 10% during the period.

Cash Outlook

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from operations and, to a much lesser extent, capital markets and borrowings. Our future working capital requirements and capital expenditures may increase to support investment in product innovations and growth opportunities, or to acquire or invest in complementary businesses, products, services, and technologies.

In fiscal year 2019, we paid a cash dividend of CHF 110.7 million (U.S. Dollar amount of \$114.0 million) out of retained earnings. In fiscal year 2018, we paid a cash dividend of CHF100.0 million (U.S. Dollar amount of \$104.2 million) out of retained earnings. Any future dividends will be subject to the approval of our shareholders.

In March 2017, our Board of Directors approved 2017 share buyback program, which authorizes us to purchase up to \$250.0 million of our outstanding shares. The new program was approved by the Swiss Takeover Board in May 2017. Although we enter into trading plans for systematic repurchases (e.g., 10b5-1 trading plans) from time to time, our share buyback program provides us with the opportunity to make repurchases during periods of favorable market conditions and is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Opportunistic purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. As of September 30, 2018, \$200.0 million is still available for repurchase under the 2017 share buyback program.

The annual bonus is paid in the first quarter of the following fiscal year, and the operating cash flow for that period is negatively affected as a result.

If we do not generate sufficient operating cash flows to support our operations and future planned cash requirements, our operations could be harmed and our access to credit could be restricted or eliminated. However,

we believe that the trend of our historical cash flow generation, our projections of future operations and our available cash balances will provide sufficient liquidity to fund our operations for at least the next 12 months.

Operating Leases Obligation

We lease facilities under operating leases, certain of which require us to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at our option and usually include escalation clauses linked to inflation. The remaining terms of our non-cancelable operating leases expire in various years through 2030.

Purchase Commitments

As of September 30, 2018, we had non-cancelable purchase commitments for inventory purchases made in the normal course of business to original design manufacturers, contract manufacturers and other suppliers, the majority of which are expected to be fulfilled within the next 12 months. Non-cancelable purchase commitments for capital expenditures primarily relate to commitments for tooling for new and existing products, computer hardware, leasehold and improvements. We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us to reschedule or adjust our requirements based on business needs prior to delivery of goods or performance of services.

Other Contractual Obligations and Commitments

For further detail about our contractual obligations and commitments, refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Guarantees

Logitech Europe S.A., one of our wholly-owned subsidiaries, guaranteed payments of certain third-party contract manufacturers' purchase obligations. As of September 30, 2018, the maximum amount of this guarantee was \$3.8 million, of which \$1.5 million of guaranteed purchase obligations were outstanding.

Indemnifications

We indemnify certain suppliers and customers for losses arising from matters such as intellectual property disputes and product safety defects, subject to certain restrictions. The scope of these indemnities varies, but in some instances includes indemnification for damages and expenses, including reasonable attorneys' fees. As of September 30, 2018, no amounts have been accrued for indemnification provisions. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under our indemnification arrangements.

We also indemnify our current and former directors and certain current and former officers. Certain costs incurred for providing such indemnification may be recoverable under various insurance policies. We are unable to reasonably estimate the maximum amount that could be payable under these arrangements because these exposures are not capped, the obligations are conditional in nature, and the facts and circumstances involved in any situation that might arise are variable.

Legal Proceedings

From time to time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against us, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. As a global concern, we face exposure to adverse movements in currency exchange rates and interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results.

Currency Exchange Rates

We report our results in U.S. Dollars. Changes in currency exchange rates compared to the U.S. Dollar can have a material impact on our results when the financial statements of our non-U.S. subsidiaries are translated into U.S. Dollars. The functional currency of our operations is primarily the U.S. Dollar. Certain operations use the Swiss Franc or the local currency of the country as their functional currencies. Accordingly, unrealized currency gains or losses resulting from the translation of net assets or liabilities denominated in other currencies to the U.S. Dollar are accumulated in the cumulative translation adjustment component of other comprehensive income (loss) in shareholders' equity.

We are exposed to currency exchange rate risk as we transact business in multiple currencies, including exposure related to anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. Dollar. We transact business in over 30 currencies worldwide, of which the most significant to operations are the Euro, Chinese Renminbi, Swiss Franc, Australian Dollar, Taiwan New Dollar, British Pound, Canadian Dollar, Japanese Yen and Mexican Peso. For the three months ended September 30, 2018, approximately 51% of our sales were in non-U.S. denominated currencies, with 24% of our sales denominated in Euro. The mix of our operating expenses by currency is significantly different from the mix of our sales, with a larger portion denominated in U.S. Dollar and less denominated in Euro and other currencies. A strengthening U.S. Dollar has more unfavorable impact on our sales compare to the favorable impact on our operating expense, resulting in an adverse impact on our operating results.

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If the U.S. Dollar becomes stronger or weaker in comparison to other currencies, this will affect our results of operations in future periods. The table below provides information about our underlying transactions that are sensitive to currency exchange rate changes, primarily assets and liabilities denominated in currencies other than the base currency, where the net exposure is greater than \$0.5 million as of September 30, 2018 . The table also presents the U.S. Dollar impact on earnings of a 10% appreciation and a 10% depreciation of the base currency as compared with the transaction currency (in thousands):

Base Currency	Transaction Currency	Net Exposed Long (Short) Currency Position	FX Gain (Loss) From 10% Appreciation of Base Currency	FX Gain (Loss) From 10% Depreciation of Base Currency
U.S. Dollar	Australian Dollar	\$ 25,460	\$ (2,315)	\$ 2,829
U.S. Dollar	Canadian Dollar	20,167	(1,833)	2,241
U.S. Dollar	Singapore Dollar	(17,397)	1,582	(1,933)
U.S. Dollar	Taiwanese Dollar	(13,584)	1,235	(1,509)
U.S. Dollar	Mexican Peso	11,067	(1,006)	1,230
U.S. Dollar	Brazilian Real	10,086	(917)	1,121
U.S. Dollar	Chinese Renminbi	(7,804)	709	(867)
U.S. Dollar	Japanese Yen	6,944	(631)	772
U.S. Dollar	Swiss Franc	2,843	(258)	316
Euro	Swedish Krona	(2,837)	258	(315)
Euro	Croatian Kuna	1,450	(132)	161
Euro	British Pound	1,295	(118)	144
Euro	U.S. Dollar	1,295	(118)	144
Euro	Russian Ruble	(1,235)	112	(137)
U.S. Dollar	Korean Wan	(1,223)	111	(136)
U.S. Dollar	Indian Rupee	(1,087)	99	(121)
U.S. Dollar	Russian Ruble	1,005	(91)	112
Euro	Norwegian Kroner	(997)	91	(111)
Euro	Polish Zloty	(943)	86	(105)
Euro	Arab Emirates Dirham	(913)	83	(101)
U.S. Dollar	Swedish Krona	(833)	76	(93)
U.S. Dollar	Norwegian Kroner	594	(54)	66
U.S. Dollar	Hong Kong Dollar	(502)	46	(56)

Long currency positions represent net assets being held in the transaction currency while short currency positions represent net liabilities being held in the transaction currency.

Our principal manufacturing operations are located in China, with much of our component and raw material costs transacted in Chinese Renminbi. As of September 30, 2018 , net liabilities held in CNY totaled \$7.8 million.

Derivatives

We enter into cash flow hedge contracts to protect against exchange rate exposure of forecasted inventory purchases. These hedging contracts mature within four months. Gains and losses in the fair value of the effective portion of the hedges are deferred as a component of accumulated other comprehensive loss until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Cash flows from such hedges are classified as operating activities in the condensed consolidated statements of cash flows. As of September 30, 2018 , the notional amounts of currency exchange forward contracts outstanding related to forecasted inventory purchases were \$89.1 million . As of March 31, 2018 , there were no currency forward contracts outstanding related to forecasted inventory purchases. Deferred realized and unrealized gain and loss was not material as of September 30, 2018 .

We also enter into currency exchange forward and swap contracts to reduce the short-term effects of currency exchange rate fluctuations on certain currency receivables or payables denominated in currencies other than the functional currencies of our subsidiaries. These contracts generally mature within one month. The primary risk managed by using forward and swap contracts is the currency exchange rate risk. The gains or losses on these currency exchange contracts are recognized in earnings based on the changes in fair value. Cash flows from these contracts are classified as operating activities in the condensed consolidated statements of cash flows. The notional amounts of currency exchange contracts outstanding as of September 30, 2018 and March 31, 2018 relating to foreign currency receivables or payables were \$71.5 million and \$47.2 million, respectively. Open forward and swap contracts as of September 30, 2018 and March 31, 2018 consisted of contracts in Mexican Pesos, Japanese Yen, Canadian Dollars, Taiwan New Dollars and Australian Dollars to be settled at future dates at pre-determined exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Logitech's management, with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the CEO and the CFO have concluded that, as of such date, our disclosure controls and procedures are effective at the reasonable assurance level.

Definition of Disclosure Controls

Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in the Company's reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The Company's Disclosure Controls include components of its internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. To the extent that components of the Company's internal control over financial reporting are included within its Disclosure Controls, they are included in the scope of the Company's annual controls evaluation.

Limitations on the Effectiveness of Controls

The Company's management, including the CEO and the CFO, does not expect that the Company's Disclosure Controls or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time we are involved in claims and legal proceedings that arise in the ordinary course of our business. We are currently subject to several such claims and a small number of legal proceedings. We believe that these matters lack merit and we intend to vigorously defend against them. Based on currently available information, we do not believe that resolution of pending matters will have a material adverse effect on our financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that our defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on our business, financial condition, cash flows and results of operations in a particular period. Any claims or

proceedings against us, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors. Any failure to obtain necessary licenses or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

ITEM 1A. RISK FACTORS

Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our shares.

Our revenues and profitability are difficult to predict due to the nature of the markets in which we compete, fluctuating user demand, the uncertainty of current and future global economic conditions, and for many other reasons, including the following:

- Our operating results are highly dependent on the volume and timing of orders received during the quarter, which are difficult to forecast. Customers generally order on an as-needed basis and we typically do not obtain firm, long-term purchase commitments from our customers. As a result, our revenues in any quarter depend primarily on orders booked and shipped in that quarter.
- A significant portion of our quarterly retail sales typically occurs in the last weeks of each quarter, further increasing the difficulty in predicting quarterly revenues and profitability.
- Our sales are impacted by consumer demand and current and future global economic and political conditions, including trade restrictions and tariffs, and can, therefore, fluctuate abruptly and significantly during periods of uncertain economic conditions or geographic distress, as well as from shifts in distributor inventory practices and consumer buying patterns.
- We must incur a large portion of our costs in advance of sales orders because we must plan research and production, order components, buy tooling equipment, and enter into development, sales and marketing, and other operating commitments prior to obtaining firm commitments from our customers. This makes it difficult for us to rapidly adjust our costs during the quarter in response to a revenue shortfall, which could adversely affect our operating results.
- We engage in acquisitions and divestitures, and such activity varies from period to period. Such variance may affect our growth, our previous outlook and expectations, and comparisons of our operating results and financial statements between periods.
- We have attempted to simplify our organization, to reduce operating costs through expense reduction and global workforce reductions, to reduce the complexity of our product portfolio, and to better align costs with our current business as we expand from PC accessories to growth opportunities in accessories and other products for music, gaming, video collaboration, digital home, mobile devices and other product categories. We may not achieve the cost savings or other anticipated benefits from these efforts, and the success or failure of such efforts may cause our operating results to fluctuate and to be difficult to predict.
- Fluctuations in currency exchange rates can impact our revenues, expenses and profitability because we report our financial statements in U.S. Dollars, whereas a significant portion of our revenues and expenses are in other currencies. We attempt to adjust product prices over time to offset the impact of currency movements. However, over short periods of time, during periods of weakness in consumer spending or given high levels of competition in many product categories, our ability to change local currency prices to offset the impact of currency fluctuations is limited.

Because our operating results are difficult to predict, our results may be below the expectations of financial analysts and investors, which could cause the price of our shares to decline.

If we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories, our business and operating results could be adversely affected.

Our product categories are characterized by short product life cycles, intense competition, frequent new product introductions, rapidly changing technology, dynamic consumer demand and evolving industry standards. As a

result, we must continually innovate in our new and existing product categories, introduce new products and technologies, and enhance existing products in order to remain competitive.

The success of our product portfolio depends on several factors, including our ability to:

- Identify new features, functionality and opportunities;
- Anticipate technology, market trends and consumer preferences;
- Develop innovative, high-quality, and reliable new products and enhancements in a cost-effective and timely manner;
- Distinguish our products from those of our competitors; and
- Offer our products at prices and on terms that are attractive to our customers and consumers.

If we do not execute on these factors successfully, products that we introduce or technologies or standards that we adopt may not gain widespread commercial acceptance, and our business and operating results could suffer. In addition, if we do not continue to differentiate our products through distinctive, technologically advanced features, designs, and services that are appealing to our customers and consumers, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be adversely affected.

The development of new products and services can be very difficult and requires high levels of innovation. The development process also can be lengthy and costly. There are significant initial expenditures for research and development, tooling, manufacturing processes, inventory and marketing, and we may not be able to recover those investments. If we fail to accurately anticipate technological trends or our users' needs or preferences, are unable to complete the development of products and services in a cost-effective and timely fashion or are unable to appropriately increase production to fulfill customer demand, we will be unable to successfully introduce new products and services into the market or compete with other providers. Even if we complete the development of our new products and services in a cost-effective and timely manner, they may not be competitive with products developed by others, they may not achieve acceptance in the market at anticipated levels or at all, they may not be profitable or, even if they are profitable, they may not achieve margins as high as our expectations or as high as the margins we have achieved historically.

As we introduce new or enhanced products, integrate new technology into new or existing products, or reduce the overall number of products offered, we face risks including, among other things, disruption in customers' ordering patterns, excessive levels of new and existing product inventories, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects, and a potentially different sales and support environment. Premature announcements or leaks of new products, features or technologies may exacerbate some of these risks by reducing the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the period of differentiation based on our product innovation, straining relationships with our partners or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of the products. Our failure to manage the transition to new products or the integration of new technology into new or existing products could adversely affect our business, results of operations, operating cash flows and financial condition.

We believe sales of PCs will continue to decline, and that our future growth will depend on our diversified product growth opportunities beyond the PC, and if we do not successfully execute on our growth opportunities, if our growth opportunities are more limited than we expect or if our sales of PC peripherals are less than we expect, our operating results could be adversely affected.

We have historically targeted peripherals for the PC platform. Consumer demand for PCs, especially in our traditional, mature markets such as North America, Western and Nordic Europe, Japan and Australia, has been declining and we expect it to continue to decline in the future. As a result, consumer demand for PC peripherals in many of our markets is slowing and, in some cases, declining and we expect this trend may continue.

Our sales of PC peripherals might be less than we expect due to a decline in business or economic conditions in one or more of the countries or regions, a greater decline than we expect in demand for our products, our inability

to successfully execute our sales and marketing plans, or for other reasons. Global economic concerns, such as the varying pace of global economic recovery, political uncertainties created by policy changes such as Brexit, tariffs and policies that inhibit trade, the impact of sovereign debt issues in Europe, the impact of oil prices on Russia and other countries, conflicts with either local or global financial implications and economic slowdown in China, create unpredictability and add risk to our future outlook.

As a result, we are focusing more of our attention, which may include the personnel, financial resources and management attention, on product innovations and growth opportunities, including products for the consumption of digital music, products for gaming, products for video collaboration, products for the digital home, and on other potential growth opportunities. Our investments may not result in the growth we expect, or when we expect it, for a variety of reasons including those described below.

Gaming . We are building a diverse business that features a variety of gaming peripherals. The rapidly evolving and changing market and increasing competition increase the risk that we do not allocate our resources in line with the market and our business and our results of operations could be adversely affected.

Video Collaboration . While we view the small and medium sized user groups opportunity to be large and relatively unaddressed, this is a new and evolving market segment that we and our competitors are developing. If the market opportunity proves to be sustainable, we expect increased competition from established competitors in the video conferencing market as well as from new entrants who are gaining traction as the industry comes to accept new technology and new solutions.

Music . We are focused on products for the consumption of digital music as a sales growth area. Competition in the mobile speaker and headphone categories is intense, and we expect it to increase. Moreover, the market for mobile speakers appears to be maturing with slower growth. If we are not able to grow our existing and acquired product lines and introduce differentiated products and marketing strategies to separate our products and brands from competitors' products and brands, our mobile speaker and audio headphone efforts will not be successful, and our business and results of operations could be adversely affected.

Smart Home . While we are a leader in programmable, performance remote controls for home entertainment, the smart home market is still in its early stages and it is not yet clear when the category will produce dynamic growth or which products will succeed and be able to take advantage of market growth or to help define and grow the market. Despite its early stages, the smart home market already is experiencing increasing competition from strong competitors.

In addition to our current growth opportunities, our future growth may be reliant on our ability to identify and develop potential new growth opportunities. This process is inherently risky and will result in investments in time and resources for which we do not achieve any return or value.

Each of these growth categories and many of the growth opportunities that we may pursue are subject to constant and rapidly changing and evolving technologies and evolving industry standards and may be replaced by new technology concepts or platforms. Some of these growth categories and opportunities are also characterized by short product cycles, frequent new product introductions and enhancements and rapidly changing and evolving consumer preferences with respect to design and features that require calculated risk-taking and fast responsiveness and result in short opportunities to establish a market presence. In addition, some of these growth categories and opportunities are characterized by price competition, erosion of premium-priced segments and average selling prices, commoditization, and sensitivity to general economic conditions and cyclical downturns. The growth opportunities and strength and number of competitors that we face in all of our product categories means that we are at risk of new competitors coming to market with more innovative products that are more attractive to customers than ours or priced more competitively. If we do not develop innovative and reliable peripherals and enhancements in a cost-effective and timely manner that are attractive to consumers in these markets, if we are otherwise unsuccessful entering and competing in these growth categories or responding to our many competitors and to the rapidly changing conditions in these growth categories, if the growth categories in which we invest our limited resources do not emerge as the opportunities or do not produce the growth or profitability we expect, or when we expect it, or if we do not correctly anticipate changes and evolutions in technology and platforms, our business and results of operations could be adversely affected.

If we are not able to maintain and enhance our brands, or if our brands or reputation are damaged, our reputation, business and operating results could be adversely affected.

We have developed long-term value in our brands and have invested significantly in design and in our existing and new brands over the past several years. We believe that our design and brands have significantly contributed to the success of our business and that maintaining and enhancing our brands is very important to our future growth and success. Maintaining and enhancing our brands will require significant investments and will depend largely on our future design, products and marketing, which may not be successful and may damage our brands. Our brands and reputation are also dependent on third parties, such as suppliers, manufacturers, distributors, retailers, product reviewers and the media as well as online consumer product reviews, consumer recommendations and referrals. It can take significant time, resources and expense to overcome negative publicity, reviews or perception. Any negative effect on our brands, regardless of whether it is in our control, could adversely affect our reputation, business and results of operations.

If we do not compete effectively, demand for our products could decline and our business and operating results could be adversely affected.

The peripherals industry is intensely competitive. Most of our product categories are characterized by large, well-financed competitors with strong brand names and highly effective research and development, marketing and sales capabilities, short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets. Many of our competitors have broad product portfolios across several of our product categories and are able to use the strength of their brands to move into adjacent categories. Our competitors have the ability to bring new products to market quickly and at competitive prices. We experience aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by retail customers known as house brands. In addition, our competitors may offer customers terms and conditions that may be more favorable than our terms and conditions and may require us to take actions to increase our customer incentive programs, which could impact our revenues and operating margins.

In recent years, we have expanded the categories of products we sell and entered new markets. We remain alert to opportunities in new categories and markets. As we do so, we are confronting new competitors, many of which have more experience in the categories or markets and have greater marketing resources and brand name recognition than we have. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies in our developing categories as well as in future categories we might enter. Many of these companies, such as Microsoft, Apple, Google, Cisco, Sony Corporation, Samsung and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft, Apple, Google and Amazon are leading producers of operating systems, hardware, platforms and applications with which our mice, keyboards, wireless speakers and other products are designed to operate. In addition, Microsoft, Apple, Google and Amazon each has significantly greater financial, technical, sales, marketing and other resources than Logitech, as well as greater name recognition and a larger customer base. As a result, Microsoft, Apple, Google and Amazon each may be able to improve the functionality of its products, if any, or may choose to show preference to our competitors' products, to correspond with ongoing enhancements to its operating systems, hardware and software applications before we are able to make such improvements. This ability could provide Microsoft, Apple, Google, Amazon or other competitors with significant lead-time advantages. In addition, Microsoft, Apple, Google, Amazon or other competitors may be able to control distribution channels or offer pricing advantages on bundled hardware and software products that we may not be able to offer, and maybe financially positioned to exert significant downward pressure on product prices and upward pressure on promotional incentives in order to gain market share.

Gaming

Competitors for our Gaming products include Razer USA, Corsair, SteelSeries, Turtle Beach and Kingston, among others.

Video Collaboration

Our competitors for Video Collaboration products are numerous across various categories with many new entrants. Competitors include Cisco Systems, Plantronics/Polycom, AVer Information, Yamaha, Yealink, Panacast, Crestron, Lenovo, and OWLLabs, among others.

Music

Mobile Speakers. Our competitors for Bluetooth wireless speakers include Bose, Harman (owned by Samsung) and Beats (owned by Apple) among others. Harman is our largest competitor. Apple's ownership of Beats may impact our access to shelf space in Apple retail stores and adversely impact our ability to succeed in this important growth market. Personal voice assistants and other devices that offer music, such as Sonos, Amazon's Echo, Google Home and Apple HomePod also compete with our products. Amazon is also a significant distributor of our products.

Audio & Wearables. In the PC speakers category, our competitors include Bose, Cyber Acoustics, Phillips and Creative Labs. In the PC headset business, we face numerous competitors, including Plantronics, GN Netcom, Microsoft, Cisco Systems, Sennheiser, Yealink and Streamline among others. In-ear headphones competitors include Beats, Bose, Apple, Sennheiser, and others. In the microphone business, our competitors include Audio-Technica, Shure, Samson, Rode and MXL, among others.

Smart Home

Direct competitors in the remote control market include pro-installer-focused Universal Remote Control and new "DIY" entrants. Indirect competition exists in the form of low-end "replacement remotes" such as Sony, RCA, GE, pure app-based solutions such as Peel, as well as device and/or subscriber-specific solutions from TV makers such as Samsung and Vizio and multisystem operators, or MSOs, such as Comcast and DirecTV.

Competition in the home control market also exists in form of home automation platforms such as Smart Things (owned by Samsung), Amazon with their Echo product, Google Home and Nest (owned by Alphabet), Wink and many other startups. Many of these companies also integrate their products with Logitech's smart home and Harmony remote products.

Creativity & Productivity

Pointing Devices. Apple, Microsoft and HP are our main competitors worldwide. We also experience competition and pricing pressure from less-established brands, including house brands and local competitors in Asian markets such as Elecom, Buffalo, Rapoo and Xiaomi.

Keyboards & Combo. Microsoft, Apple and HP are our main competitors in our keyboard and combo product lines. We also experience competition and pricing pressure for keyboard and combos from less-established brands, including house brands and local competitors in Asian markets.

Tablet & Other Accessories. Competitors in the tablet keyboard market are Apple, Zagg, Kensington, Belkin, Targus and other less-established brands. Although we are one of the leaders in the tablet keyboard market and continue to bring innovative offerings to the market, we expect the competition may increase. Competitors in the tablet case market include Apple, OtterBox, Speck and a large number of small brands.

PC Webcams. Our primary competitors for PC webcams are Microsoft and HP with various other manufacturers taking smaller market share. Razer has entered the market recently, targeting gamecasters.

Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

Our peripherals business has historically been built largely around the PC platform, which over time became relatively open, and its inputs and operating system standardized. With the growth of mobile, tablet, gaming and other computer devices, digital music and personal voice assistants, the number of platforms has grown, and with it the complexity and increased need for us to have business and contractual relationships with the platform owners in

order to produce products compatible with these platforms. Our product portfolio includes current and future products designed for use with third-party platforms or software, such as the Apple iPad, iPod, iPhone and Siri, Android phones and tablets, Google Assistant and Amazon Alexa. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners that are competitors have a competitive advantage in designing products for their platforms and may produce peripherals or other products that work better, or are perceived to work better, than our products in connection with those platforms. As we expand the number of platforms and software applications with which our products are compatible, we may not be successful in launching products for those platforms or software applications, we may not be successful in establishing strong relationships with the new platform or software owners, or we may negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications or we may otherwise adversely affect our relationships with existing platform or software owners.

Our access to third-party platforms may require paying a royalty, which lowers our product margins or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our having excess inventory or lower margins.

If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

If we do not accurately forecast market demand for our products, our business and operating results could be adversely affected.

We use our forecasts of product demand to make decisions regarding investments of our resources and production levels of our products. Although we receive forecasts from our customers, many are not obligated to purchase the forecasted demand. Also, actual sales volumes for individual products in our retail distribution channel can be volatile due to changes in consumer preferences and other reasons. In addition, our products have short product life cycles, so a failure to accurately predict high demand for a product can result in lost sales that we may not recover in subsequent periods, or higher product costs if we meet demand by paying higher costs for materials, production and delivery. We could also frustrate our customers and lose shelf space. Our failure to predict low demand for a product can result in excess inventory, lower cash flows and lower margins if we are required to reduce product prices in order to reduce inventories.

If our sales channel partners have excess inventory of our products or decide to decrease their inventories for any reason, they may decrease the amount of products they acquire in subsequent periods, causing disruption in our business and adversely affecting our forecasts and sales.

Over the past few years, we have expanded the types of products we sell and the geographic markets in which we sell them. The changes in our product portfolio and the expansion of our sales markets have increased the difficulty of accurately forecasting product demand.

In addition, since fiscal year 2016 we have increased the percentage of our products that we manufacture in our own facilities. This increases the inventory that we purchase and maintain to support such manufacturing. We are also utilizing sea shipments more extensively than air delivery, which will cause us to build and ship products to our distribution centers earlier and will also result in increases in inventory. These operational shifts increase the risk that we have excess or obsolete inventory if we do not accurately forecast product demand.

We have experienced large differences between our forecasts and actual demand for our products. We expect other differences between forecasts and actual demand to arise in the future. If we do not accurately predict product demand, our business and operating results could be adversely affected.

Our success largely depends on our ability to hire, retain, integrate and motivate sufficient numbers of qualified personnel, including senior management. Our strategy and our ability to innovate, design and produce new products, sell products, maintain operating margins and control expenses depend on key personnel that may be difficult to replace.

Our success depends on our ability to attract and retain highly skilled personnel, including senior management and international personnel. From time to time, we experience turnover in some of our senior management positions.

We compensate our employees through a combination of salary, bonuses, benefits and equity compensation. Recruiting and retaining skilled personnel, including software and hardware engineers, is highly competitive. If we fail to provide competitive compensation to our employees, it will be difficult to retain, hire and integrate qualified employees and contractors, and we may not be able to maintain and expand our business. If we do not retain our senior managers or other key employees for any reason, we risk losing institutional knowledge, experience, expertise and other benefits of continuity as well as the ability to attract and retain other key employees. In addition, we must carefully balance the size of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the size of our employee base, particularly engineers, we may fail to develop and introduce new products successfully and in a cost-effective and timely manner. If our revenue growth or employee levels vary significantly, our operating cash flows and financial condition could be adversely affected. Volatility or lack of positive performance in our stock price, including declines in our stock prices in the past year, may also affect our ability to retain key employees, many of whom have been granted equity incentives. Logitech's practice has been to provide equity incentives to its employees, but the number of shares available for equity grants is limited. We may find it difficult to provide competitive equity incentives, and our ability to hire, retain and motivate key personnel may suffer.

Recently and in past years, we have initiated reductions in our workforce to align our employee base with our business strategy, our anticipated revenue base or with our areas of focus. We have also experienced turnover in our workforce. These reductions and turnover have resulted in reallocations of duties, which could result in employee uncertainty and discontent. Reductions in our workforce could make it difficult to attract, motivate and retain employees, which could adversely affect our business.

Our gross margins can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our gross margins can vary due to consumer demand, competition, product pricing, product lifecycle, product mix, new product introductions, unit volumes, acquisitions and divestitures, commodity, supply chain and logistics costs, capacity utilization, geographic sales mix, currency exchange rates, and the complexity and functionality of new product innovations. In particular, if we are not able to introduce new products in a timely manner at the product cost we expect, or if consumer demand for our products is less than we anticipate, or if there are product pricing, marketing and other initiatives by our competitors to which we need to react or that are initiated by us to drive sales that lower our margins, then our overall gross margin will be less than we project.

In addition, our gross margins may vary significantly by product line, sales geography and customer type, as well as within product lines. When the mix of products sold shifts from higher margin product lines to lower margin product lines, to lower margin sales geographies, or to lower margin products within product lines, our overall gross margins and our profitability may be adversely affected.

As we expand within and into new product categories, our products in those categories may have lower gross margins than in our traditional product categories. Consumer demand in these product categories, based on style, color and other factors, tends to be less predictable and tends to vary more across geographic markets. As a result, we may face higher up-front investments, inventory costs associated with attempting to anticipate consumer preferences, and increased inventory write-offs. If we are unable to offset these potentially lower margins by enhancing the margins in our more traditional product categories, our profitability may be adversely affected.

The impact of these factors on gross margins can create unanticipated fluctuations in our operating results, which may cause volatility in the price of our shares.

As we continue our efforts to lower our costs and improve our operating leverage, we may or may not fully realize our goals.

Our strategy over the past several years has been based in part on simplifying the organization, reducing operating costs through global workforce reductions and a reduction in the complexity of our product portfolio, with the goal of better aligning costs with our current business. We restructured our business in fiscal years 2014 through 2016, and we may continue to divest or discontinue non-strategic product categories. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. In fiscal year 2019, we are realigning our organizational structure and reallocating resources to support long-term growth opportunities. In addition, we are continuing the rationalization of our general and administrative expense, infrastructure and indirect procurement to reduce operating expenses.

Our ability to achieve the desired and anticipated cost savings and other benefits from these simplification, cost-cutting and restructuring activities, and within our desired and expected timeframes, are subject to many estimates and assumptions, and the actual savings and timing for those savings may vary materially based on factors such as local labor regulations, negotiations with third parties, and operational requirements. These estimates and assumptions are also subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the desired and anticipated benefits from these activities. To the extent that we are unable to improve our financial performance, further restructuring measures may be required in the future. Furthermore, we are expecting to be able to use the anticipated cost savings from these activities to fund and support our current growth opportunities and incremental investments for future growth. If the cost-savings do not materialize as anticipated, or within our expected timeframes, our ability to invest in growth may be limited and our business and operating results may be adversely affected. As we grow, explore new opportunities and markets, hire new management and other personnel, and fund research and development, marketing, brand development, sales, operations, investments in intellectual property and acquisitions to support this growth and our new opportunities, some or all of which may not succeed, we expect to experience continued pressure on our cost structure and expenses.

As part of the restructuring plans, we reduced the size of our product portfolio and the assortment of similar products at similar price points within each product category over the past several fiscal years. While we are constantly replacing products and are dependent on the success of our new products, this product portfolio simplification has made us even more dependent on the success of the new products that we are introducing.

As we focus on growth opportunities, we are divesting or discontinuing non-strategic product categories and pursuing strategic acquisitions and investments, which could have an adverse impact on our business.

We continue to review our product portfolio and update our non-strategic product categories and products. During the third quarter of fiscal year 2016, we divested our Lifesize video conferencing business and completed our exit from the OEM business. If we are unable to effect sales on favorable terms or if realignment is more costly or distracting than we expect or has a negative effect on our organization, employees and retention, then our business and operating results may be adversely affected. Discontinuing products with service components may also cause us to continue to incur expenses to maintain services within the product life cycle or to adversely affect our customer and consumer relationships and brand. Divestitures may also involve warranties, indemnification or covenants that could restrict our business or result in litigation, additional expenses or liabilities. In addition, discontinuing product categories, even categories that we consider non-strategic, reduces the size and diversification of our business and causes us to be more dependent on a smaller number of product categories.

As we attempt to grow our business in strategic product categories and emerging market geographies, we will consider growth through acquisition or investment. We will evaluate acquisition opportunities that could provide us with additional product or service offerings or with additional industry expertise, assets and capabilities. For example, we acquired ASTRO Gaming to expand into the console gaming market, we acquired Jaybird to expand into the wireless audio wearables market, we acquired Saitek to expand into the gaming simulation and controller markets, and we acquired Blue Microphones to expand into the microphones market. Acquisitions could result in difficulties integrating acquired operations, products, technology, internal controls, personnel and management teams and result in the diversion of capital and management's attention away from other business issues and opportunities. If we fail to successfully integrate acquisitions, our business could be harmed. Acquisitions could also result in the assumption of known and unknown liabilities, dilutive issuances of our equity securities, the incurrence of debt, disputes over earn-outs or other litigation, and adverse effects on relationships with our and our target's

employees, customers and suppliers. Moreover, our acquisitions may not be successful in achieving our desired strategy, product, financial or other objectives or expectations, which would also cause our business to suffer. Acquisitions can also lead to large non-cash charges that can have an adverse effect on our results of operations as a result of write-offs for items such as future impairments of intangible assets and goodwill or the recording of share-based compensation. Several of our past acquisitions have not been successful and have led to impairment charges, including a \$122.7 million non-cash goodwill impairment charge in fiscal year 2015 related to our Lifesize video conferencing business which is reported in discontinued operations. Acquisitions and divestitures may also cause our operating results to fluctuate and make it difficult for investors to compare operating results and financial statements between periods. In addition, from time to time we make strategic venture investments in other companies that provide products and services that are complementary to ours. If these investments are unsuccessful, this could have an adverse impact on our results of operations, operating cash flows and financial condition.

We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Disruption of our relationship with these channel partners, changes in or issues with their business practices, their failure to provide timely and accurate information, changes in distribution partners, practices or models or conflicts among our channels of distribution could adversely affect our business, results of operations, operating cash flows and financial condition.

We primarily sell our products to a network of distributors, retailers and e-tailers (together our direct sales channel partners). We are dependent on those direct sales channel partners to distribute and sell our products to indirect sales channel partners and ultimately to consumers. The sales and business practices of all such sales channel partners, their compliance with laws and regulations, and their reputations - of which we may or may not be aware - may affect our business and our reputation.

The impact of economic conditions, evolving consumer preferences, and purchasing patterns on our distribution partners, or competition between our sales channels, could result in sales channel disruption. For example, if sales at large retail stores are displaced as a result of bankruptcy, competition from Internet sales channels or otherwise, our product sales could be adversely affected. Any loss of a major partner or distribution channel or other channel disruption could make us more dependent on alternate channels, increase pricing and promotional pressures from other partners and distribution channels, increase our marketing costs, or adversely impact buying and inventory patterns, payment terms or other contractual terms.

Our sales channel partners also sell products offered by our competitors and, in the case of retailer house brands, may also be our competitors. If product competitors offer our sales channel partners more favorable terms, have more products available to meet their needs, or utilize the leverage of broader product lines sold through the channel, or if our sales channel partners show preference for their own house brands, our sales channel partners may de-emphasize or decline to carry our products. In addition, certain of our sales channel partners could decide to de-emphasize the product categories that we offer in exchange for other product categories that they believe provide them with higher returns. If we are unable to maintain successful relationships with these sales channel partners or to maintain our distribution channels, our business will suffer.

As we expand into new product categories and markets in pursuit of growth, we will have to build relationships with new channel partners and adapt to new distribution and marketing models. These new partners, practices and models may require significant management attention and operational resources and may affect our accounting, including revenue recognition, gross margins, and the ability to make comparisons from period to period. Entrenched and more experienced competitors will make these transitions difficult. If we are unable to build successful distribution channels or successfully market our products in these new product categories, we may not be able to take advantage of the growth opportunities, and our business and our ability to grow our business could be adversely affected.

We reserve for cooperative marketing arrangements, incentive programs and pricing programs with our sales channel partners. These reserves are based on judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors. There could be significant differences between the actual costs of such arrangements and programs and our estimates.

We use sell-through data, which represents sales of our products by our direct retailer and e-tailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell-through data is subject to limitations due to collection methods and the third-party

nature of the data and thus may not be an accurate indicator of actual consumer demand for our products. In addition, the customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales. In addition, we rely on channel inventory data from our sales channel partners. If we do not receive this information on a timely and accurate basis, or if we do not properly interpret this information, our results of operations and financial condition may be adversely affected.

Our principal manufacturing operations and third-party contract manufacturers are located in China and Southeast Asia, which exposes us to risks associated with doing business in that geographic area as well as potential tariffs, adverse tax consequences and pressure to move or diversify our manufacturing locations.

We produce approximately half of our products at facilities we own in China. The majority of our other production is performed by third-party contract manufacturers, including original design manufacturers, in China and Malaysia.

Our manufacturing operations in China could be adversely affected by changes in the interpretation and enforcement of legal standards, strains on China's available labor pool, changes in labor costs and other employment dynamics, high turnover among Chinese employees, infrastructure issues, import-export issues, currency transfer restrictions, natural disasters, conflicts or disagreements between China and Taiwan or China and the United States, labor unrest, and other trade customs and practices that are dissimilar to those in the United States and Europe. Interpretation and enforcement of China's laws and regulations continue to evolve and we expect differences in interpretation and enforcement to continue in the foreseeable future.

Our manufacturing operations at third-party contractors could be adversely affected by contractual disagreements, by labor unrest, by natural disasters, by strains on local communications, trade, and other infrastructures, by competition for the available labor pool or manufacturing capacity, by increasing labor and other costs, and by other trade customs and practices that are dissimilar to those in the United States and Europe.

Further, we may be exposed to fluctuations in the value of the local currency in the countries in which manufacturing occurs. Future appreciation of these local currencies could increase our component and other raw material costs. In addition, our labor costs could continue to rise as wage rates increase and the available labor pool declines. These conditions could adversely affect our financial results.

If we do not successfully coordinate the worldwide manufacturing and distribution of our products, we could lose sales.

Our business requires us to coordinate the manufacture and distribution of our products over much of the world. We rely on third parties to manufacture many of our products, manage centralized distribution centers, and transport our products. If we do not successfully coordinate the timely manufacturing and distribution of our products, if our manufacturers, distribution logistics providers or transport providers are not able to successfully and timely process our business or if we do not receive timely and accurate information from such providers, and especially if we expand into new product categories or our business grows in volume, we may have an insufficient supply of products to meet customer demand, we could lose sales, we may experience a build-up in inventory, we may incur additional costs, and our financial performance and reporting may be adversely affected.

By locating our manufacturing in China and Southeast Asia, we are reliant on third parties to get our products to distributors around the world. Transportation costs, fuel costs, labor unrest, natural disasters and other adverse effects on our ability, timing and cost of delivering products can increase our inventory, decrease our margins, adversely affect our relationships with distributors and other customers and otherwise adversely affect our results of operations and financial condition.

A significant portion of our quarterly retail orders and product deliveries generally occur in the last weeks of the fiscal quarter. This places pressure on our supply chain and could adversely affect our revenues and profitability if we are unable to successfully fulfill customer orders in the quarter.

We purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components.

We purchase certain products and key components from a limited number of sources. If the supply of these products or key components, such as micro-controllers and optical sensors, were to be delayed or constrained, or if one or more of our single-source suppliers go out of business as a result of adverse global economic conditions or natural disasters, we might be unable to find a new supplier on acceptable terms, or at all, and our product shipments to our customers could be delayed, which could adversely affect our business, financial condition and operating results.

Lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for a component, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors, such as micro-controllers and optical sensors, and base metals used in our products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs, which could adversely affect our business and operating results.

The moral and regulatory imperatives to avoid purchasing conflict minerals are causing us to incur additional expenses, could limit the supply and increase the cost of certain metals used in manufacturing our products and could adversely affect the distribution and sales of our products.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify and prevent the sourcing of such minerals and metals produced from those minerals. Additional reporting obligations are being considered by the European Union. The implementation of the existing U.S. requirements and any additional requirements in Europe could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products. The number of suppliers who provide conflict-free minerals may be limited, and the implementation of these requirements may decrease the number of suppliers capable of supplying our needs for certain metals. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to the due diligence process of determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex and we use contract manufacturers for some of our products, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may adversely affect our reputation. We may also encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could, if we are unable to satisfy their requirements or pass through any increased costs associated with meeting their requirements place us at a competitive disadvantage, adversely affect our business and operating results, or both. We filed our report for the calendar year 2017 with the SEC on May 31, 2018.

We conduct operations in a number of countries and have invested significantly in growing our sales and marketing activities in China, and the effect of business, legal and political risks associated with international operations could adversely affect us.

We conduct operations in a number of countries and have invested significantly in growing our personnel and sales and marketing activities in China and, to a lesser extent, other emerging markets. We may also increase our investments to grow sales in other emerging markets, such as Latin America, Eastern Europe, the Middle East and Africa. There are risks inherent in doing business in international markets, including:

- Difficulties in staffing and managing international operations;
- Compliance with laws and regulations, including environmental, tax, import/export and anti-corruption laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;
- Varying laws, regulations and other legal protections, uncertain and varying enforcement of those laws and regulations, dependence on local authorities, and the importance of local networks and relationships;

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- Exposure to political and financial instability, especially with the uncertainty associated with the ongoing sovereign debt crisis in certain Euro zone countries and the stability of the European Union, which may lead to reduced sales, currency exchange losses and collection difficulties or other losses;
- Political and economic uncertainty around the world, including uncertainty resulting from the recent United States presidential and congressional elections, change of administration in the United States and the United Kingdom's referendum in June 2016, and other national elections and policy shifts;
- Import or export restrictions or licensing requirements that could affect some of our products, including those with encryption technology;
- Trade protection measures, custom duties, tariffs, import or export duties, and other trade barriers, restrictions and regulations;
- Lack of infrastructure or services necessary or appropriate to support our products and services;
- Exposure to fluctuations in the value of local currencies;
- Difficulties and increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition, including entrenched local competition;
- Weak protection of our intellectual property rights;
- Higher credit risks;
- Changes in VAT (value-added tax) or VAT reimbursement;
- Imposition of currency exchange controls;
- Delays from customs brokers or government agencies; and
- A broad range of customs, consumer trends, and more.

Any of these risks could adversely affect our business, financial condition and operating results.

Sales growth in key markets, including China, is an important part of our expectations for our business. As a result, if economic, political or business conditions deteriorate in these markets, or if one or more of the risks described above materialize in these markets, our overall business and results of operations will be adversely affected.

Changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations and financial condition.

The U.S. government has indicated and demonstrated its intent to alter its approach to international trade policy through the renegotiation, and potential termination, of certain existing bilateral or multi-lateral trade agreements and treaties with, and the imposition of tariffs on a wide range of products and other goods from, China, countries in EMEA and other countries. As noted previously, we have invested significantly in our manufacturing facilities in China and Southeast Asia. Given our manufacturing in those countries, and our lack of manufacturing elsewhere, policy changes in the United States or other countries, such as the tariffs already proposed, implemented and threatened in 2018, present particular risks for us. Tariffs already announced and implemented are having an adverse effect on certain of our products, tariffs announced but not yet implemented may have an adverse effect on many of our products, and threatened tariffs could adversely affect more or all of our products. There are also risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. A trade war could have a significant adverse effect on world trade and the world economy. To the extent that trade tariffs and other restrictions imposed by the United States or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the United States or other countries, or create adverse tax consequences, the cost or gross margin of our products may be adversely affected

and the demand from our customers for products and services may be diminished. If we deem it necessary to alter all or a portion of our activities or operations in response to such policies, agreements or tariffs, our capital and operating costs may increase. Our ongoing efforts to address these risks may not be effective and may have long-term adverse effects on our operations and operating results that we may not be able to reverse. Such efforts may also take time to implement or to have effect, and may result in adverse quarterly financial results or fluctuations in our quarterly financial results. As a result, changes in international trade policy, changes in trade agreements and tariffs could adversely affect our business, results of operations and financial condition.

Our financial performance is subject to risks associated with fluctuations in currency exchange rates.

A significant portion of our business is conducted in currencies other than the U.S. Dollar. Therefore, we face exposure to movements in currency exchange rates.

Our primary exposure to movements in currency exchange rates relates to non-U.S. Dollar-denominated sales and operating expenses worldwide. For the three months ended September 30, 2018, approximately 51% of our revenue was in non-U.S. denominated currencies. The weakening of currencies relative to the U.S. Dollar adversely affects the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. If we raise international pricing to compensate, it could potentially reduce demand for our products, adversely affecting our sales and potentially having an adverse impact on our market share. Margins on sales of our products in non-U.S. Dollar-denominated countries and on sales of products that include components obtained from suppliers in non-U.S. Dollar-denominated countries could be adversely affected by currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the U.S. Dollar's strengthening, which would adversely affect the U.S. Dollar value of our non-U.S. Dollar-denominated sales and earnings. Competitive conditions in the markets in which we operate may also limit our ability to increase prices in the event of fluctuations in currency exchange rates. Conversely, strengthening of currency rates may also increase our product component costs and other expenses denominated in those currencies, adversely affecting operating results. We further note that a larger portion of our sales than of our expenses are denominated in non-U.S. denominated currencies.

We use derivative instruments to hedge certain exposures to fluctuations in currency exchange rates. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in currency exchange rates over the limited time the hedges are in place and do not protect us from long term shifts in currency exchange rates.

As a result, fluctuations in currency exchange rates could adversely affect our business, operating results and financial condition. Moreover, these exposures may change over time.

As a company operating in many markets and jurisdictions and expanding into new growth categories, and as a Swiss, dual - listed company, we are subject to risks associated with new, existing and potential future laws and regulations.

Based on our current business model and as we expand into new markets and product categories, we must comply with a wide variety of laws, standards and other requirements governing, among other things, health and safety, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. Our products may be required to obtain regulatory approvals and satisfy other regulatory concerns in the various jurisdictions where they are manufactured, sold or both. These requirements create procurement and design challenges, which, among other things, require us to incur additional costs identifying suppliers and contract manufacturers who can provide or obtain compliant materials, parts and end products. Failure to comply with such requirements can subject us to liability, additional costs, and reputational harm and, in severe cases, force us to recall products or prevent us from selling our products in certain jurisdictions.

As a Swiss company with shares listed on both the SIX Swiss Exchange and the Nasdaq Global Select Market, we are also subject to both Swiss and United States corporate governance and securities laws and regulations. In addition to the extra costs and regulatory burdens of our dual regulatory obligations, the two regulatory regimes may not always be compatible and may impose disclosure obligations, operating restrictions or tax effects on our business to which our competitors and other companies are not subject. For example, on January 1, 2014, subject to certain transitional provisions, the Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (the Ordinance) became effective in connection with the Minder initiative approved by Swiss voters during 2013. The Ordinance, among other things, (a) requires a binding shareholder "say on pay" vote with respect

to the compensation of members of our executive management and Board of Directors, (b) generally prohibits the making of severance, advance, transaction premiums and similar payments to members of our executive management and Board of Directors, (c) imposes other restrictive compensation practices, and (d) requires that our articles of incorporation specify various compensation-related matters. In addition, during 2013, Swiss voters considered an initiative to limit pay for a chief executive officer to a multiple of no more than twelve times the salary of the lowest-paid employee. Although voters rejected that initiative, it did receive substantial voter support. The Ordinance, potential future initiatives relating to corporate governance or executive compensation, and Swiss voter sentiment in favor of such regulations may increase our non-operating costs and adversely affect our ability to attract and retain executive management and members of our Board of Directors.

We prepare our consolidated financial statements in accordance with GAAP which are subject to interpretation or changes by the FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results or our compliance with regulations.

As a result of changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation, of Switzerland or any other country in which we operate, the loss of a major tax dispute or a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or other factors, our effective income tax rates may increase in the future, which could adversely affect our net income and cash flows.

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by changes in or interpretations of tax laws, treaties, rulings, regulations or agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical allocation of income and expense, and changes in management's assessment of matters such as the realizability of deferred tax assets. In the past, we have experienced fluctuations in our effective income tax rate. Our effective income tax rate in a given fiscal year reflects a variety of factors that may not be present in the succeeding fiscal year or years. There is no assurance that our effective income tax rate will not change in future periods.

We are incorporated in the Canton of Vaud in Switzerland and our effective income tax rate benefits from a longstanding ruling from the Canton of Vaud. The tax rules in Switzerland are expected to change in response to certain guidance and demands from both the European Union and the Organization for Economic Co-operation and Development and that could have an adverse effect on our tax ruling and effective income tax rate. These changes continue to progress through Switzerland legislative process. Switzerland's implementation of any material change in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings, or changes in our tax ruling from the Canton of Vaud, could result in a higher effective income tax rate on our worldwide earnings and such change could adversely affect our net income.

We file Swiss and foreign tax returns. We are frequently subject to tax audits, examinations and assessments in various jurisdictions. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective income tax rate could increase. For example, policy changes in the United States or China predicated on our presence in those countries could adversely affect where we recognize profit and our effective income tax rate. A material assessment by a governing tax authority could adversely affect our profitability. If our effective income tax rate increases in future periods, our net income and cash flows could be adversely affected.

Claims by others that we infringe their proprietary technology could adversely affect our business.

We have been expanding the categories of products we sell, such as entering new markets and introducing products for tablets, other mobile devices, digital music, and video collaboration. We expect to continue to enter new categories and markets. As we do so, we face an increased risk that claims alleging we infringe the patent or other intellectual property rights of others, regardless of the merit of the claims, may increase in number and significance. Infringement claims against us may also increase as the functionality of video, voice, data and conferencing products begin to overlap. This risk is heightened by the increase in lawsuits brought by holders of patents that do not have an operating business or are attempting to license broad patent portfolios and by the increasing attempts by companies in the technology industries to enjoin their competitors from selling products that

they claim infringe their intellectual property rights. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. A successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We might also be required to seek a license for the use of such intellectual property, which may not be available on commercially acceptable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation or the diversion of significant operational resources, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our business and results of operations.

We may be unable to protect our proprietary rights. Unauthorized use of our technology may result in the development of products that compete with our products.

Our future success depends in part on our proprietary technology, technical know-how and other intellectual property. We rely on a combination of patent, trade secret, copyright, trademark and other intellectual property laws, and confidentiality procedures and contractual provisions such as nondisclosure terms and licenses, to protect our intellectual property.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged, that the patent rights granted will not provide competitive advantages to us, or that any of our pending or future patent applications will not be granted. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property. Also, others may independently develop similar technology, duplicate our products, or design around our patents or other intellectual property rights. Unauthorized parties have copied and may in the future attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Any of these events could adversely affect our business, financial condition and operating results.

Product quality issues could adversely affect our reputation, business and our operating results.

The market for our products is characterized by rapidly changing technology and evolving industry standards. To remain competitive, we must continually introduce new products and technologies. The products that we sell could contain defects in design or manufacture. Defects could also occur in the products or components that are supplied to us. There can be no assurance we will be able to detect and remedy all defects in the hardware and software we sell. Failure to do so could result in product recalls, product liability claims and litigation, product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

While we maintain reserves for reasonably estimable liabilities and purchase liability insurance, our reserves may not be adequate to cover such claims and liabilities and our insurance is subject to deductibles and may not be adequate to cover such claims and liabilities. Furthermore, our contracts with distributors and retailers may contain warranty, indemnification and other provisions related to product quality issues, and claims under those provisions may adversely affect our business and operating results.

Significant disruptions in, or breaches in security of, our websites or information technology systems could adversely affect our business.

As a consumer electronics company, our websites are an important presentation of our company, identity and brands and an important means of interaction with and source of information for consumers of our products. We also rely on our centralized information technology systems for product-related information and to store intellectual property, forecast our business, maintain financial records, manage operations and inventory, and operate other critical functions. We allocate significant resources to maintain our information technology systems and deploy network security, data encryption, training and other measures to protect against unauthorized access or misuse. Nevertheless, our websites and information technology systems are susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, structural or operational failures, computer viruses, attacks by computer hackers, other data security issues, telecommunication failures, user error, malfeasance, catastrophes, system or software upgrades, integration or migration, or other foreseeable and unforeseen events. From time to time, we and our suppliers have identified vulnerabilities or other issues that we believe have been addressed, and we expect such issues to continue to arise. Breaches or disruptions of our websites or information technology

systems, breaches of confidential information, data corruption or other data security issues could adversely affect our brands, reputation, relationships with customers or business partners, or consumer or investor perception of our company, business or products or result in disruptions of our operations, loss of intellectual property or our customers' or our business partners' data, reduced value of our investments in our brands, design, research and development or engineering, or costs to address regulatory inquiries or actions or private litigation, to respond to customers or partners or to rebuild or restore our websites or information technology systems.

The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws, governmental regulation and risks of security breaches.

In connection with certain of our products, we collect data related to our consumers. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, and especially in Europe. For example, the European Union adopted the General Data Protection Regulation (GDPR), which is applicable to us and to all companies processing data of European Union residents, became effective in May 2018 and imposes significant fines and sanctions for violation of the Regulation. Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction. In addition, because various jurisdictions have different laws and regulations concerning the use, storage and transmission of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter. The collection of user data heightens the risk of security breaches and other data security issues related to our IT systems and the systems of third-party data storage and other service and IT providers. Such laws and regulations, and the variation between jurisdictions, as well as additional security measures and risk, could subject us to costs, allocation of additional resources, liabilities or negative publicity that could adversely affect our business.

In previous periods, we identified material weaknesses in our internal control over financial reporting and, if we are unable to satisfy regulatory requirements relating to internal controls or if our internal control over financial reporting is not effective, our business and stock price could be adversely affected.

In connection with Section 404 of the Sarbanes-Oxley Act, we have identified in the past and may, from time-to-time in the future, identify issues with our internal controls and deficiencies in our internal control over financial reporting. The most recent material weakness was identified during the preparation of our audited financial statements for the year ended March 31, 2017, and was related to the allowances and accruals for customer incentives, cooperative marketing and pricing programs. In the past, we have identified other material weaknesses in our internal control over financial reporting, as described in our Annual Reports on Form 10-K for fiscal year 2017, certain of which resulted in late filings of and an amendment to our periodic reports and in restatements of our financial results. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If our remediation efforts are not effective or if additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, we could be subject to litigation which, whether meritorious or not, remediation efforts could be time consuming, costly and/or divert significant operational resources, we could lose investor confidence in the accuracy and completeness of our financial reports, and our reputation, business, results of operations and stock price could be adversely affected.

We cannot ensure that our current share repurchase program will be fully utilized or that it will enhance long-term shareholder value. Share repurchases may also increase the volatility of the trading price of our shares. We similarly cannot ensure that we will continue to increase our dividend payments or to pay dividends at all. Share repurchases and dividends diminish our cash reserves.

In March 2017, our Board of Directors authorized a three-year \$250.0 million repurchase program of our registered shares. We have also paid cash dividends and increased the size of our dividend, each year since fiscal year 2013. Our share repurchase program and dividend policy may be affected by many factors, including general business and economic conditions, our financial condition and operating results, our views on potential future capital requirements, restrictions imposed in any future debt agreements, the emergence of alternative investment or acquisition opportunities, changes in our business strategy, legal requirements, changes in tax laws, and other factors. Our share repurchase program does not obligate us to repurchase all or any of the dollar value of shares authorized for repurchase. The program could also increase the volatility of the trading price of our shares. Similarly, we are not obligated to pay dividends on our registered shares. Under Swiss law, we may only pay

dividends upon the approval of a majority of our shareholders, which is under the discretion of and generally follows a recommendation by our Board of Directors that such a dividend is in the best interests of our shareholders. There can be no assurance that our Board of Directors will continue to recommend, or that our shareholders will approve, dividend increases or any dividend at all. If we do not pay a regular dividend, we may lose the interest of investors that focus their investments on dividend-paying companies, which could create downward pressure on our share price. Any announcement of a termination or suspension of our share repurchase program or dividend may result in a decrease in our share price. The share repurchase program and payment of cash dividends could also diminish our cash reserves that may be needed for investments in our business, acquisitions or other purposes. Without dividends, the trading price of our shares must appreciate for investors to realize a gain on their investment.

Goodwill impairment charges could have an adverse effect on the results of our operations.

Goodwill associated with a number of previous acquisitions could result in impairment charges. The slowdown in the overall video conferencing industry together with the competitive environment in fiscal year 2013 resulted in a \$214.5 million non-cash goodwill impairment charge in fiscal year 2013, which substantially impacted results of discontinued operations. We recorded an additional impairment charge of goodwill of \$122.7 million related to our Lifesize video conferencing discontinued operations in fiscal year 2015, reducing its goodwill to zero, which substantially impacted results of discontinued operations again. If we divest or discontinue product categories or products that we previously acquired, or if the value of those parts of our business become impaired, we may need to evaluate the carrying value of our goodwill. Additional impairment charges could adversely affect our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Share Repurchases**

In fiscal year 2019, the following approved share buyback program was in place (in thousands):

Share Buyback Program	Shares Approved	Approved Amounts
March 2017	17,311	\$ 250,000

The following table presents certain information related to purchases made by Logitech of its equity securities under the March 2017 share buyback program above (in thousands, except per share amounts):

During the three months ended	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share		Remaining Amount that May Yet Be Repurchased under the Program
		CHF (LOGN)	USD (LOGI)	
Month 1				
July 1, 2018 to July 27, 2018	132	44.58	—	\$ 203,971
Month 2				
July 28, 2018 to August 31, 2018	18	45.95	—	203,139
Month 3				
September 1, 2018 to September 28, 2018	68	44.43	—	199,989
Total	<u>218</u>	44.64	—	\$ 199,989

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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Exhibit No.	Description
2.1	Stock Purchase Agreement, dated as of July 30, 2018, by and among Blue Microphones Holding Corporation, Riverside Micro-Cap Fund II, L.P., the other stockholders of Blue Microphones Holding Corporation, the optionholders of Blue Microphones Holding Corporation, Logitech Europe S.A. and, for purposes of Section 10.11 of the Stock Purchase Agreement only, Logitech Inc.

10.1	Representative form of restricted stock unit agreement (non-employee directors) under the Logitech International S.A. 2006 Stock Incentive Plan.
**	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
*	
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

* This exhibit is furnished herewith, but not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we explicitly incorporate it by reference.

** Indicates management compensatory plan, contract or arrangement.

*** Confidential treatment has been requested for certain provisions omitted from this exhibit pursuant to Rule 406 promulgated under the Securities Act of 1933, as amended. The omitted information has been filed separately with the Securities and Exchange Commission.

SIGNATURES

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

LOGITECH INTERNATIONAL S.A.

October 25, 2018	/s/ Bracken Darrell
Date	Bracken Darrell President and Chief Executive Officer
October 25, 2018	/s/ Vincent Pilette
Date	Vincent Pilette Chief Financial Officer

Execution Version

**CONFIDENTIAL TREATMENT REQUESTED. CERTAIN PORTIONS OF THIS DOCUMENT
HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT
AND, WHERE APPLICABLE, HAVE BEEN MARKED “[***]” TO DENOTE WHERE
OMISSIONS HAVE BEEN MADE. THE CONFIDENTIAL MATERIAL HAS BEEN FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

STOCK PURCHASE AGREEMENT

by and among

BLUE MICROPHONES HOLDING CORPORATION,

RIVERSIDE MICRO-CAP FUND II, L.P.,

**THE OTHER STOCKHOLDERS OF BLUE MICROPHONES holding CORPORATION LISTED ON EXHIBIT A
ATTACHED HERETO,**

**THE OPTIONHOLDERS OF BLUE MICROPHONES holding CORPORATION LISTED ON EXHIBIT B ATTACHED
HERETO**

LOGITECH EUROPE S.A.

and, for purposes of Section 10.11 only,

LOGITECH INC.

Dated as of July 30, 2018

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this “*Agreement*”), is dated as of July 30, 2018 (the “*Effective Date*”), by and among Blue Microphones Holding Corporation, a Delaware corporation (the “*Company*”), Riverside Micro-Cap Fund II, L.P., a Delaware limited partnership (“*Riverside*”), in its capacity as a stockholder of the Company and as the Seller Representative, the other stockholders of the Company listed on Exhibit A attached hereto (collectively with Riverside, the “*Stockholders*”), the holders of Options listed on Exhibit B attached hereto (the “*Optionholders*” and, collectively with the Stockholders, the “*Sellers*”), Logitech Europe S.A., a corporation duly organized under the laws of the Canton of Vaud, Switzerland (“*Buyer*”) and, for purposes of Section 10.11 only, Logitech Inc., a California corporation (“*Logitech US*”). Unless the context otherwise requires, terms used in this Agreement that are capitalized and not otherwise defined in context have the meanings set forth or cross-referenced in Article I or elsewhere in this Agreement.

RECITALS

- A. As of the Effective Date, the Stockholders are the record owners of all of the issued and outstanding shares of Common Stock (the “*Shares*”).
- B. As of the Effective Date, the Optionholders are the record owners of all of the outstanding options to purchase shares of Common Stock (the “*Options*”), issued pursuant to the Blue Microphones Holding Corporation 2013 Equity and Performance Incentive Plan (the “*Option Plan*”).
- C. The Stockholders desire to sell to Buyer, and Buyer desires to purchase from the Stockholders, all of the Shares upon the terms set forth in this Agreement.
- D. The Optionholders desire to surrender the Options for the consideration set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and subject to the terms and conditions set forth herein, the Sellers, the Company and Buyer hereby agree as follows:

ARTICLE I DEFINITIONS

For purposes of this Agreement:

“*401(k) Plan*” has the meaning set forth in Section 7.12.

“*Accounts Receivable*” has the meaning set forth in Section 4.5(e).

“*Acquisition Proposal*” has the meaning set forth in Section 7.15.

“*Action*” means any suit, legal proceeding, litigation, administrative enforcement proceeding, mediation, claim, demand, charge, prosecution, hearing, audit, subpoena or arbitration proceeding (whether civil, criminal, administrative, judicial, investigative or appellate) commenced, brought, conducted, heard or before any Governmental Authority, arbitrator or mediator.

“*Affiliate*” means with respect to any Person, any Person that directly or indirectly controls, is controlled by or is under common control with such Person.

“*Affiliated Person*” has the meaning set forth in Section 4.21.

“*Agreement*” has the meaning set forth in the preamble.

“*Ancillary Agreements*” means any Contract, instrument or certificate contemplated hereby, including the Escrow Agreement and the Holdback Agreement.

“*Arbitration Firm*” has the meaning set forth in Section 2.3(c).

“*Audited Financial Statements*” has the meaning set forth in Section 4.5(a).

“*Balance Sheet Date*” has the meaning set forth in Section 4.5(a).

“*Business Day*” means any day other than a Saturday, a Sunday or any other day on which the Federal Reserve Bank of New York is closed.

“*Buyer*” has the meaning set forth in the preamble.

“*Buyer 401(k) Plan*” has the meaning set forth in Section 7.12.

“ **Buyer Claim** ” has the meaning set forth in **Section 10.7(b)(i)**.

“ **Buyer Claim Notice** ” has the meaning set forth in **Section 10.7(b)(i)**.

“ **Buyer Indemnitees** ” has the meaning set forth in **Section 10.3**.

“ **Cash and Cash Equivalents** ” means, as of the date in question, all unrestricted cash and unrestricted cash equivalent assets (including marketable securities) of the Company and the Subsidiary, in each case, on a consolidated basis determined in accordance with GAAP, which, for the avoidance of doubt, can be a positive number or a negative number.

“ **Charter Documents** ” has the meaning set forth in **Section 4.1**.

“ **Claim** ” has the meaning set forth in **Section 10.7(a)**.

“ **Claim Response** ” has the meaning set forth in **Section 10.7(a)**.

“ **Claims Notice** ” has the meaning set forth in **Section 10.7(a)**.

“ **Closing** ” has the meaning set forth in **Section 3.1**.

“ **Closing Date** ” has the meaning set forth in **Section 3.1**.

“ **Closing Statement** ” has the meaning set forth in **Section 2.3(b)**.

“ **Code** ” means the Internal Revenue Code of 1986, as amended.

“ **Commercial Tax Agreement** ” means customary commercial agreements not primarily related to Taxes that contain agreements or arrangements relating to the apportionment, sharing, assignment or allocation of Taxes (such as financing agreements with Tax gross-up obligations or leases with Tax escalation provisions).

“ **Common Stock** ” means the common stock, par value \$0.01 per share, of the Company.

“ **Company** ” has the meaning set forth in the preamble.

“ **Company 401(k) Plan** ” has the meaning set forth in **Section 7.12**.

“ **Company Balance Sheet** ” has the meaning set forth in **Section 4.5(a)**.

“ **Company Debt** ” means all Indebtedness of the Company or the Subsidiary, including the Credit Facility; provided, however, that, where this definition is used in **Section 2.2(a)(i)** and **Section 2.3**, clause (d) of the definition of “Indebtedness” shall only apply to the extent such Indebtedness is drawn.

“ **Company Financial Statements** ” has the meaning set forth in **Section 4.5(a)**.

“ **Company Indemnified Persons** ” has the meaning set forth in **Section 7.9(a)**.

“ **Company IT Systems** ” has the meaning set forth in **Section 4.14(o)**.

“ **Company-Owned Intellectual Property** ” means all Intellectual Property owned or purported to be owned by the Company or the Subsidiary.

“ **Company Registered IP** ” has the meaning set forth in **Section 4.14(a)**.

“ **Company’s Knowledge** ” means the actual knowledge, after due inquiry, of all Key Employees (together, the “ **Company Knowledge Persons** ”).

“ **Company Services and Products** ” means all services or products sold, distributed, provided or commercialized by the Company or the Subsidiary, and any service or product offerings in development.

“ **Company Source Code** ” has the meaning set forth in Section 4.14(m).

“ **Company Stockholders Agreement** ” has the meaning set forth in Section 3.4.

“ **Confidential Information** ” has the meaning set forth in Section 4.14(h).

“ **Confidentiality Agreement** ” has the meaning set forth in Section 7.3(b).

“ **Consent** ” means any consent, approval, authorization, waiver, notice, license, permit, certificate or registration required to be obtained from, filed with or delivered to any Person in connection with the consummation of any of the transactions contemplated hereby, including the Share Purchase.

“ **Contaminants** ” has the meaning set forth in Section 4.14(n).

“ **Contracts** ” means all legally binding, written or oral contracts, instruments, leases, licenses, commitments, mortgages, notes, guarantees, sublicenses, subcontracts and other agreements (including any amendments and other modifications thereto), but excluding all purchase orders with an aggregate dollar amount less than \$50,000 entered into in the ordinary course of business on the Company’s form purchase order, which has been made available to Buyer.

“ **Control** ” (including the term “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by Contract or credit arrangement, as trustee or executor, or otherwise. It is agreed that with respect to any venture capital or private equity fund, the term “Affiliate” shall not include any portfolio company that such venture capital or private equity fund is invested in and that would otherwise fall under the definition of “Affiliate.”

“ **Controlled Group** ” means any trade or business (whether or not incorporated): (a) under common control within the meaning of Section 4001(b)(1) of ERISA with the Company or the Subsidiary; or (b) which together with the Company or the Subsidiary is treated as a single employer under Section 414 of the Code.

“ **Copyrights** ” means (a) all rights in works of authorship, including (i) literary works, software, databases, data collections, web site content and (ii) compilations, collective works and derivative works of any of the foregoing, whether such works are published or unpublished; and (b) registrations and applications for registration for any of the foregoing and any renewals or extensions thereof.

“ **Credit Facility** ” means the (i) Credit Agreement, dated as of September 8, 2017, by and among the Company, the Subsidiary, Tree Line Direct Lending, LP, and the other lenders party thereto, as amended; and (ii) Amended and Restated Subordinated Note Purchase Agreement, dated September 8, 2017, by and between the Company and Riverside.

“ **Data Protection Legislation** ” means all statutes, enacting instruments, common law, regulations and directives (in any jurisdiction, including the United States) concerning either the protection or processing of Personal Data as applicable to the Company and the Subsidiary.

“ **Dispute Notice** ” has the meaning set forth in Section 10.7(b)(i).

“ **Dispute Period** ” has the meaning set forth in Section 10.7(b)(i).

“ **DOJ** ” means the United States Department of Justice.

“ **Domain Names** ” means Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority as part of an electronic address on the Internet and all applications for any of the foregoing.

“ **Effective Date** ” has the meaning set forth in the preamble.

“ **Employee Plans** ” has the meaning set forth in **Section 4.11(a)**.

“ **Environment** ” means soil, surface water, groundwater, stream sediments, and ambient air.

“ **Environmental Law** ” means any applicable Laws or Orders in effect at or prior to the Effective Date relating to the protection of the Environment or natural resources, worker health and safety and human health and safety as it relates to environmental protection, and relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any Hazardous Materials in the Environment.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“ **Escrow Agent** ” means KeyBank National Association, a national banking association.

“ **Escrow Agreement** ” means the Escrow Agreement to be entered into on the Closing Date by and among the Escrow Agent, Buyer and the Seller Representative, substantially in the form of **Exhibit C** attached hereto.

“ **Escrow Release Date** ” has the meaning set forth in **Section 10.7(e)**.

“ **Estimated Cash** ” means the Company’s good faith estimate of the Cash and Cash Equivalents as of the Closing.

“ **Estimated Company Debt** ” means the Company’s good faith estimate of the Company Debt as of the Closing.

“ **Estimated Selling Expenses** ” means the Company’s good faith estimate of the Selling Expenses as of the Closing.

“ **Estimated Working Capital** ” has the meaning set forth in **Section 2.3(a)**.

“ **Export Approvals** ” has the meaning set forth in **Section 4.23**.

“ **Final Cash** ” has the meaning set forth in **Section 2.3(b)**.

“ **Final Company Debt** ” has the meaning set forth in **Section 2.3(b)**.

“ **Final Selling Expenses** ” has the meaning set forth in **Section 2.3(b)**.

“ **Final Working Capital** ” has the meaning set forth in **Section 2.3(b)**.

“ **Fraud** ” means a false statement, representation or warranty that the party making such statement, representation or warranty had knowledge or belief was false and such statement, representation or warranty was made with the intent to induce the recipient thereof to act, or refrain from acting, and the recipient thereof acted or did not act, as applicable, in reliance on such statement, representation or warranty and suffered Losses as a result, in any case, with respect to the making of representations and warranties pursuant to **Article IV**, **Article V** or **Article VI**.

“ **Fully Diluted Shares** ” means the aggregate number of shares of Common Stock outstanding at the Closing assuming the exercise of all Options.

“ **Fundamental Representations** ” has the meaning set forth in **Section 8.2(a)**.

“ **GAAP** ” means United States generally accepted accounting principles applied on a basis consistent with the preparation of the Audited Financial Statements.

“ **General Enforceability Exceptions** ” has the meaning set forth in Section 4.1.

“ **Governmental Authority** ” means any (a) government or political subdivision, whether federal, state, local, municipal, foreign, commonwealth, province, territory, county, district or other jurisdiction of any nature, or any agency, division, department, agency, regulator, self-regulatory organization, commission, instrumentality, official, ministry or body of any such government or political subdivision, or any federal, state, local, municipal, foreign, commonwealth, province, territory, county or district court or tribunal and (b) any arbitral forum, arbitrator or mediator.

“ **Hazardous Material** ” means any material that is listed or defined as a “hazardous substance”, “hazardous waste”, “toxic substance”, a “pollutant”, a “contaminant”, or any other term of similar import under any Environmental Law, including petroleum, friable asbestos and polychlorinated biphenyls.

“ **Holdback Agreement** ” means the Holdback Agreement to be entered into on the Closing Date by and among the Seller Representative, on behalf of all Sellers, and the Escrow Agent, substantially in the form of Exhibit D attached hereto.

“ **Holdback Amount** ” means \$[***], which represents the amount agreed upon by the Sellers to be held by the Seller Representative for the payment of any (a) costs, fees, expenses and liabilities incurred by the Seller Representative in connection with this Agreement, the Escrow Agreement, the Holdback Agreement and its obligations hereunder and thereunder and (b) other amounts or obligations of the Sellers as agreed upon by the Sellers, to be held in accordance with the Holdback Agreement.

“ **HSR Act** ” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“ **HSR Filing** ” has the meaning set forth in Section 7.8.

“ **Indebtedness** ” means, with respect to a Person, (a) all obligations of such Person in respect of borrowed money; (b) all obligations of such Person evidenced by a note, bond, debenture or similar instrument the payment of which such Person is responsible or liable; (c) all obligations of such Person under capitalized leases that are required to be capitalized on a balance sheet under GAAP; (d) all obligations of such Person in respect of any letters of credit, acceptances and similar obligations created for the account of such Person, and all other extensions of credit for such Person; (e) all obligations representing the deferred purchase price of property or services (other than trade payables, accrued expenses, current accounts and similar unpaid customer invoices obligations incurred in the ordinary course of business consistent with past practice) in respect of which such Person is liable, contingently or otherwise (including “earn-outs” and “seller notes” payable with respect to the acquisition of any business, assets or securities); (f) all interest rate swaps, collars, caps and similar hedging obligations; (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any securities of such Person; (h) all interest, costs, fees, premiums and penalties that may be incurred in connection with the repayment, reimbursement, acceleration, satisfaction, termination or cancellation of any of the foregoing; and (i) any of the foregoing of any other third party that is guaranteed, directly or indirectly, by such Person.

“ **Indemnity Escrow Funds** ” means an amount equal to \$[***] to be held in accordance with this Agreement and the Escrow Agreement.

“ **Initial Purchase Price** ” has the meaning set forth in Section 2.2(a).

“ **Intellectual Property** ” means all worldwide common law and statutory rights in, arising out of, or associated with: (a) Copyrights, (b) Patents, (c) Trademarks, (d) trade secrets, confidential information, or proprietary information, (e) industrial designs, (f) moral and economic rights of authors and inventors, however denominated, and (g) any similar or equivalent rights to any of the foregoing, as applicable.

“ **Interim Financial Statements** ” has the meaning set forth in **Section 4.5(a)**.

“ **Inventory** ” means all inventory of each of the Company and the Subsidiary, wherever located, including all finished goods, work in process, raw materials and spare parts, and all other materials and supplies to be used or consumed by either the Company or the Subsidiary in the production of finished goods whether held at any location or facility of the Company or the Subsidiary or in transit to the Company or the Subsidiary.

“ **IRS** ” means the Internal Revenue Service.

“ **Key Employee** ” means each employee of the Company or the Subsidiary listed on **Exhibit E** hereto.

“ **Law** ” means any law, statute, constitution, legislation, principle of common law, resolution, decree, directive, Order, code, ordinance, regulation or rule of any Governmental Authority or any ruling or requirement of any Governmental Authority issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

“ **Leased Real Property** ” has the meaning set forth in **Section 4.8(b)**.

“ **Liabilities** ” means any and all debt, liabilities, commitments and obligations of any kind, character or description, whether fixed or contingent (with any such contingent debt, liabilities, commitments and obligations determined in accordance with GAAP).

“ **Liens** ” means any mortgage, lien, security interest, option, pledge, deed of trust, hypothecation, charge, title retention device, collateral assignment, adverse title claim, interference, option, right of first refusal, preemptive right or other similar encumbrance or restriction of any kind (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

“ **Logitech US** ” has the meaning set forth in the preamble.

“ **Losses** ” has the meaning set forth in **Section 10.2**.

“ **Material Adverse Effect** ” means, with respect to the Company or Buyer, as applicable, any change, occurrence, event, fact or development that materially and adversely affects the ability of the Company or Buyer, as applicable, to consummate the transactions contemplated by this Agreement, or, with respect to the Company, has a material adverse effect on the business, results of operations, condition (financial or otherwise) or properties of the Company and the Subsidiary, taken as a whole, of: (a) in the case of the Company, the Company and the Subsidiary, taken as a whole; and (b) in the case of Buyer, Buyer and its Affiliated entities, taken as a whole; but, in each case, none of the following, either alone or in combination, shall be deemed to constitute, or be taken into account in determining whether there has been, such a material adverse effect: any change, occurrence, event, fact or development: (i) resulting from general economic, political, financial, banking, credit or securities market conditions, including any disruption thereof and any interest or exchange rate fluctuations; (ii) affecting companies in the industry in which it conducts its business generally (provided that such changes, occurrences, events, facts or developments do not adversely affect the Company or Buyer, as applicable, disproportionately as compared to such Person’s competitors); (iii) resulting from the announcement or pendency of, or the public or industry knowledge of, this Agreement or the transactions contemplated hereby; (iv) resulting from any changes in applicable Laws or accounting rules or, with respect to the Company or the Subsidiary, arising out of, resulting from or attributable to any action required to be taken under any Law or Order; (v) resulting from any actions expressly required under this Agreement, including with respect to obtaining any Consent required under this Agreement; (vi) resulting from natural disasters, acts of terrorism or war (whether or not declared), or epidemics or pandemics; or (vii) arising out of any action taken or omitted to be taken at the written request or with the written consent of, in the case of the Company, Buyer and, in the case of Buyer, the Company.

“ **Material Contracts** ” has the meaning set forth in **Section 4.12(a)**.

“ **Material Customers** ” has the meaning set forth in Section 4.19(a).

“ **Material Suppliers** ” has the meaning set forth in Section 4.19(b).

“ **Net Working Capital** ” has the meaning set forth on Schedule (a).

“ **Notice** ” has the meaning set forth in Section 10.7(b)(i).

“ **Notice of Disagreement** ” has the meaning set forth in Section 2.3(c).

“ **OFAC** ” means the Office of Foreign Assets Control.

“ **Open Source Software** ” means any software subject to a license meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation), or any substantially similar license, including but not limited to any license approved by the Open Source Initiative, or any Creative Commons License. For avoidance of doubt, Open Source Software includes any software licensed under “copyleft” licenses.

“ **Option Consideration** ” has the meaning set forth in Section 2.2(b)(ii).

“ **Option Plan** ” has the meaning set forth in the recitals.

“ **Optionholders** ” has the meaning set forth in the preamble.

“ **Options** ” has the meaning set forth in the recitals.

“ **Order** ” means any order, judgment, citation, ruling, injunction, assessment, award, decree or writ of any Governmental Authority.

“ **Parachute Payment Waiver** ” has the meaning set forth in Section 7.17(a).

“ **Patents** ” means all patents, industrial and utility models, industrial designs, petty patents, patents of importation, patents of addition, certificates of invention and any other indicia of invention ownership issued or granted by any Governmental Authority, including all provisional applications, priority and other applications, divisionals, continuations (in whole or in part), extensions, reissues, re-examinations or equivalents or counterparts of any of the foregoing.

“ **Permits** ” means any license, permit, authorization, certificate of authority, qualification or similar document or authority that has been issued or granted by any Governmental Authority.

“ **Permitted Liens** ” means: (a) Liens arising under or related to the Company Debt set forth on Schedule 1.1 (provided, that notwithstanding anything in this Agreement to the contrary, any and all Liens contemplated by this clause (a) shall not constitute “Permitted Liens” for purposes of Section 3.2(j) and for purposes of Section 7.10 and shall be released prior to, or simultaneously with, the Closing in accordance with Section 3.2(j) and Section 7.10); (b) statutory Liens for Taxes, assessments, reassessments and other charges of Governmental Authorities not yet due and payable or that may be paid thereafter without penalty or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP; (c) mechanics’, materialmen’s, workmens’, repairmen’s, warehousemen’s, suppliers’, vendors’, carriers’, landlords’ or other like Liens required by applicable Law; (d) pledges or deposits to secure obligations under workers or unemployment compensation Laws or to secure public or statutory obligations; and (e) with respect to the Leased Real Property, (i) any conditions that may be shown by a current, accurate survey; (ii) easements, encroachments, restrictions, rights-of-way and any other non-monetary title defects; and (iii) zoning, building and other similar restrictions; provided, however, that none of the foregoing described in this clause

(e) will individually or in the aggregate materially impair the continued use and operation of the property to which they relate in the business of the Company or the Subsidiary as presently conducted.

“ **Person** ” means any individual, sole proprietorship, partnership, corporation, limited liability company, joint venture, unincorporated society or association, trust or other legal entity or Governmental Authority.

“ **Personal Data** ” means a natural person’s name, street address, telephone number, e-mail address, photograph, social security number, driver’s license number, passport number or customer or account number, or any other piece of information that allows the identification of a natural person.

“ **Pipeline Products** ” has the meaning set forth in **Section 4.10**.

“ **Pre-Closing Tax Periods** ” has the meaning set forth in **Section 11.1(a)**.

“ **Privileged Communications** ” has the meaning set forth in **Section 12.10**.

“ **Pro Rata Share** ” means, with respect to any Seller, a fraction (expressed as a percentage), the numerator of which is the sum of the amount such Seller is entitled to receive pursuant to **Section 2.2(b)** and the denominator of which is the sum of the amount all Sellers are entitled to receive pursuant to **Section 2.2(b)**.

“ **Product and IP Information** ” has the meaning set forth in **Section 5.7**.

“ **Purchase Price** ” has the meaning set forth in **Section 2.2(a)**.

“ **R&W Insurance Policy** ” has the meaning set forth in **Section 7.14**.

“ **R&W Insurer** ” has the meaning set forth in **Section 7.14**.

“ **Real Property** ” means all of the real property owned or leased by the Company or the Subsidiary.

“ **Real Property Leases** ” has the meaning set forth in **Section 4.8(b)**.

“ **Release** ” means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping of a Hazardous Material into the Environment.

“ **Released Claims** ” has the meaning set forth in **Section 7.16(a)**.

“ **Releasors** ” has the meaning set forth in **Section 7.16(a)**.

“ **Response Period** ” has the meaning set forth in **Section 10.7(a)**.

“ **Riverside** ” has the meaning set forth in the preamble.

“ **Schedules** ” means the disclosure schedules delivered by or on behalf of the Company or the Sellers, as applicable, concurrently with the execution and delivery of this Agreement.

“ **Section 1542** ” has the meaning set forth in **Section 7.16(b)**.

“ **Securities Act** ” means the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.

“ **Seller Indemnitees** ” has the meaning set forth in **Section 10.2**.

“ **Seller Indemnitors** ” has the meaning set forth in **Section 10.3**.

“ **Seller Press Release** ” has the meaning set forth in **Section 7.4**.

“ **Seller Representative** ” means the Person appointed agent and attorney-in-fact for and on behalf of the Sellers pursuant to **Section 12.1**. In accordance with **Section 12.1**, Riverside shall act as the Seller Representative until a successor Seller Representative has been named by Riverside.

“ **Sellers** ” has the meaning set forth in the preamble.

“ **Selling Expenses** ” means all other third-party fees, costs, expenses, payments and expenditures incurred prior, on or after the Closing Date (other than with respect to services requested by, or on behalf of, Buyer or the Company after the Closing Date) by or on behalf of the Company or the Subsidiary in connection with the Share Purchase, this Agreement, the Ancillary Agreements and the other transactions contemplated hereby and thereby, whether or not billed or accrued, including (a) any fees, costs expenses, payments and expenditures of legal counsel and accountants in connection with the Share Purchase, this Agreement, the Ancillary Agreements and the other transactions contemplated hereby and thereby, including all of the fees and expenses of Jones Day, Intrepid Investment Bankers LLC, and Deloitte & Touche LLP, BDO USA, LLP and PricewaterhouseCoopers LLP incurred by the Sellers, the Company or the Subsidiary in connection with this Agreement, the Ancillary Agreements or the completion of the transactions contemplated by this Agreement and the Ancillary Agreements, (b) the fees, costs, expenses, payments and expenditures payable to brokers, finders, financial advisors, investment bankers or similar Persons in connection with the Share Purchase, this Agreement, the Ancillary Agreements and the other transactions contemplated hereby and thereby, (c) all sale, transaction or similar bonuses, change of control payments or similar payments or obligations in effect on or prior to the Closing payable by the Company or the Subsidiary to directors, officers, employees and/or consultants of the Company or the Subsidiary as a result of the consummation of the Share Purchase and the other transactions contemplated hereby, (d) the employer portion of any payroll taxes or other withholding obligations arising from payments described in clause (c) of this definition, (e) the employer portion of any payroll taxes arising with respect to the payments for Options hereunder pursuant to **Section 2.2(b)**, **Section 2.3**, **Section 10.7(e)** and **Section 11.5** (in each case, whether or not such payroll taxes would then be due and payable), and (f) any such fees, costs, expenses, payments and expenditures incurred by the Sellers paid for, or required to be paid for, by the Company or the Subsidiary.

“ **Settlement Amounts** ” has the meaning set forth in **Section 2.2(c)**.

“ **Share Amount** ” means an amount equal to the quotient of (a) the sum of (i) the Purchase Price and (ii) the aggregate exercise prices for all of the outstanding Options as of the Closing, divided by (b) the Fully Diluted Shares.

“ **Share Purchase** ” has the meaning set forth in **Section 2.1**.

“ **Shares** ” has the meaning set forth in the recitals.

“ **Spreadsheet** ” means a spreadsheet in a form reasonably acceptable to Buyer, which spreadsheet shall set forth the following information relating to the Stockholders and Optionholders: (a) the names of all of the Stockholders and the Optionholders and their respective bank information (including the respective bank name and number, swift number, account number and other wire transfer information), (b) the number and type of Shares held by, or subject to the Options held by, such Stockholders or Optionholders, as the case may be, and, in the case of issued Shares, the certificate numbers for the share certificates covering such Shares, if applicable, (c) the exercise price per share in effect for each Option, (d) the calculation of the Purchase Price (calculated in accordance with **Section 2.2(a)**), Estimated Cash, Estimated Company Debt, Estimated Selling Expenses, Indemnity Escrow Funds, Holdback Amount, the aggregate exercise price for all of the outstanding Options as of the Closing, Fully-Diluted Shares, and Share Amount, (e) the calculation of aggregate cash amounts payable to each Stockholder and each Optionholder pursuant to **Section 2.2**, and (f) the calculation of each Seller’s Pro Rata Share (as a percentage).

“ **Stockholders** ” has the meaning set forth in the preamble.

“ **Subsidiary** ” means Baltic Latvian Universal Electronics, LLC, a California limited liability company.

“ **Subsidiary Interests** ” has the meaning set forth in **Section 4.3**.

“ **Target Working Capital** ” means \$[***].

“ **Tax** ” means (a) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, similar governmental fee or other similar assessment or similar charge, together with any interest, penalties, additions to tax or additional amounts imposed by any Taxing Authority, (b) any Liability for the payment of any amounts of the type described in clause (a) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any Taxable period and (c) any Liability for the payment of any amounts of the type described in clause (a) or (b) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

“ **Tax Deductions** ” means, to the extent deductible under applicable Law, the sum of all items of loss or deduction for income Tax purposes resulting from or attributable to: (a) the Option Consideration; (b) the Selling Expenses; and (c) the satisfaction of the Company Debt on the Closing Date.

“ **Tax Matter** ” means any: (a) inquiries, audits, investigations, assessments, reassessments or any other proceedings or similar events with respect to Taxes of the Company or the Subsidiary for which the Sellers may be required to reimburse or indemnify any Buyer Indemnitee pursuant to this Agreement; or (b) voluntary contact with any Taxing Authority relating to, or self assessment of, Taxes of the Company or the Subsidiary for any Pre-Closing Tax Period.

“ **Tax Representations** ” has the meaning set forth in Section 10.1(c).

“ **Tax Returns** ” means all Tax returns, statements, reports and forms required to be filed with any Taxing Authority.

“ **Taxing Authority** ” means any Governmental Authority responsible for the administration or imposition of any Tax.

“ **Technical Deficiencies** ” has the meaning set forth in Section 4.14(n).

“ **Technology** ” means collectively, all designs, formulas, methods, processes, schematics, technical drawings, specifications, algorithms, procedures, techniques, ideas, know-how, software, computer programs (whether in source code, object code or human readable form), tools, inventions, creations, trade secrets, improvements, works of authorship, other similar materials and content and all recordings (including voice recordings), graphs, drawings, reports, analyses, other writings and any other embodiment of the above, in any form or media, whether or not specifically listed herein, and all related technology, documentation and other materials used in, incorporated in, embodied in or displayed by any of the foregoing, or used in the use, design, development, reproduction, maintenance or modification of any of the foregoing.

“ **Termination Date** ” has the meaning set forth in Section 9.1(b).

“ **Third Party Claim** ” has the meaning set forth in Section 10.7(c).

“ **Trademarks** ” means: (a) trademarks, service marks, fictional business names, trade names, commercial names, certification marks, collective marks and other proprietary rights to any words, names, slogans, symbols, logos, devices or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services; (b) registrations, renewals, applications for registration, equivalents and counterparts of the foregoing; and (c) the goodwill of the business associated with each of the foregoing.

“ **Transfer Taxes** ” has the meaning set forth in Section 11.4.

“ **Waived Parachute Payments** ” has the meaning set forth in Section 7.17(a).

“ **Working Capital Overage** ” has the meaning set forth in Section 2.3(a).

“ **Working Capital Underage** ” has the meaning set forth in Section 2.3(a).

ARTICLE II SALE AND PURCHASE

2.1 **Sale and Purchase of Shares.** At the Closing, on the terms and subject to the conditions set forth in this Agreement: (a) each Stockholder shall sell, assign, transfer and deliver to Buyer good and valid title to all of the Shares held by such Stockholder as of immediately prior to the Closing, free and clear of all Liens, and with the benefit of all rights of whatsoever nature attaching or accruing to such Shares (the “*Share Purchase*”), and (b) each Optionholder shall surrender the Options held by such Optionholder for cancellation. As soon as reasonably practicable after the Closing (and in any event on the Closing Date) Buyer shall pay and deliver, or cause to be paid and delivered, the Purchase Price to, or for the benefit of, the Sellers.

2.2 **Purchase Price.**

(a) Subject to the adjustments set forth in Section 2.3, in full consideration for the transfer of the Shares and the surrender of the Options, Buyer shall pay or cause to be paid to, or for the benefit of, the Sellers at the Closing an aggregate amount equal to \$116,500,000 plus the Estimated Cash minus:

- (i) the aggregate amount of the Estimated Company Debt outstanding immediately prior to the Closing;
- (ii) the unpaid portion, as of the Closing, of the Estimated Selling Expenses;
- (iii) the Indemnity Escrow Funds; and
- (iv) the Holdback Amount;

(such amount, the “*Initial Purchase Price*”), increased by (A) any Working Capital Overage or decreased by (B) any Working Capital Underage (as adjusted, the “*Purchase Price*”).

(b) **Shares and Options.** In accordance with Section 2.1, the Purchase Price will be distributed to, or for the benefit of, the Sellers as follows:

(i) Each Stockholder will be entitled to receive an amount equal to the product of: (A) the Share Amount; and (B) the number of Shares owned by such Stockholder, payable in cash by bank wire transfer of immediately available funds to an account or accounts designated in the Spreadsheet.

(ii) Each Option shall be cancelled at the Closing, and each Optionholder will be entitled to receive, upon the cancellation of his or her then outstanding Options, an amount equal to the product of: (A) the Share Amount; and (B) the number of shares of Common Stock underlying such Options held by such Optionholder at the Closing, minus the product of: (1) the exercise price of each Option held by such Optionholder; and (2) the number of Options held by such Optionholder at each such exercise price (the aggregate amount payable to all Optionholders is referred to as the “Option Consideration”). Buyer shall pay, or shall cause one or more of its Affiliated entities to pay, the Option Consideration to the applicable Optionholders (less applicable withholding) as promptly as practicable after the Closing, but in no event later than 21 days following the Closing Date, through the payroll of the Company or the Subsidiary. Prior to the Closing, the board of directors of the Company shall take all necessary or appropriate action in accordance with the Option Plan to effectuate the cancellation of the Options as contemplated by this Section 2.2(b)(ii). For the avoidance of doubt, in no event shall any acceleration of any vesting of any Options increase the amount payable by Buyer hereunder.

(c) **Other Settlements.** At the Closing and subject to the Company’s compliance with Section 7.10 and Section 7.11, Buyer shall: (i) on behalf of the Company and the Subsidiary, cause the Company Debt outstanding immediately prior to the Closing to be repaid in full to the lender or other payee entitled thereto pursuant to the applicable payoff letter; (ii) on behalf of the Stockholders, the Optionholders, the Company or the Subsidiary, pay the Selling Expenses to the Persons entitled thereto pursuant to the instructions designated to Buyer in writing by such Persons prior to the Closing; (iii) pay the Holdback Amount into an escrow account to be held by the Escrow Agent in accordance with the terms of this Agreement and the Holdback Agreement; and (iv) pay the Indemnity Escrow Funds into an escrow account to be held by the Escrow Agent in accordance with the terms of this Agreement and the Escrow Agreement (collectively, the “*Settlement Amounts*”).

(d) Spreadsheet. At least two Business Days prior to the Closing Date, the Company shall deliver to Buyer the Spreadsheet. The Company shall reasonably consider any comments to the Spreadsheet made by Buyer prior to the Closing Date (it being understood that any such comments, or lack thereof, whether or not reflected in the Spreadsheet, shall not diminish or otherwise affect Buyer's remedies hereunder if the Spreadsheet is not accurate).

2.3 Purchase Price Adjustment

(a) Estimated Statement. No later than two Business Days prior to the Closing Date, the Seller Representative shall prepare and deliver, or cause to be prepared and delivered, to Buyer, in writing, a good faith estimate of: (i) the Net Working Capital as of the Closing prepared in accordance with the principles set forth on Schedule 2.3(a) (such estimate, the "**Estimated Working Capital**"); (ii) the Estimated Cash; (iii) the Estimated Company Debt and (iv) the Estimated Selling Expenses (the "**Estimated Closing Statement**"). As contemplated by Section 2.2(a), if the Estimated Working Capital is less than the Target Working Capital, then the Initial Purchase Price will be reduced by the amount of such shortfall (the "**Working Capital Underage**"), subject to further adjustment as provided in this Section 2.3. As contemplated by Section 2.2(a), if the Estimated Working Capital is greater than the Target Working Capital, then the Initial Purchase Price will be increased by the amount of such excess (the "**Working Capital Overage**"), subject to further adjustment as provided in this Section 2.3. If the Estimated Working Capital is equal to the Target Working Capital, then the Initial Purchase Price will not be adjusted pursuant to this Section 2.3(a), but will be subject to adjustment as otherwise provided in this Article II. Buyer shall have the right to review the Estimated Closing Statement and such supporting documentation or data of the Company as Buyer may reasonably request and to discuss the Estimated Closing Statement with the Company; provided, however, that the failure to include in the Estimated Closing Statement any changes proposed by Buyer, or the acceptance by Buyer of the Estimated Closing Statement, or the consummation of the Closing, shall not limit or otherwise affect Buyer's remedies under this Agreement, including Buyer's right to include such changes or other changes in the Closing Statement, or constitute an acknowledgment by Buyer of the accuracy of the Estimated Closing Statement.

(b) Closing Statement. Within 60 days after the Closing Date, Buyer shall prepare and deliver, or cause to be prepared and delivered, to the Seller Representative a statement (the "**Closing Statement**"), setting forth: (i) the Net Working Capital as of the Closing, prepared in accordance with the principles set forth on Schedule 2.3(a) (the "**Final Working Capital**"); (ii) the Cash and Cash Equivalents as of the Closing (the "**Final Cash**"); (iii) the Company Debt outstanding as of the Closing (the "**Final Company Debt**"); and (iv) the Selling Expenses outstanding as of the Closing (the "**Final Selling Expenses**").

(c) Dispute. Within 60 days following receipt by the Seller Representative of the Closing Statement, the Seller Representative shall deliver written notice to Buyer of any dispute it has with respect to the preparation or content of the Closing Statement, which shall specifically describe the basis of the Seller Representative's dispute, determination and corresponding adjustments to the Final Working Capital, Final Cash, Final Company Debt and/or Final Selling Expenses (the "**Notice of Disagreement**"). If the Seller Representative does not timely deliver to Buyer the Notice of Disagreement, then such Closing Statement will be final, conclusive and binding on the parties hereto. In the event the Notice of Disagreement is timely delivered to Buyer, Buyer and the Seller Representative shall, for a period of 15 days thereafter, negotiate in good faith to resolve the disputes set forth in the Notice of Disagreement. If Buyer and the Seller Representative, notwithstanding such good faith effort, fail to resolve all of the disputes set forth in the Notice of Disagreement during such 15-day period, then Buyer and the Seller Representative jointly shall engage a mutually-agreed upon (which agreement shall not be unreasonably withheld) "big-four" accounting firm (the "**Arbitration Firm**"). As promptly as practicable thereafter (but in any event, within 15 days of engaging the Arbitration Firm), Buyer and the Seller Representative shall each prepare and submit a presentation to the Arbitration Firm. The Arbitration Firm shall consider only those items and amounts in the Seller Representative's and Buyer's respective calculations that are identified as being items and amounts to which the Seller Representative and Buyer have been unable to agree. Buyer and the Seller Representative shall make readily available to the Arbitration Firm all relevant books and records and any work papers (including those of the parties' respective accountants, to the extent permitted by such accountants) relating to the Closing Statement and the Notice of Disagreement and all other items reasonably requested by the Arbitration Firm in connection therewith. The Arbitration Firm shall have the opportunity to present written questions to Buyer and/or the Seller Representative, a copy of which shall be provided to the other.

As soon as practicable thereafter, Buyer and the Seller Representative will cause the Arbitration Firm to choose one of the parties' positions. The party whose position is not accepted by the Arbitration Firm shall be responsible for all of the fees and expenses of the Arbitration Firm. All determinations made by the Arbitration Firm will be final, conclusive and binding on the parties, absent manifest error.

(d) Access. For purposes of complying with the terms set forth in this Section 2.3, Buyer and the Company, on the one hand, and the Seller Representative, on the other hand, shall, and the Company shall cause the Subsidiary to, cooperate with and make available to each other and their respective representatives all information, records and data, and shall permit access to its personnel, as may be reasonably required and as is reasonably requested in connection with the preparation and analysis of the Closing Statement, the Notice of Disagreement and the resolution of any disputes thereunder. The Seller Representative shall treat, and shall cause its legal and financial advisors to treat, confidentially and not disclose to anyone (other than its legal and financial advisors or the Arbitration Firm in accordance with Section 2.3(c)) any nonpublic information from or about Buyer, the Company, the Subsidiary or their respective Affiliates or any of the books, records or other information so made available pursuant to this Section 2.3(d).

(e) Adjustment. Within two Business Days after the date on which the Final Working Capital, Final Cash, Final Company Debt and Final Selling Expenses are finally determined pursuant to Section 2.3(c), the Initial Purchase Price shall be recalculated using the Final Working Capital, Final Cash, Final Company Debt and Final Selling Expenses (each as finally determined pursuant to Section 2.3(c)) in lieu of the Estimated Working Capital, Estimated Cash, the Estimated Company Debt and the Estimated Selling Expenses, respectively, as of the Closing.

(i) If such substitutions would have resulted in a Purchase Price that is less than the Purchase Price that was paid on the Closing Date, then each Seller shall pay to Buyer, by wire transfer of immediately available funds, within five Business Days from the date on which the Final Working Capital, Final Cash, Final Company Debt and Final Selling Expenses are finally determined pursuant hereto, such Seller's Pro Rata Share of such shortfall.

(ii) If such substitutions would have resulted in a Purchase Price that is greater than the Purchase Price that was paid on the Closing Date, then Buyer shall pay, or cause to be paid, to the Sellers in the proportions set forth on Schedule 2.3(e)(ii), an amount in cash equal to such excess (less the employer portion of any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) as a result of or with respect to or attributable to, any such payment to the extent such Tax or similar amount would constitute Selling Expenses). With respect to the Stockholders or former non-employee holders of Options, such amounts shall be paid by Buyer within five Business Days from the date on which the Final Working Capital, Final Cash, Final Company Debt and Final Selling Expenses are finally determined pursuant to Section 2.3(c) by bank wire transfer of immediately available funds to the accounts designated in writing by the Seller Representative to Buyer. With respect to the Optionholders (other than to former non-employee holders of Options), such amounts shall be paid by Buyer, or Buyer shall cause one or more of its Affiliated entities to pay, to such Optionholders (less applicable withholding Taxes) as promptly thereafter as practicable, but in no event later than 21 days following, the date on which the Final Working Capital, Final Cash, Final Company Debt and Final Selling Expenses are finally determined pursuant to Section 2.3(c), through the payroll of Buyer or its Affiliated entities.

(iii) If such substitutions would have resulted in a Purchase Price that is equal to the Purchase Price that was paid on the Closing Date, then there will be no adjustment to Purchase Price pursuant to this Section 2.3(e).

(iv) Any amounts paid pursuant to the provisions of this Section 2.3 shall be deemed to be and treated, to the extent permitted by Law, as an adjustment to the Purchase Price for all purposes.

2.4 Withholding. Buyer, the Company and their agents shall be entitled to deduct and withhold from any amount deliverable under this Agreement, and from any other payments otherwise required pursuant to this Agreement, to any Person that is required to be deducted and withheld with respect to any such deliveries and payments under the Code or any provision of state, local, provincial or foreign Law; provided, however, if Buyer determines

that an amount is required to be deducted and withheld with respect to any amounts payable (other than as compensation), Buyer shall provide the Seller Representative with notice of its intent to deduct and withhold and Buyer shall reasonably cooperate with the Seller Representative to eliminate or reduce the basis for such deduction or withholding (including providing the Seller Representative with a reasonable opportunity to provide forms or other evidence that would exempt such amounts from withholding). To the extent that amounts are so withheld and paid over to or credited by the applicable Tax Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been delivered and paid to such holders in respect of which such deduction and withholding was made; provided, however, Buyer shall be responsible for any penalties and interest imposed as a result of Buyer failing to timely pay any such amounts (or have credited) to the applicable Tax Authority on a timely basis.

ARTICLE III CLOSING AND DELIVERIES

3.1 **Closing**. The closing of the transactions contemplated hereby (the “**Closing**”) will take place remotely via the electronic exchange of documents and signatures on the second Business Day following the satisfaction or waiver of each of the conditions set forth in **Article VIII** (other than those conditions that are to be satisfied at the Closing), or on such other date or at such other time and place as the parties hereto mutually agree in writing (the “**Closing Date**”). All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing will be deemed to have been taken and executed simultaneously and no proceedings will be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered. The effective time of the Closing will be 12:01 a.m. Eastern Time on the Closing Date.

3.2 **Deliveries by the Company**. At the Closing, the Company shall deliver, or cause to be delivered, to Buyer the following items:

- (a) The stock certificates representing the Shares, with duly executed stock powers attached in proper form for transfer;
 - (b) The payoff letters with respect to the Company Debt and any necessary UCC authorizations or other releases as may be reasonably required or as set forth in such payoff letters to evidence the satisfaction of such Company Debt, in each case, in accordance with **Section 7.10**;
 - (c) The certificate of incorporation of the Company, certified as of a recent date by the Secretary of State of Delaware, and a copy of the bylaws of the Company, certified by an officer of the Company, given by him or her on behalf of the Company and not in his or her individual capacity;
 - (d) A certificate of the Secretary of State of Delaware as to the good standing as of a recent date of the Company in Delaware;
 - (e) A certificate from an officer of the Company, given by him or her on behalf of the Company and not in his or her individual capacity, to the effect that, with respect to the Company, the conditions set forth in **Section 8.2(a)**, **Section 8.2(b)** and **Section 8.2(f)** have been satisfied;
 - (f) Written resignations of the directors, managers and certain officers (affiliated with Riverside) of the Company and the Subsidiary set forth on **Schedule 3.2(f)**;
 - (g) Original corporate record books and stock or equity record books, as applicable, of the Company and the Subsidiary to the extent not in the possession of the Company or the Subsidiary as of the Closing;
 - (h) An affidavit issued to Buyer by an officer of the Company as required by Treasury Regulation Section 1.1445-2(c)(3) certifying that the Company has not been a United States real property holding corporation (as the term is defined in the Code and the Treasury Regulations promulgated in connection therewith) at any time during the five-year period ending on the Closing Date, in form and substance reasonably satisfactory to Buyer;
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(i) Duly executed copies of all Consents set forth on **Schedule 3.2(i)**, in each case in form and substance reasonably satisfactory to Buyer;

(j) Evidence reasonably satisfactory to Buyer that all Liens on the assets of the Company and the Subsidiary (other than Permitted Liens) have been released in full;

(k) A true, correct and complete copy of resolutions adopted by the Company's board of directors providing for the termination of the Company's 401(k) Plan as contemplated by **Section 7.12**;

(l) The Spreadsheet in a form reasonably satisfactory to Buyer;

(m) All share certificates evidencing all of the outstanding equity securities of the Subsidiary; and

(n) A counterpart to the Escrow Agreement, duly executed by the Escrow Agent, the Seller Representative and the Company.

3.3 Deliveries by Buyer. At the Closing, Buyer shall deliver, or cause to be delivered, to the Seller Representative the following items:

(a) The Purchase Price and the Settlement Amounts, in each case, paid in accordance with **Section 2.2** to the Person(s) entitled thereto;

(b) A counterpart to the Escrow Agreement, duly executed by Buyer; and

(c) A certificate of an officer of Buyer, given by him or her on behalf of Buyer and not in his or her individual capacity, to the effect that the conditions set forth in **Section 8.1(a)** and **Section 8.1(b)** have been satisfied.

3.4 Termination of Company Stockholders Agreement. Effective as of the Closing, the Sellers hereby agree with the Company that the Stockholders Agreement, dated as of July 12, 2013 (as amended, modified or supplemented from time to time, the "**Company Stockholders Agreement**"), by and among the Company, Riverside and the Investors (as defined therein), shall terminate without further action of the parties thereto in accordance with **Section 6.10** thereof. Each Seller hereby gives any consents or waivers that are reasonably required for the consummation of the Share Purchase under the Company Stockholders Agreement.

3.5 Option Exercises. Each of the parties hereto, including each of the Optionholders, agrees that if any Optionholder exercises any Options on or after the Effective Date but prior to the Closing, such Optionholder, with respect to the shares of Common Stock acquired pursuant to such exercise, shall be deemed to be a Stockholder with respect thereto, and the shares of Common Stock acquired by such Optionholder pursuant to such exercise shall be deemed to be part of the Shares, for all purposes under this Agreement and the Ancillary Agreements.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth on the applicable Schedules (it being understood that any matter disclosed in any Schedule shall only be deemed to be disclosed on such Schedule and shall not be deemed to be disclosed on any other Schedule unless such disclosure is expressly cross referenced therein), the Company represents and warrants to Buyer as of the date hereof and as of the Closing Date as follows:

4.1 Organization and Standing; Authority. The Company and the Subsidiary are each duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation. The Company and the Subsidiary are each duly qualified to do business, and in good standing, in each jurisdiction in which the character of the properties owned or leased by it or in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have a Material Adverse Effect on the Company. The Company and the Subsidiary each have the corporate power and authority to own, operate and lease

their respective properties and to carry on the business of the Company and the Subsidiary as currently conducted. The Company has delivered or made available to Buyer true and complete copies of the organizational documents of the Company and the Subsidiary as currently in effect, including the certificate of incorporation, bylaws and other organizational documents of the Company and the Subsidiary (collectively, the “**Charter Documents**”). Neither the Company nor the Subsidiary is in violation of their respective Charter Documents. **Schedule 4.1** sets forth a true, correct and complete list of (a) the names of the members of the board of directors of the Company and the Subsidiary, (b) the names of the members of each committee of the board of directors of the Company and the Subsidiary and (c) the names and titles of the officers of the Company and the Subsidiary. The Company has the corporate power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents, the performance of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate or other action on the part of the Company. This Agreement has been, and, as of the Closing Date, all Ancillary Agreements to which the Company is or will be a party have been, duly and validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as limited by: (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting the enforcement of creditors’ rights generally from time to time in effect; and (b) the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at law or in equity) (the immediately preceding clauses (a) and (b), collectively, the “**General Enforceability Exceptions**”). The holders of 100% of the Company’s outstanding shares of capital stock have executed this Agreement, and no further vote of the holders of shares of capital stock of the Company shall be required, including under the Charter Documents or applicable Law in connection with the execution, delivery or performance of this Agreement by the Company, the Stockholders or any other holders of any equity securities of the Company or the consummation of the transactions contemplated hereby. The board of directors of the Company, by resolutions duly adopted (and not thereafter modified or rescinded) by the unanimous vote thereof, has (i) approved this Agreement and approved the transactions contemplated hereby and determined that this Agreement and the transactions contemplated hereby, upon the terms and subject to the conditions set forth herein, are in the best interests of the Company and the holders of capital stock of the Company and (ii) approved this Agreement in accordance with the provisions of applicable Law and the Company’s Charter Documents.

4.2 Capitalization.

(a) The authorized capital stock of the Company consists solely of 30,000.00000 shares of Common Stock, of which 23,025.00000 shares are issued and outstanding as of the Effective Date, and such issued and outstanding shares are duly authorized, validly issued, fully paid and nonassessable, and are free of any Liens, outstanding subscriptions, preemptive rights, rights of first refusal or “put” or “call” rights created by applicable Law, the Charter Documents or any Contract to which the Company is a party or by which the Company or any of its assets is bound, in each case, other than the Company Stockholders Agreement. The Company holds no treasury shares. As of the Effective Date, other than the Shares, there are no other issued and outstanding shares of capital stock of the Company and no outstanding commitments or Contracts to issue any shares of capital stock of the Company, other than pursuant to the exercise of Options under the Option Plan that are outstanding as of the Effective Date and the Company Stockholders Agreement. As of the Closing, the Shares will constitute all of the issued and outstanding shares of capital stock of the Company. Immediately after the Closing, Buyer will own all of the outstanding securities of the Company free and clear of all Liens. Other than the Options and the agreements and documents relating thereto and the Company Stockholders Agreement, there are no: (i) outstanding securities convertible or exchangeable into shares of capital stock of the Company; (ii) options, warrants, calls, subscriptions, stock appreciation rights, conversion privileges, preemptive rights or other rights, Contracts or commitments obligating the Company to issue, transfer or sell, or to which the Company provides for the purchase or acquisition from the Company of, any shares of capital stock of the Company or any securities or debt convertible into or exchangeable for shares of capital stock of the Company, or obligating the Company to grant, extend or enter into any such securities or rights; or (iii) voting trusts or other agreements or understandings to which the Company is a party or by which the Company is bound with respect to the voting, transfer or other disposition of its shares of capital stock. Other than the Company Stockholders Agreement, the Charter Documents of the Company do not provide, and the Company is not a party to or otherwise bound by any

Contract providing, registration rights, rights of first refusal, preemptive rights, co-sale rights or other similar rights or other restrictions applicable to any outstanding securities of the Company.

(b) **Schedule 4.2(b)** accurately sets forth, as of the Effective Date, a true, correct and complete list of the holders of capital stock of the Company, including the Stockholders, that are the registered owners of any Shares and the number and type of such Shares so owned by such holder of capital stock of the Company. As of the Effective Date, the number of such Shares set forth as being so owned by such Person on **Schedule 4.2(b)** constitute the entire interest of record of such person in the issued and outstanding shares of capital stock or voting securities of the Company and no such shares shall be issued or outstanding as of the Closing Date that are not set forth on **Schedule 4.2(b)**, except for Shares issued pursuant to the exercise of outstanding Options listed on **Schedule 4.2(c)**. During the five (5) year period prior to the date hereof, the Company has not declared or paid any dividends on any shares of capital stock except as set forth on **Schedule 4.2(b)**. There is no Liability for dividends accrued and unpaid by the Company. The Company is not under any obligation to register under the Securities Act or the rules and regulations promulgated thereunder, any other applicable Law or “blue sky” laws, any shares of capital stock, any equity interests or any other securities of the Company. All issued and outstanding shares of capital stock of the Company and Options were issued in compliance with all applicable Laws and all requirements set forth in the Charter Documents and any applicable Contracts to which the Company is a party or by which the Company or any of its assets are bound.

(c) As of the Effective Date, the Company has reserved 3,454.00000 shares of Common Stock of the Company for issuance to employees, non-employee directors and contractors pursuant to the Option Plan, of which 3,454.00000 shares of Common Stock of the Company are subject to outstanding and unexercised Options, and 0.00000 shares of Common Stock of the Company have been issued upon the exercise of Options granted under the Option Plan and 0.00000 options to purchase shares of Common Stock of the Company remain available for issuance thereunder. **Schedule 4.2(c)** sets forth, as of the Effective Date, a true, correct and complete list of all outstanding Options, whether or not granted under the Option Plan, including the holders thereof and the number of shares of Common Stock of the Company subject to each Option, the “date of grant” of such Option, and the exercise price per share. In addition, **Schedule 4.2(c)** indicates which holders of outstanding Options are not employees of the Company or the Subsidiary. A true, correct and complete copy of the Option Plan, all Contracts and instruments relating to or issued under the Option Plan (including executed copies of all Contracts relating to each Option and the shares of Common Stock purchased under such Option) have been provided to Buyer, and such Option Plan and such Contracts have not been amended, modified or supplemented since being provided to Buyer, and there are no Contracts, understandings or commitments to amend, modify or supplement such Option Plan or such Contracts in any case from those provided to Buyer. The terms of the Option Plan permit the treatment of Options as provided in this Agreement. Other than the Option Plan, the Company has no other option plans. No Option is an “incentive stock option” within the meaning of Section 422 of the Code. No option grant under the Option Plan was exercised as to any unvested portion of the option.

(d) The allocation of the Purchase Price set forth in this Agreement and as reflected on the Spreadsheet, is and shall be in accordance with the Charter Documents of the Company, applicable Law and all other Contracts among the Company and any holder of securities of the Company. The information contained in the Spreadsheet with respect to the number and type of outstanding securities of the Company as of the Closing, and the registered holders thereof, will, in each case, be true and accurate.

4.3 **The Subsidiary**. The Subsidiary is the only Person in which the Company owns, directly or indirectly, any equity or ownership interest or other interest convertible into or exchangeable for any equity or ownership interest. One hundred (100) membership units of the Subsidiary are issued and outstanding as of the Effective Date (the “**Subsidiary Interests**”), and such Subsidiary Interests are duly authorized, validly issued, fully paid and nonassessable, and issued in accordance with applicable Law. The Company owns all issued and outstanding Subsidiary Interests free and clear of all Liens and free of any restriction on the right to vote, sell, transfer or otherwise dispose of such Subsidiary Interests, other than Liens arising under the Company Debt. There are no authorized or outstanding options, warrants, calls, subscriptions, stock appreciation rights, conversion privileges, preemptive rights, or other rights relating to the Subsidiary Interests or with respect to which the Subsidiary may be obligated to issue or sell any of its equity or ownership interests or other interest convertible into or exchangeable for any equity or ownership

interest. There are no outstanding obligations to repurchase, redeem or otherwise acquire any outstanding Subsidiary Interests.

4.4 **No Conflict; Required Filings and Consents**

(a) Neither the execution and delivery of this Agreement or any Ancillary Agreement by the Sellers or the Company, nor the consummation by the Sellers or the Company of the transactions contemplated hereby or thereby, nor compliance by the Sellers or the Company with any of the provisions hereof or thereof, will: (i) conflict with or result in a breach of any provisions of any of the Charter Documents of the Company or the Subsidiary; (ii) except as set forth on **Schedule 4.4(a)**, constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the loss of any rights under or the creation or imposition of a Lien upon any property or assets of the Company or the Subsidiary pursuant to, or require the obtaining by the Company or the Subsidiary of any Consent under any Contract to which any of them is a party or by which any of them or their respective properties or assets may be subject (including any Consent required to be obtained by the Company or the Subsidiary in order to keep such Contract in effect following the consummation of the Share Purchase or in order for the Company or the Subsidiary not to be in breach or violation of any such Contract) and that would, in any such event, be material to the Company and the Subsidiary, taken as a whole; or (iii) violate any Order or Law applicable to the Company or the Subsidiary or any of their respective properties or assets in any material respect.

(b) Except as set forth on **Schedule 4.4(b)**, or as may be required under the HSR Act, no Consent is required to be obtained by the Company or the Sellers for the consummation by the Sellers or the Company of the transactions contemplated by this Agreement that if not obtained would have a Material Adverse Effect on the Company.

(c) Except with respect to the HSR Filing, no Consent, Order or authorization, release or waiver of, or registration, declaration or filing with, or notice to, any Governmental Authority is necessary or is required to be made or obtained by the Company or the Subsidiary to enable the Company to lawfully execute and deliver, enter into and perform its obligations under this Agreement and each of the Ancillary Agreements or to consummate the Share Purchase and the other transactions contemplated hereby or thereby.

4.5 **Financial Statements; No Undisclosed Liabilities**

(a) Copies of the following financial statements have been delivered to Buyer or have been made available to Buyer for its review and are set forth on **Schedule 4.5(a)**: (i) the audited consolidated balance sheet of the Company and as of December 31, 2017, and the related audited consolidated statements of operations, stockholders' equity, and cash flows for the calendar year then ended, together with the notes thereto, together with the notes thereto (the "**Audited Financial Statements**"); and (ii) the unaudited consolidated balance sheet of the Company and the Subsidiary as of March 31, 2018 (such date, the "**Balance Sheet Date**" and such balance sheet, the "**Company Balance Sheet**"), and the related unaudited consolidated statement of operations for the 3-month period then ended (the "**Interim Financial Statements**" and, collectively with the Audited Financial Statements, the "**Company Financial Statements**").

(b) The Audited Financial Statements (i) have been prepared in accordance with GAAP in all material respects and applied on a consistent basis throughout the periods involved and (ii) fairly present, in all material respects, the financial position, and results of operations, stockholders' equity, and cash flows of the Company and the Subsidiary, on a consolidated basis, as of the dates and for the periods indicated. Except as set forth on **Schedule 4.5(b)**, the Interim Financial Statements (x) have been prepared by management of the Company in accordance with GAAP in all material respects and applied on a consistent basis throughout the periods involved (except for the absence of footnote disclosure and any year-end adjustments in the ordinary course consistent with past practice) and (y) fairly and accurately present, in all material respects, the financial position and results of operations of the Company and the Subsidiary, on a consolidated basis, as of the dates and for the periods indicated. The Company Financial Statements were derived from the books and records of the Company.

(c) Neither the Company nor the Subsidiary has any Liabilities of any nature that are required to be reflected in the Company Financial Statements in accordance with GAAP other than (i) those set forth or adequately provided for on the Company Balance Sheet, (ii) those incurred in the conduct of the Company's business since the Balance Sheet Date in the ordinary course of business that are of the type that ordinarily recur and, individually or in the aggregate, are not material in nature or amount to the Company and the Subsidiary, taken as a whole, and do not result from any breach of Contract or warranty or from any infringement, tort or violation of applicable Law, (iii) executory obligations pursuant to the express terms of any Contract that do not result from any breach of such Contract and (iv) those Liabilities incurred by the Company in connection with the execution of this Agreement (including Selling Expenses). Except for Liabilities reflected in the Financial Statements, the Company has no off-balance sheet Liability required to be reflected in the Company Financial Statements in accordance with GAAP to any third parties or entities, the purpose or effect of which is to defer, postpone, reduce or otherwise avoid or adjust the recording of expenses incurred by the Company. All reserves that are set forth in or reflected in the Company Balance Sheet have been established in accordance with GAAP consistently applied.

(d) **Schedule 4.5(d)** sets forth the names and locations of all banks and other financial institutions at which the Company or the Subsidiary maintains accounts and the names of all Persons authorized to make withdrawals therefrom.

(e) The accounts receivable of the Company and the Subsidiary (the "**Accounts Receivable**") as reflected on the Company Balance Sheet and as will be reflected in the Estimated Closing Statement, arose in the ordinary course of business and represent bona fide claims against debtors for sales and other charges, and have been collected or are collectible in the book amounts thereof within a time period consistent with past practice relating thereto, less an amount not in excess of the allowance for doubtful accounts provided for in the Company Balance Sheet or in the Estimated Closing Statement, as the case may be. Allowances for doubtful accounts and warranty returns have been prepared in accordance with GAAP consistently applied and in accordance with the Company's past practice and are sufficient to provide for any losses that may be sustained on realization of the applicable Accounts Receivable. The Accounts Receivable arising after the Balance Sheet Date and before the Closing Date, including all Accounts Receivable reflected in the Net Working Capital, (i) arose or shall arise in the ordinary course of business, (ii) represented or shall represent bona fide claims against debtors for sales and other charges; and (iii) have been collected or are collectible in the book amounts thereof within a time period consistent with past practice relating thereto, less allowances for doubtful accounts and warranty returns determined in accordance with GAAP consistently applied and the Company's past practice that are or shall be sufficient to provide for any losses that may be sustained on realization of the applicable Accounts Receivable. As of the Effective Date, none of the Accounts Receivable are subject to any claim of offset, recoupment, set-off or counter-claim and, to the Company's Knowledge, there are no facts or circumstances (whether asserted or unasserted) that would give rise to any such claim. No material amount of Accounts Receivable is contingent upon the performance by the Company of any obligation or Contract other than normal warranty repair and replacement. No Person has any Lien on any Accounts Receivable, and no agreement for deduction or discount has been made with respect to any such Accounts Receivable. **Schedule 4.5(e)** sets forth, as of the Effective Date, an aging of the Accounts Receivable in the aggregate and by customer. **Schedule 4.5(e)** sets forth, as of the Effective Date, such amounts of Accounts Receivable that are subject to asserted warranty claims by customers.

(f) Each item of Inventory of the Company or the Subsidiary (i) is free of any material defect or deficiency; (ii) is in good, usable and currently marketable condition in the ordinary course of business consistent with past practice (subject, in the case of raw materials and work-in-process, to the completion of the production process); and (iii) is properly reflected in the books and records at the lesser of cost and fair market value, with adequate obsolescence reserves, all as determined in accordance with GAAP. Since the Balance Sheet Date, there have not been any write-downs of the value of, or establishment of any reserves against, any Inventory of the Company or the Subsidiary, except for write-downs and reserves in the ordinary course of business consistent with past practice.

(g) **Schedule 4.5(g)** sets forth a true, correct and complete list of all Company Debt, including, for each item of Company Debt, the agreement governing such item of Company Debt.

4.6 **Taxes**. Except as set forth on the applicable subsection of **Schedule 4.6**:

(a) The Company and the Subsidiary have each filed all income Tax Returns and all other material Tax Returns that it was required to file and has paid all Taxes due and payable (whether or not shown thereon as due and owing). All such Tax Returns are correct and complete in all material respects. The Company has delivered or made available to Buyer or its counsel true, correct and complete copies of all Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company or the Subsidiary, in each case for any Taxable period the statute of limitations for which has not expired.

(b) The Company Financial Statements reflect all Liabilities for unpaid Taxes of the Company and/or the Subsidiary for periods (or portions of periods) through the Balance Sheet Date. Neither the Company nor the Subsidiary has any Liabilities for unpaid Taxes accruing after the Balance Sheet Date except for Taxes arising in the ordinary course of business subsequent to the Balance Sheet Date.

(c) Neither the Company nor the Subsidiary has been or will be required to include any adjustment in Taxable income for any Tax period (or portion thereof) pursuant to Section 481 or 263A of the Code or any comparable provision under state, local or foreign Tax Laws as a result of transactions, events or accounting methods employed prior to the Closing.

(d) Neither the Company nor the Subsidiary is a party to or bound by any Tax sharing, Tax indemnity or Tax allocation agreement nor does the Company or the Subsidiary have any Liabilities or potential Liabilities to another party under any such agreement, in each case, other than any Commercial Tax Agreement.

(e) Neither the Company nor the Subsidiary will be required to include in income, or exclude any item of deduction from, Taxable income for any Tax period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a Tax period ending on or prior to the Closing Date, (ii) "closing agreement" described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax Law), (iii) installment sale or open transaction disposition made on or prior to the Closing Date, or (iv) prepaid amount received prior to the Closing outside the ordinary course of business.

(f) either the Company nor the Subsidiary has any Liability for Taxes arising from Section 965 of the Code.

(g) The Company and the Subsidiary are in compliance with all applicable transfer pricing laws and regulations, including the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Company. The prices for any property or services (or for the use of any property) provided by or to the Company are arm's length prices for purposes of all applicable transfer pricing laws, including the Treasury Regulations promulgated under Section 482 of the Code.

(h) Neither the Company nor the Subsidiary is, nor has been in the last five (5) years, a "United States real property holding corporation" within the meaning of Section 897 of the Code, and the Company and each Subsidiary has filed with the Internal Revenue Service all statements, if any, that are required under Section 1.897-2(h) of the Treasury Regulations.

(i) Neither the Company nor the Subsidiary has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for Tax-free treatment under Section 355 of the Code (A) in the two years prior to the date of this Agreement or (B) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement.

(j) Neither the Company nor the Subsidiary has agreed to any extension or waiver of the statute of limitations applicable to any Tax Return, or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired.

(k) Neither the Company nor the Subsidiary is a party to any Tax allocation or sharing agreement, in each case, other than any Commercial Tax Agreement.

(l) The Company and the Subsidiary have withheld and paid all material Taxes required to have been withheld and paid in connection with any amounts paid by the Company or the Subsidiary to any employee, independent contractor, creditor, stockholder, or other third party.

(m) There are no Liens for unpaid Taxes on the assets of the Company or the Subsidiary, except for Permitted Liens.

(n) There is no Action, or, to the Company's Knowledge, investigation or examination, pending with respect to the Company or the Subsidiary in respect of any Tax.

(o) Neither the Company nor the Subsidiary: (i) has been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code (other than a group the common parent of which is the Company); or (ii) has any Liability for Taxes of any Person (other than the Company and the Subsidiary) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor or by contract other than any Commercial Tax Agreement.

(p) No written claim has been made by a Taxing Authority in a jurisdiction where the Company or a Subsidiary does not file Tax Returns such that the Company or the Subsidiary is or may be subject to taxation by, or required to file any Tax Return in, that jurisdiction.

(q) Neither the Company nor the Subsidiary has engaged in any "listed transactions" within the meaning of Treasury Regulation Section 1.6011-4(b)(2).

4.7 **Title to Properties**. The Company or the Subsidiary has good and valid title to all of the properties and assets, tangible or intangible, reflected in the Interim Financial Statements as being owned by the Company or the Subsidiary, free and clear of all Liens, except for Permitted Liens, excluding properties and assets sold or disposed of by the Company or the Subsidiary since the Balance Sheet Date in the ordinary course of business consistent with past practice, or with respect to leased properties and assets, valid leasehold interests in such properties and assets that accord the Company or the Subsidiary valid leasehold possession of the properties and assets that are the subject of such leases, free and clear of all Liens, except for Permitted Liens. The assets and properties owned or leased by the Company and the Subsidiary (a) constitute all of the assets and properties that are necessary for the Company and the Subsidiary to conduct, operate and continue the conduct of the business of the Company and the Subsidiary as currently conducted, and (b) constitute all of the assets and properties that are used in the conduct of the business of the Company and the Subsidiary as currently conducted.

4.8 **Real Property**.

(a) Neither the Company nor the Subsidiary owns any Real Property.

(b) **Schedule 4.8(b)** contains a listing of all of the Real Property leased by the Company or the Subsidiary (the "***Leased Real Property***"). The Real Property listed on **Schedule 4.8(b)** comprises all Real Property used in the conduct of the business and operations of the Company and the Subsidiary as currently conducted. All Leased Real Property is held under leases or subleases (collectively, the "***Real Property Leases***") that are, in all material respects, valid instruments, enforceable in accordance with their respective terms, except as limited by the General Enforceability Exceptions. There is no default or breach by the Company or the Subsidiary, as applicable, or, to the Company's Knowledge, any other party, in the timely performance of any obligation to be performed or paid under any such Real Property Lease or any other material provision thereof. The Company has provided Buyer with true, correct and complete copies of all Real Property Leases, including all modifications, amendments and supplements thereto.

4.9 **Compliance with Laws**. Except as set forth on the applicable subsection of **Schedule 4.9**:

(a) The Company and the Subsidiary are, and for the past five years have been, in material compliance, with all applicable Laws and Orders.

(b) Neither the Company nor the Subsidiary has received written notification or, to the Company's Knowledge, other communication from any Governmental Authority (i) asserting that the Company or the Subsidiary is not in compliance with any Law, Permit or Order or (ii) revoking, withdrawing, suspending, cancelling, terminating or effecting such other material adverse modification to, threatening to revoke, withdraw, suspend, cancel, terminate or effect such other material adverse modification to, any material Permit owned or held by the Company or the Subsidiary.

(c) All materials, products and services distributed or marketed by the Company or the Subsidiary have made all material disclosures to users or customers required by applicable Law, and none of such disclosures made or contained in any such materials have been inaccurate, misleading or deceptive in any material respect.

(d) None of the Company, the Subsidiary, or any Person acting for or on behalf of the Company, or on behalf of the Subsidiary, has taken any action directly or indirectly in furtherance of an offer, payment, promise to pay, or authorization or approval of any bribe, payoff, influence payment, kickback, or other similar payment to any Person (including any Governmental Authority (or employee or representative thereof)), government owned or controlled enterprise, public international organization, political party and candidate for public office), regardless of what form, whether in money, property, or services (i) to obtain favorable treatment for business or Contracts secured, (ii) to pay for favorable treatment for business or Contracts secured, (iii) to obtain special concessions or for special concessions already obtained, (iv) to improperly influence or induce any act or decision, (v) to secure any improper advantage, or (vi) in violation of applicable Law (including the U.S. Foreign Corrupt Practices Act). The Company has established internal controls and procedures to promote and achieve compliance by the Company and the Subsidiary with the U.S. Foreign Corrupt Practices Act and with the matters described in the representation and warranty contained in the first sentence of this **Section 4.9(d)**. Neither the Company nor the Subsidiary has conducted or initiated an internal investigation, made a voluntary or other disclosure to a Governmental Authority, or been the subject of any legal proceedings or governmental investigation or inquiries or received any notice or citation from any Governmental Authority, in each case, related to alleged violations of applicable criminal law including anti-bribery and anti-money laundering laws such as the U.S. Foreign Corrupt Practices Act. No governmental official and no family member of a governmental official (i) holds or will hold an ownership or other economic interest, direct or indirect in the Company or the Subsidiary, (ii) serves as a representative of the Company or the Subsidiary, or (iii) will receive any improper economic benefit from the Company or the Subsidiary as a result of the Share Purchase or the other transactions contemplated hereby.

(e) Neither the Company, nor the Subsidiary, nor any employees of the Company or the Subsidiary is acting on the Company's or the Subsidiary's behalf, nor to the Company's Knowledge, any agents acting on behalf of the Company or the Subsidiary: (i) has been or is designated on the OFAC Specially Designated Nationals and Blocked Persons List, Commerce's Denied Persons List or Entity List, and the State Department's Debarred List or other similar lists maintained by applicable jurisdictions, (ii) has participated in any transaction involving such designated Person, or any country subject to an embargo or substantial restrictions on trade under the U.S. sanctions administered by OFAC, (iii) has exported (including deemed exportation) or re-exported, directly or indirectly, any commodity, software, technology, or services in violation of any applicable U.S. export control or economic sanctions laws, regulations, or orders administered by OFAC, Commerce, or the State Department, or (iv) has participated in any transaction connected with any purpose prohibited by U.S. export control and economic sanctions laws, including, without limitation, support for international terrorism and nuclear, chemical, or biological weapons proliferation.

4.10 **Permits**. The Company and the Subsidiary have and hold all material Permits that are required in connection with their respective businesses as currently conducted. With respect to the products listed on the Summary Product Development Pipeline (" **Pipeline Products** "), the Company and Subsidiary have made, or have started to make, commercially reasonable efforts to obtain, to the extent the Key Employees reasonably believe it is necessary

to commence such efforts prior to the Closing Date, the material Permits required for such Pipeline Products that the Key Employees intend for the Company to sell.

4.11 **Employee Benefit Plans**

(a) **Schedule 4.11(a)** sets forth a complete list of: (i) all “employee benefit plans,” as defined in Section 3(3) of ERISA; (ii) all other material employment, consulting, severance pay, salary continuation, bonus, incentive, change in control, stock option, other equity incentive, retirement, pension, profit sharing, medical, dental, other health and welfare, or deferred compensation plans, contracts, programs, funds or arrangements of any kind; and (iii) all other material employee benefit plans, contracts, programs, funds or arrangements, in each case, in respect of any current employees of the Company and the Subsidiary (or former employees to the extent the Company or the Subsidiary could have any remaining Liability thereunder) that are sponsored or maintained by the Company or the Subsidiary or with respect to which the Company or the Subsidiary is required to make payments, transfers, or contributions or otherwise has or could have any Liability (all of the above being hereinafter referred to as “***Employee Plans***”).

(b) Except as set forth on **Schedule 4.11(b)**, copies of the following materials have been made available to Buyer: (i) all current plan documents for each Employee Plan (or a written description of any Employee Plan that has not been reduced to writing); (ii) all determination letters from the IRS with respect to any of the Employee Plans; (iii) all current summary plan descriptions, summaries of material modifications, annual reports, and summary annual reports with respect to the Employee Plans; (iv) all current trust agreements and insurance contracts relating to the funding or payment of benefits under any Employee Plan; (v) all material correspondence to or from any Governmental Authority received in the last three years relating to an Employee Plan, and (vi) all discrimination test results for the most recent three plan years.

(c) Each Employee Plan has been maintained, operated, and administered in all material respects in compliance with its terms and any related documents or agreements and in compliance with all applicable Laws. Each Employee Plan intended to be qualified under Section 401(a) of the Code has obtained a currently effective favorable determination letter from the IRS as to its qualified status (or the qualified status of the master or prototype form on which it is established).

(d) There have been no prohibited transactions or breaches of any of the duties imposed on “fiduciaries” (within the meaning of Section 3(21) of ERISA) by ERISA with respect to the Employee Plans that could result in any material Liability or excise Tax under ERISA or the Code being imposed on the Company.

(e) Neither the Company nor any member of the Controlled Group currently or at any time in the past six years has maintained, sponsored, contributed to, or had an obligation to contribute to a plan subject to Title IV of ERISA, a plan subject to the funding standards of Section 302 of ERISA or Section 412 of the Code, or a “multiemployer plan” as defined in Section 3(37) of ERISA or Section 414(f) of the Code. Neither the Company nor the Subsidiary currently or at any time in the past has maintained or sponsored a plan described in Section 413 of the Code.

(f) With respect to each group health plan benefiting any current or former employee of the Company or any member of the Controlled Group that is subject to Section 4980B of the Code, the Company and each member of the Controlled Group has complied in all material respects with the continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA. Neither the Company nor the Subsidiary is subject to any liability for noncompliance or any excise tax or penalty under Sections 4971 through 4980H of the Code or Title I of ERISA.

(g) No Employee Plan provides, or reflects or represents any liability to provide, benefits (including, without limitation, death or medical benefits), whether or not insured, with respect to any former or current employee, or any spouse or dependent of any such employee, beyond the employee’s retirement or other termination of employment with the Company or any member of the Controlled Group other than (i) coverage mandated by Part 6 of Title I of

ERISA or Section 4980B of the Code or (ii) death or retirement benefits under any Employee Plan that is intended to be qualified under Section 401(a) of the Code.

(h) There is no pending, or to the Company's Knowledge, threatened audit, assessment, Action, or investigation of any kind before any Governmental Authority with respect to any Employee Plan (other than routine claims for benefits).

(i) Except as expressly contemplated by this Agreement, the execution of this Agreement and the consummation of the transactions contemplated by this Agreement (alone or together with any other event which, standing alone, would not by itself trigger such entitlement or acceleration) will not (i) entitle any Person to any payment, forgiveness of indebtedness, vesting, distribution, or increase in benefits under or with respect to any Employee Plan, (ii) otherwise trigger any acceleration (of vesting or payment of benefits or otherwise) under or with respect to any Employee Plan, or (iii) trigger any obligation to fund any Employee Plan, in each case, except as set forth on **Schedule 4.11(i)**.

(j) Except as set forth on **Schedule 4.11(j)**, no amount or benefit that could be received (whether in cash or property or the vesting of property or the forgiveness of debt or otherwise) as a result of any of the transactions contemplated by this Agreement by any current or former employee, officer, consultant or director of the Company or any of its Affiliates who is a "disqualified individual" (as such term is defined in Treasury Regulation Section 1.280G-1) could be characterized as an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code).

(k) No Employee Plan has failed to comply with Section 409A of the Code in a manner that would result in any tax, interest or penalty thereunder. No Option (whether currently outstanding or previously exercised) is, has been or would be, as applicable, subject to any tax, penalty or interest under Section 409A of the Code. Neither the Company nor the Subsidiary has any liability or obligation to pay or reimburse any taxes, or related penalties or interest, that may be incurred pursuant to Code Section 4999 or Code Section 409A.

(l) No Employee Plan is maintained outside the jurisdiction of the United States, or covers any employee residing or working outside the United States.

4.12 **Material Contracts**.

(a) Set forth on **Schedule 4.12(a)** is a list, divided by the appropriate subsection set forth below, of each of the following Contracts to which the Company or the Subsidiary is a party or by which any of their respective properties or assets are bound (other than Contracts related to the Real Property and the Employee Plans) as of the Effective Date (the "**Material Contracts**"):

(i) each partnership, joint venture or similar Contract that has involved, or involves or contemplates, a share of revenues, profits, cash flows or losses with any other party or a payment of royalties to any other party;

(ii) each Contract providing for capital expenditures by the Company or the Subsidiary with an outstanding amount of unpaid obligations and commitments in excess of \$50,000;

(iii) each Contract under which the Company or the Subsidiary makes an assignment of, or grants any license or rights under, Intellectual Property to a Person, but excluding non-disclosure agreements granting only a limited right to use the confidential information of a Person for evaluative purposes and Contracts for the sale of Company Services and Products that include only a non-exclusive license and are entered into in the ordinary course of business;

(iv) each Contract under which a Person makes an assignment of, or grants any license or rights under, Intellectual Property to the Company or the Subsidiary, but excluding (i) Contracts with current and former employees and independent contractors of the Company or the Subsidiary entered into on the Company's or the Subsidiary's standard form thereof (or a substantially similar form), (ii) non-disclosure agreements entered

into in the ordinary course of business granting only a limited right to use the confidential information of a Person for evaluative purposes, (iii) licenses of Open Source Software, and (iv) Contracts for the license or provision of software (including software as a service) that is not incorporated into Company Services and Products and available for an aggregate annual cost of \$50,000 or less;

(v) each lease, sublease, occupancy or co-location agreement or other Contract under which it is lessee of or holds or operates any items of tangible personal property or real property owned by any third party, or under which it is lessor or sublessor;

(vi) each Contract that restricts the Company or the Subsidiary from (A) engaging in any aspect of its business, (B) participating or competing in any line of business or market, (C) freely setting prices through the inclusion of most favored customer pricing provisions, (D) engaging in any business in any market or geographic area or that grants any exclusive rights, rights of refusal or rights of first negotiation rights to any party, or (E) soliciting potential employees or customers, except, in any case, for permitted use restrictions under real property leases;

(vii) each Contract relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any shares of its capital stock or other securities or any options, warrants or other rights to purchase or otherwise acquire any such shares of capital stock, other securities or options, warrants, or other rights therefor, except for those Contracts either conforming to the standard Company Option agreements under the Option Plan;

(viii) each Contract with any director, officer, employee or consultant of the Company or the Subsidiary that provides for compensation in any calendar year in excess of \$150,000 or is not immediately terminable by the Company or the Subsidiary without cost, advance notice or Liability;

(ix) each Contract with any company, firm or agency that provides temporary staffing, leased employees, or independent contractors to perform services for the Company or the Subsidiary;

(x) each Contract which provides for indemnification of any employee, officer, director or supplier of the Company or the Subsidiary, except for those Contracts for the purchase or sale of goods and services entered into in the ordinary course of business;

(xi) each Contract with any labor union, works council, employee representation group or similar labor organization, or any collective bargaining agreement or similar Contract with or regarding the employees of the Company or the Subsidiary;

(xii) each power of attorney;

(xiii) each Contract with a Governmental Authority or higher-tiered contractor under any Contract with a Governmental Authority; and

(xiv) each Contract that requires the Company or the Subsidiary to make or entitles the Company or the Subsidiary to receive payments equal to or more than \$100,000 in any twelve (12) month period that is not terminable upon less than 30 days' prior written notice by the Company or the Subsidiary, as applicable.

(b) A true and complete copy of each Contract required by **Section 4.12(a)** to be listed on an applicable subsection of **Schedule 4.12(a)** has been made available to Buyer. All Material Contracts are in written form. Each of the Material Contracts is in full force and effect and is a legal, valid and binding agreement of the Company or the Subsidiary, as applicable, and, to the Company's Knowledge, the counterparty thereto, subject only to the General Enforceability Exceptions, and there is no material default, violation or breach by the Company or the Subsidiary, as applicable, or, to the Company's Knowledge, any other party thereto, of or under such Material Contract. There does not exist under any Material Contract, to the Company's Knowledge, any event, occurrence, condition or act, with

respect to the Company, the Subsidiary, or any other party thereto, which, with or without the giving of notice or the lapse of time, would reasonably be expected to (i) become a default or event of default under any Material Contract or (ii) give any third party (A) the right to declare a default or exercise any remedy under any Material Contract, (B) the right to a rebate, chargeback, refund, credit, penalty or change in performance schedule under any Material Contract, (C) the right to accelerate the maturity or performance of any obligation of the Company or the Subsidiary under any Material Contract, or (D) the right to cancel, terminate or materially modify any Material Contract. The Company and the Subsidiary, as applicable, have performed in all material respects all of the obligations required to be performed by it prior to the Effective Date and will have performed in all material respects all of the obligations required to be performed by it prior to the Closing Date. Neither the Company nor the Subsidiary has received any written notice or, to the Company's Knowledge, other communication regarding any actual or possible violation or breach of or default under, or intention to cancel or materially modify, any Material Contract.

4.13 **Legal Proceedings**. Except as set forth on **Schedule 4.13**, there are no Actions or, to the Company's Knowledge, investigations or examinations, pending or, to the Company's Knowledge, threatened against the Company, the Subsidiary, their respective assets or properties or against any officer, director, employee or consultant of the Company or the Subsidiary in their capacities as such or relating to their employment, service or relationship to or with the Company or the Subsidiary. Neither the Company, the Subsidiary, any of their respective assets or properties nor any of their respective officers, directors, employees or consultants in their capacities as such or relating to their employment, service or relationship to or with the Company or the Subsidiary, is subject to any unsatisfied or outstanding Order. To the Company's Knowledge, there are no facts or circumstances that would reasonably be expected to form a reasonable basis for such Action, investigation or examination against the Company, the Subsidiary or any of their respective assets or properties. Neither the Company nor the Subsidiary has any Action pending against any Governmental Authority or other Person.

4.14 **Intellectual Property**.

(a) **Schedule 4.14(a)** sets forth a complete and accurate list of all of the following that are owned, filed in the name of, or applied for, by the Company or the Subsidiary with a Governmental Authority as of the Effective Date: (i) issued patents and pending patent applications; (ii) registered Trademarks and applications therefor; (iii) registered Copyrights and applications therefor; and (iv) Domain Names, including for each item, the name of the recorded owner, applicable jurisdiction, status, application and registration number (if applicable), and date of application or registration (if applicable) (collectively, the "***Company Registered IP***"). There are no pending or threatened Actions, or, to the Company's Knowledge, investigations or examinations, before any Governmental Authority (excluding routine prosecution efforts before the United States Patent and Trademark Office or equivalent authority anywhere in the world) in which the Company Registered IP is involved. Any and all renewal and maintenance fees, annuities or other fees payable to, and any and all documents, recordations, and certificates required or necessary to be filed with, any Governmental Authority to maintain, perfect, renew, maintain, or preserve the Company Registered IP as active and due prior to the Effective Date have been paid in full, notwithstanding the availability of any grace

period for such payments or filings. All of the Company Registered IP is valid, subsisting and, excluding pending applications, enforceable in accordance with applicable Law.

(b) The Company or the Subsidiary has recorded each assignment of rights in Company Registered IP to the Company or the Subsidiary by a Person with the applicable Governmental Authority. Except as set forth on **Schedule 4.14(b)**, the Company or the Subsidiary has good, exclusive, and valid title to the Company-Owned Intellectual Property, free and clear of all Liens, other than Permitted Liens. All Company-Owned Intellectual Property will be fully transferable, alienable and licensable by the Company or the Subsidiary following the Closing Date without restriction and without payment of any kind to any Person in the same manner and to the same extent as immediately prior to the Closing Date.

(c) Except as set forth on **Schedule 4.14(c)**, neither the Company nor the Subsidiary has: (i) transferred or assigned ownership of any Company-Owned Intellectual Property that was, at the time of transfer or assignment, material to the Company or the Subsidiary; (ii) granted any exclusive license of or exclusive right to Company-Owned Intellectual Property; (iii) authorized or agreed to joint ownership of Company-Owned Intellectual Property; or (iv) permitted the Company's or the Subsidiary's rights in any Company-Owned Intellectual Property to lapse or enter the public domain.

(d) No Company-Owned Intellectual Property or Company Services and Products are (i) subject to any order, decree, or judgment of a Governmental Authority restricting the use, transfer, or licensing thereof by the Company or the Subsidiary, or which may affect the validity, use or enforceability of such Company-Owned Intellectual Property or Company Services or Products, (ii) the subject of any current Action or, to the Company's Knowledge, investigation or examination, and, to the Company's Knowledge, no Action, investigation or examination is threatened against the Company or the Subsidiary involving the Company-Owned Intellectual Property, except for office actions by the applicable Governmental Authorities in the normal course of prosecution efforts to register the Company Registered IP listed on **Schedule 4.14(a)**.

(e) Except as set forth on **Schedule 4.14(e)**, the operation of the business of the Company and the Subsidiary, including the design, development, manufacture, use, import, sale licensing or other exploitation of the Company Services and Products, has not infringed, violated, diluted, or misappropriated any Intellectual Property of any Person or constituted unfair competition or trade practices under applicable law and does not infringe, violate, dilute, or misappropriate any Intellectual Property of any Person or constitute unfair competition or trade practices under applicable law. Except as set forth on **Schedule 4.14(e)**, there are no, and have been no, Actions, or the Company's Knowledge, investigations or examinations, alleging any such infringement, misappropriation, violation, dilution, unfair competition or trade practices by the Company or the Subsidiary and neither the Company nor the Subsidiary has received written notice from any Person with respect thereto. Neither the Company nor the Subsidiary has received notice from any Person alleging that the Company or the Subsidiary is obligated or has a duty to defend, indemnify, or hold harmless any other Person with respect to, or has assumed any Liabilities or is otherwise responsible for, any such allegations of infringement, misappropriation, violation, dilution, unfair competition or trade practices.

(f) Except as set forth on **Schedule 4.14(f)**, to the Company's Knowledge, no Person has infringed, violated, diluted, or misappropriated, or is infringing, violating, diluting, or misappropriating, any Company-Owned Intellectual Property. Neither the Company nor the Subsidiary has provided any Person with any notice alleging such infringement, violation, dilution, or misappropriation and there are no, and have been no Actions, or, to the Company's Knowledge, investigations or examinations, to which the Company or the Subsidiary is or was a party with respect to any such infringement, violation, dilution, or misappropriation.

(g) Neither this Agreement nor the transactions contemplated hereby will result in, or give any other Person the right or option to cause, pursuant to any Contract to which the Company or the Subsidiary is a party: (i) a loss of, or imposition of any Lien on, any Company-Owned Intellectual Property or Intellectual Property owned by Buyer or its Affiliates; (ii) any Person being granted rights or access to, or the placement in or release from escrow, of any Technology, including Company Source Code; (iii) the Company, the Subsidiary, Buyer or any of Buyer's Affiliates granting or assigning to any Person any right in or license to any Intellectual Property; (iv) the Company, the Subsidiary

Buyer or any of Buyer's Affiliates being bound by, or subject to, any non-compete or other contractual restriction on the operation or scope of their business; (v) the termination or material alteration of the Company's or the Subsidiary's right in or to any Company-Owned Intellectual Property or Buyer's or Buyer's Affiliates' rights in or to any Intellectual Property owned by Buyer or Buyer's Affiliates; or (vi) the Company, the Subsidiary, Buyer or any of Buyer's Affiliates being obligated to pay any royalties or other amounts to any Person in excess of those payable by the Company or the Subsidiary prior to the Closing Date.

(h) Each of the Company and the Subsidiary takes and has taken at all times reasonable steps to protect the rights of the Company or the Subsidiary in their confidential information and trade secrets, and any confidential information or trade secrets of third parties provided to the Company or the Subsidiary under an obligation of confidentiality (collectively, "**Confidential Information**"). Without limiting the foregoing, neither the Company nor the Subsidiary has disclosed material Confidential Information except pursuant to a written agreement or contract containing customary non-disclosure and confidentiality restrictions. To the Company's Knowledge, no current or former employee, consultant, or independent contractor of the Company or the Subsidiary has either misappropriated or disclosed without authorization any such Confidential Information.

(i) Each of the Company and the Subsidiary has required each current and former employee, consultant, and independent contractor who is or was involved in, or has participated in or contributed to, the conception, development, authoring, creation, or reduction to practice of any material Intellectual Property for or on the behalf of the Company or the Subsidiary to execute a valid and enforceable agreement in the applicable form(s) set forth in **Schedule 4.14(i)** or such other form(s) that is similar in all material respects with the form(s) set forth on **Schedule 4.14(i)** that assigns to the Company or the Subsidiary all of such employee's, consultant's, or independent contractor's right, title, and interest in and to such Intellectual Property, and all such current and former employees, consultants, and independent contractors have executed such an agreement. To the Company's Knowledge, (i) no such employee, consultant, or independent contractor is, or has been in, breach of such agreements and (ii) no current or former employee, consultant, or independent contractor of the Company or the Subsidiary is bound by any agreement restricting such employee, consultant, or independent contractor from performing such employee's, consultant's, or independent contractor's duties for the Company or the Subsidiary or in breach of any agreement with any former employer or other Person concerning Intellectual Property or confidentiality due to such employee's, consultant's, or independent contractor's activities as an employee, consultant, or independent contractor of the Company or the Subsidiary.

(j) No funding of a Governmental Authority, or funding, facilities or resources of a university, college, hospital, military, other educational institution or research center or direct funding from third parties was used in the creation or development of any Company Services and Products or Company-Owned Intellectual Property. To the Company's Knowledge, no current or former employee, consultant or independent contractor of the Company or the Subsidiary, who was involved in, or who contributed to, the creation or development of any Company Services and Products or Company-Owned Intellectual Property, has performed services for a Governmental Authority, university, college, hospital, military, or other educational institution or research center during a period of time (or for the one year period preceding the period of time) during which such employee, consultant or independent contractor was also performing services for the Company or the Subsidiary.

(k) Neither the Company nor the Subsidiary has participated in any standards setting process nor made or undertaken any commitment or obligation to license, or offer to license, any Intellectual Property as a result of or in connection with its participation in any standards-setting process.

(l) **Schedule 4.14(l)** sets forth a list of all Open Source Software that has been used in, incorporated into, integrated or bundled with any Company Services and Products or distributed by or on behalf of the Company or the Subsidiary, and for each such item of Open Source Software: (i) the name and version number of the Open Source Software; (ii) the name and version number of the applicable license; (iii) the manner in which such Open Source Software is used in, incorporated into, integrated or bundled with any Company Services and Products (including, as applicable, the manner and extent to which such item of Open Source Software interoperates with any Company Services and Products, such as by static or dynamic linking, inheritance, pipes, files, APIs, function calls, etc.); (iv) whether such Open Source Software was modified by or on behalf of the Company or the Subsidiary; and (v) whether

such Open Source Software was distributed by or on behalf of the Company or the Subsidiary. Each of the Company and the Subsidiary is in compliance with all licenses for Open Source Software used by the Company or the Subsidiary in any manner. Neither the Company nor the Subsidiary uses or has used any Open Source Software or any modification or derivative thereof in a manner that would condition the license governing such Open Source Software on the Company's or the Subsidiary's (A) distributing or disclosing Company Services and Products or other Technology in source code form; (B) licensing the Company Services and Products or other Technology or Intellectual Property for the purpose of making modifications or derivative works; or (C) licensing or distributing the Company Services and Products or other Technology or Intellectual Property at no charge.

(m) **Schedule 4.14(m)** sets forth a complete and accurate list of: (i) each Person (other than current employees of the Company or the Subsidiary) that has a copy of or right to license or possess the source code for any software used or incorporated into the Company Services and Products (such software source code, "**Company Source Code**") and (ii) any Contract (including any source code escrow agreement) governing any Person's possession of or license to Company Source Code, whether contingent or not-contingent. All of such Persons have executed valid and enforceable contracts or agreements with the Company or the Subsidiary that require such Person to maintain the confidentiality of Company Source Code, and to the Company's Knowledge, none of such contracts or agreements has been breached. No Person has claimed or demanded that any Company Source Code that is held in escrow be delivered or released by the escrow agent, and no Company Source Code which is held in escrow has ever been delivered or released by the escrow agent to any Person other than the Company or the Subsidiary. No event has occurred and no circumstance exists that, with or without the passage of time, will entitle any Person to receive any Company Source Code from an escrow agent or otherwise.

(n) To the Company's Knowledge, neither the Company Services and Products nor the Company IT Systems contain or have ever contained any virus, Trojan horse, worm, or other software routines or hardware components designed to permit unauthorized access, to disable, erase, or otherwise harm software, hardware or data (collectively, "**Contaminants**"). There are, and for the past three (3) years have been, no material defects, technical concerns or problems in any of the Company Services and Products that would prevent the same from performing substantially in accordance with their user specifications or functionality descriptions (collectively, "**Technical Deficiencies**"). Neither the Company nor the Subsidiary has received any complaints from any customers related to any Contaminants or Technical Deficiencies.

(o) Each of the Company and the Subsidiary has taken commercially reasonable steps to protect and ensure proper operation, monitoring and use of any and all information technology and computer systems (including software, hardware and other equipment, firmware and embedded software) relating to the transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data and information whether or not in electronic format, which technology and systems are used in the conduct of the business of the Company or the Subsidiary (the "**Company IT Systems**"). The Company IT Systems are, as a whole, adequate and sufficient, and in good working condition to effectively perform all information technology operations necessary, for the conduct of the business of the Company and the Subsidiary. Neither the Company nor the Subsidiary has experienced within the past thirty-six (36) months any material disruption to, or material interruption in, its conduct of its business attributable to a defect, bug, breakdown or other failure or deficiency on the part of the Company IT Systems. To the Company's Knowledge, there have been no material unauthorized intrusions or breaches of the security of the Company IT Systems, and the data and information which they store or process has not been corrupted in any discernible manner or accessed without the authorization of the Company or the Subsidiary. Each of the Company and the Subsidiary has taken commercially reasonable steps to provide for the back-up and recovery of the data and information critical to the conduct of its business without material disruption to, or material interruption in, the conduct of its business.

(p) Each of the Company and the Subsidiary has: (i) put in place procedures and arrangements to ensure and monitor compliance with Data Protection Legislation, including taking all steps reasonably necessary (including implementing and monitoring compliance with adequate measures with respect to technical and physical security) to ensure that Personal Data is protected against loss and against unauthorized access, use, modification, disclosure or other misuse; (ii) complied with all relevant requirements of Data Protection Legislation, including requests from data subjects for access to any data held and notification to the relevant data protection regulator by data controllers of the

processing of Personal Data; and (iii) not received any notices or offers from the data protection regulator in any jurisdiction, a data controller or a data subject in relation to the Company or the Subsidiary and which claimed compensation under or alleged non-compliance with any Data Protection Legislation or prohibited the transfer of Personal Data pursuant to applicable law and has no reason to believe that circumstances exist that may give rise to any such notice or order. Each of the Company and the Subsidiary has complied with all of its privacy policies relating to the collection, storage, transfer and any other processing of any Personal Data collected or used by the Company or the Subsidiary in any manner.

(q) Neither the Company, the Subsidiary nor any of their respective directors, officers, managers or employees has disclosed, provided, or transferred to, or shared with, DPA Microphones any Confidential Information or any Company-Owned Intellectual Property.

4.15 **Insurance**. **Schedule 4.15** sets forth, as of the Effective Date, all policies of insurance (together with the name of the insurer under each such policy and the type of policy) maintained by the Company or the Subsidiary and covering the Company, the Subsidiary and/or their respective businesses, and such policies are in full force and effect, and neither the Company nor the Subsidiary has received written notice or, to the Company's Knowledge, other communication regarding the cancellation or termination of any such insurance policies or any material premium increase with respect thereto. There are no material claims pending under any such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies. All premiums due and payable under all such policies have been timely paid, and the Company and the Subsidiary are in material compliance with the terms of such policies. The Company has made available to Buyer correct and complete copies of all such insurance policies.

4.16 **Personnel**.

(a) Neither the Company nor the Subsidiary is or ever has been a party to or subject to any collective bargaining agreements. As of the Effective Date, to the Company's Knowledge: (a) no labor union or other collective bargaining unit represents or claims to represent any of the Company's or the Subsidiary's employees; and (b) there is no union campaign being conducted to solicit cards from employees to authorize a union to request a National Labor Relations Board certifications election with respect to the Company's or the Subsidiary's employees. During the prior three (3) years, neither the Company nor the Subsidiary has experienced any union organization attempts, labor disputes, work stoppage, strikes, picketing, or slowdowns due to labor disagreements or organizing efforts.

(b) **Schedule 4.16(b)** accurately sets forth as of the Effective Date all current employees of the Company and the Subsidiary, and for each such employee, his or her: (i) employer; (ii) primary office or work location; (iii) job position, (iv) classification as full-time, part-time or seasonal, (v) classification as exempt or non-exempt under applicable state and federal overtime Laws, (vi) hourly rate of compensation or base salary (as applicable), (vii) target incentive compensation for 2018 (commission and/or bonus, as applicable), (viii) any other material compensation or allowance, (ix) accrued but unused vacation as of the date of this Agreement, (x) standard number of hours of work per week (for non-exempt and part-time employees), (xi) visa type (if any), and (xii) commencement date of employment with the Company or the Subsidiary. Except as set forth on **Schedule 4.16(b)**, all employees of the Company or the Subsidiary based in the United States may be terminated at any time, with or without cause, with or without advance notice, and without any obligation to provide severance payments or benefits.

(c) **Schedule 4.16(c)** accurately lists as of the Effective Date all independent contractors of the Company and the Subsidiary and all the Contracts of the Company or the Subsidiary with such independent contractors. The Company and the Subsidiary are in material compliance with all applicable Laws relating to the engagement of all independent contractors and leased employees. During the prior three (3) years, all independent contractors providing services to the Company or the Subsidiary have been properly classified as independent contractors for purposes of federal and applicable state tax Laws, Laws applicable to employee benefits and other Laws.

(d) At all times during the past three (3) years, the Company and the Subsidiary have complied in all material respects with all applicable Laws relating to the employment of labor, including but not limited to Laws relating to discrimination, harassment, retaliation, terms and conditions of employment, worker classification (including

the proper classification of workers as independent contractors and consultants), wages, hours, termination of employment, occupational safety and health, employee privacy, data privacy, and employment practices, including the Immigration Reform and Control Act, and has not engaged in any unfair labor practice. Except as set forth on **Schedule 4.16(d)**, during the prior three (3) years, there are no and there have been no Actions, or, to the Company's Knowledge, investigations or examinations, pending or, to the Company's Knowledge, threatened against the Company or the Subsidiary or, to the Company's Knowledge, any of their officers, directors or employees (in their capacity as such) before any Governmental Authority concerning alleged employment discrimination, violation of any Law relating to employment, breach of any contract relating to employment or labor, or any other matters relating to the employment of labor. The Company and the Subsidiary have correctly classified all employees with respect to exempt status under the Fair Labor Standards Act and other applicable wage and hour Laws, including but not limited to Laws regarding overtime compensation, meal periods, rest breaks and minimum wage requirements. To the Company's Knowledge, all employees of the Company and the Subsidiary are legally permitted to be employed by the Company or the Subsidiary in the jurisdiction in which such employee is employed in their current job capacities.

(e) During the past three (3) years, neither the Company nor the Subsidiary has implemented any employee layoffs, plant closing or terminations that triggered application of the WARN Act or any analogous Law.

(f) The Company and the Subsidiary have withheld in all material respects all amounts required by Law or by agreement to be withheld from the wages, salaries and other payments to employees, and is not liable for any arrears of wages, compensation, Taxes, penalties or other sums for failure to comply with any of the foregoing. During the prior three (3) years, the Company and the Subsidiary have paid in full to all employees, independent contractors and consultants all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees, independent contractors and consultants. During the prior three (3) years, neither the Company nor the Subsidiary has been delinquent in the payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the ordinary course of business). There are no pending claims against the Company or the Subsidiary under any workers compensation plan or policy or for long term disability benefits.

(g) To the Company's Knowledge, as of the Effective Date, no Key Employee or any group of employees of the Company or the Subsidiary has given notice to the Company or the Subsidiary that any such employee intends to terminate his or her employment with the Company or the Subsidiary within the twelve (12) months immediately following the Closing Date.

(h) To the Company's Knowledge, no employee of the Company or the Subsidiary is in violation in any material respect of any term of any employment agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company or the Subsidiary because of the nature of the business conducted by the Company or the Subsidiary or to the use of trade secrets or proprietary information of others.

4.17 **Environmental Matters**. Except as set forth on the applicable subsection of **Schedule 4.17**:

(a) The Company and the Subsidiary are and have been for the five years prior to the Effective Date in material compliance with all applicable Environmental Laws.

(b) There has been no Release by the Company or the Subsidiary at the Real Property or any other location that requires cleanup or remediation by the Company or the Subsidiary, or that may reasonably result in material Liability to the Company or the Subsidiary pursuant to any Environmental Law.

(c) Except as has been resolved prior to the Effective Date or would not reasonably be expected to result in a material Liability of the Company or the Subsidiary, neither the Company nor the Subsidiary has: (i) received written notice under the citizen suit provisions of any Environmental Law; (ii) received any written notice of violation, demand letter, complaint or claim under any Environmental Law; or (iii) been subject to or, to the Company's Knowledge, threatened with any governmental enforcement action with respect to any Environmental Law.

(d) The Company and the Subsidiary currently possess all material Permits required under any Environmental Law that are necessary for the Company's and the Subsidiary's respective activities and operations at the Real Property.

(e) Neither the Company nor the Subsidiary has assumed by Contract or operation of Law, or otherwise agreed, to (i) indemnify or hold harmless any other Person for any material violation of any Environmental Law or any material obligation or Liability thereunder, (ii) assume any material Liability for any Release of any Hazardous Material, conduct any response, removal or remedial action with regard to any Release of any Hazardous Material, or implement any institutional controls (including any deed restrictions) regarding any existing Hazardous Materials, or (iii) give any release or waiver of Liability that would waive or impair any claim, demand, or action related to any material Release of any claim under any Environmental Law.

4.18 **Conduct of Business in Ordinary Course**. Except for actions taken in connection with the process of selling the Company (including preparing for and implementing the transactions contemplated by this Agreement) and except as set forth on the applicable subsection of **Schedule 4.18**, since the Balance Sheet Date:

(a) the Company and the Subsidiary have conducted their respective businesses and operations in the ordinary course of business consistent with past practice;

(b) there has not occurred any Material Adverse Effect on or with respect to the Company or the Subsidiary;

(c) there has not occurred any damage, destruction or loss of any material property or material asset, whether or not covered by insurance; and

(d) neither the Company nor the Subsidiary has:

(i) incurred any Indebtedness (except for Indebtedness incurred in the ordinary course of business consistent with past practice under the Credit Facility) or issued any long term debt securities or assumed, guaranteed or endorsed such obligations of any other Person;

(ii) (A) lent any money, other than reasonable advances to employees for bona fide travel and business expenses that are incurred in the ordinary course of business, (B) made any investments in or capital contributions to, any Person, or (C) prepaid any Company Debt;

(iii) except for sales of products in the ordinary course of business consistent with past practice acquired, leased, licensed, transferred or disposed of, any material property or assets;

(iv) (A) mortgaged or encumbered, or otherwise subjected to or placed any Lien on, any property or assets of the Company or the Subsidiary, other than Permitted Liens; or (B) cancelled, forgave, paid, satisfied or discharged any debts or loans owed to or claims held by the Company or the Subsidiary;

(v) (A) paid, discharged or satisfied, in an amount in excess of \$50,000 in any one case, any Liability arising otherwise than in the ordinary course of business, other than (I) the payment, discharge or satisfaction of Liabilities reflected or reserved against in the Company Balance Sheet and (II) the payment, discharge or satisfaction of Selling Expenses, or (B) made any capital expenditures, capital additions or capital improvements in an amount in excess of \$50,000;

(vi) (A) entered into any Contracts that would constitute a Material Contract, except Contracts made in the ordinary course of business consistent with past practice for the sales of Company Services and Products involving an amount payable to the Company or the Subsidiary of less than \$50,000 per annum pursuant to terms that do not materially deviate from the Company's or Subsidiary's standard customer contract, (B) violated, terminated, amended or otherwise modified or waived any of the material terms of any Material

Contract, (C) entered into, amended, modified or terminated any Contract or waived, released or assigned any rights or claims thereunder, which would be reasonably likely to (I) adversely affect the Company or the Subsidiary in any material respect, (II) impair the ability of the Company or any of the Sellers to perform their respective obligations under this Agreement or (III) prevent or materially delay or impair the consummation of the Share Purchase and the other transactions contemplated hereby or (D) entered into any other material transaction not in the ordinary course of business consistent with past practice;

(vii) entered into any Contracts with any Sellers, directors, officers, or Affiliates of the Company, except to the extent required by Law;

(viii) except to the extent required by Law or any existing Contracts, (A) entered into, adopted, materially amended or terminated any Contract or Employee Plan relating to the compensation, benefits or severance of any employee or other service-provider of the Company or the Subsidiary, or (B) granted or paid any increase in base compensation or any bonus or other incentive compensation to any employee or other service-provider, or provided any increase in benefits to any employee or other service-provider, in each case other than in the ordinary course of business consistent with past practice or pursuant to annual compensation reviews in the ordinary course of business consistent with past practice;

(ix) hired or terminated the employment of any employee with an annual salary in excess of \$100,000;

(x) accelerated the collection of accounts receivable or materially changed the manner in which the Company or the Subsidiary extends warranties, discounts or credits to customers;

(xi) terminated, waived or released any material right of claim of the Company or the Subsidiary;

(xii) (A) initiated any Action, investigation or examination (other than for the routine collection of bills) or (B) settled or agreed to settle any Action, investigation or examination (except where the amount in controversy does not exceed \$50,000 and does not involve injunctive or other equitable relief and does not involve an admission of guilt on the part of the Company, the Subsidiary or any of their respective Affiliates, directors, officers, employees, consultants or contractors);

(xiii) made any material change to its accounting (including Tax accounting) methods, principles or practices, except as required by GAAP;

(xiv) merged, consolidated or reorganized with, acquired, or entered into any other business combination with, any business, corporation, partnership, limited liability company or any other Person or any division thereof, acquired a substantial portion of the assets of any such Person, business or division, or otherwise acquired or agreed to acquire any assets that are material, individually or in the aggregate, to the Company, the Subsidiary or the business of the Company or the Subsidiary, or entered into any Contract with respect to a joint venture, strategic alliance or partnership;

(xv) made any amendment to any of the Company's or the Subsidiary's Charter Documents, including their respective certificates of incorporation or bylaws (or equivalent organizational documents);

(xvi) declared, set aside or paid any dividends or distributions (whether in cash, shares or otherwise) or redeemed, repurchased or otherwise acquired any shares of capital stock or other equity interests of the Company or the Subsidiary, or made any other cash payment to any of the stockholders or securityholders of the Company, other than repurchases of stock from its employees in connection with the termination of their services pursuant to Contracts providing for such repurchase in accordance with the terms of the Company Stockholders Agreement;

(xvii) issued, created, authorized or sold any shares of capital stock or other equity or debt interests or options, warrants, calls, stock appreciation rights, subscriptions, convertible securities or other rights to purchase or

obligations to issue any shares of capital stock or other equity or debt interests of the Company or the Subsidiary or split, reverse split, reclassified, combined or subdivided the shares of capital stock or other equity or debt interests of the Company or the Subsidiary;

(xviii) modified or changed the exercise or conversion rights, or exercise or purchase prices, of any of its shares of capital stock, any of its stock options, warrants or other securities, or accelerated or otherwise modified (A) the right to exercise any option, warrant or other right to purchase any of its capital stock or other securities or (B) the vesting or release of any shares of its capital stock or other securities from any repurchase options or rights of first refusal held by it or any other party or any other restrictions;

(xix) assigned any rights to, or granted any exclusive license under, Company-Owned Intellectual Property;

(xx) taken any action (or failed to take any action) that resulted in the lapse, withdrawal, abandonment, cancellation, or expiration of any Company-Owned Intellectual Property, including the Company Registered IP (except for expiration in accordance with the statutory term);

(xxi) made, changed or revoked any material Tax election, changed any Tax accounting method, filed any amended Tax Return, settled or compromised any audit or other proceeding relating to Tax, entered into any closing agreement with respect to Tax, extended the statute of limitations period for the assessment or collection of Tax, or surrendered any right to claim a Tax refund; or

(xxii) agreed in writing to take any of the actions described in clauses (i) through (xxi) of this **Section 4.18(d)**.

4.19 **Customers and Suppliers**.

(a) **Schedule 4.19(a)(i)** sets forth the 10 largest customers of the Company and the Subsidiary on a consolidated basis (based on the dollar amount of sales to such customers) for the year ended December 31, 2017 (“**Material Customers**”). Except as set forth on **Schedule 4.19(a)(ii)**, as of the Effective Date, all Material Customers continue to be customers of the Company or the Subsidiary and no Material Customer has reduced materially its business with the Company or the Subsidiary on a consolidated basis from the levels achieved during the year ended December 31, 2017 or notified the Company or the Subsidiary in writing or, to the Company’s Knowledge, orally, that it intends to terminate or materially modify existing Contracts with the Company or the Subsidiary.

(b) **Schedule 4.19(b)(i)** sets forth the 10 largest suppliers of the Company and the Subsidiary on a consolidated basis (based on the dollar amount of purchaser from such suppliers) for the year ended December 31, 2017 (“**Material Suppliers**”). Except as set forth on **Schedule 4.19(b)(ii)**, as of the Effective Date, all Material Suppliers continue to be suppliers of the Company or the Subsidiary and no Material Supplier has reduced materially its business with the Company or the Subsidiary on a consolidated basis from the levels achieved during the year ended December 31, 2017 or notified the Company or the Subsidiary in writing, or, to Company’s Knowledge, orally, that it intends to terminate or materially modify existing Contracts with the Company or the Subsidiary.

4.20 **Corporate Documents**. The Company has made available to Buyer for examination all documents listed in the Schedules or in any other exhibit or schedule called for by this Agreement, including the following: (a) copies of each of the Charter Documents and the certificates of incorporation and bylaws, or similar governance documents, of the Company and the Subsidiary, (b) the minute books containing all material records of all material consents, actions and meetings of the board of directors of the Company and the Subsidiary or similar governing body and any committees thereof and stockholders of the Company and the Subsidiary, (c) the stock ledger, option ledger and journal reflecting all stock issuances and transfers and all grants of options relating to the Company, and (d) all permits, orders and consents issued by, and filings by the Company or the Subsidiary with, any regulatory agency with respect to the Company or the Subsidiary, or any securities of the Company. The books, records and accounts of the Company and the Subsidiary (w) are in all material respects true, complete and correct, (x) have been maintained in accordance with good business practices on a basis consistent with prior years, (y) are stated in reasonable detail and accurately and fairly reflect in all material respects the transactions and dispositions of the assets and properties of the

Company and the Subsidiary, and (z) accurately and fairly reflect in all material respects the basis for the Financial Statements.

4.21 **Certain Transactions and Agreements**. Except as set forth on **Schedule 4.21**, none of the Sellers and none of the officers and directors or managers, as applicable, of the Company or the Subsidiary and, to the Company's Knowledge, none of the employees of the Company or of the Subsidiary, nor any immediate family member of a Seller, an officer, director or employee of the Company or of the Subsidiary (an "***Affiliated Person***"), has any direct or indirect ownership interest in any firm or corporation that competes with, or does business with within such firm or corporation (to the extent such Affiliated Person is involved in such business with the Company or the Subsidiary), or has any contractual arrangement with, the Company or the Subsidiary (except with respect to any interest in less than 1% of the stock of any corporation whose stock is publicly traded). Except as set forth on **Schedule 4.21**, none of the Sellers and none of said officers or directors of the Company or the Subsidiary, or, to the Company's Knowledge, (a) any employees of the Company or the Subsidiary or (b) any member of their immediate families, is a party to, or otherwise directly or indirectly interested in, any Contract with the Company or the Subsidiary, except for normal compensation for services as an officer, director, consultant or employee thereof or pursuant to benefits under the Employee Plans that have been provided to Buyer and any other ordinary course employment or restrictive covenant agreements or arrangements with the Company or the Subsidiary. Except as set forth on **Schedule 4.21**, none of the Sellers and none of said officers, directors, or, to the Company's Knowledge, none of said employees or immediate family members, has any interest in any property, real or personal, tangible or intangible (including any Company-Owned Intellectual Property), that is used in, or that pertains to, the business of the Company or the Subsidiary, as currently conducted and as currently contemplated to be conducted, except such Person's rights as a stockholder or securityholder under applicable Law or the Charter Documents of the Company.

4.22 **No Brokers**. Except for Intrepid Investment Bankers LLC, no broker, finder or similar agent has been employed by or on behalf of the Sellers, the Company or the Subsidiary, and no Person is entitled to any brokerage commission, finder's fee or any similar compensation in connection with this Agreement or the transactions contemplated hereby, including the Share Purchase, for which the Company, the Subsidiary or any Seller would be obligated to pay or liable.

4.23 **Export Control**. Each of the Company and the Subsidiary has conducted its export transactions in accordance in all material respects with applicable provisions of United States export and re-export controls, including, to the extent applicable, the Export Administration Act and Regulations, the Foreign Assets Control Regulations, the International Traffic in Arms Regulations and other controls administered by the United States Department of Commerce and/or the United States Department of State and all other applicable import/export controls in other countries in which the Company or the Subsidiary conducts business. Without limiting the foregoing: (a) each of the Company and the Subsidiary has obtained all export and import licenses, license exceptions and other Consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings with any Governmental Authority required for the business of the Company and the Subsidiary as currently conducted and as currently contemplated to be conducted for (i) the export, import and re-export of products, services, software and technologies and (ii) releases of technologies and software to foreign nationals located in the United States and abroad (collectively, "***Export Approvals***"), (b) each of the Company and the Subsidiary is in material compliance with the terms of all applicable Export Approvals, (c) there is no Action, or, to the Company's Knowledge, investigation or examination, pending or, to the Company's Knowledge, threatened in writing, claims against the Company or the Subsidiary with respect to such Export Approvals, (d) there are no actions, conditions or circumstances pertaining to the Company's or the Subsidiary's export transactions that would reasonably be expected to give rise to any future claims and (e) no Export Approvals for the transfer of export licenses to Buyer, the Company or the Subsidiary are required for the business of the Company and the Subsidiary as currently conducted and as currently contemplated to be conducted, except for such Export Approvals that can be obtained expeditiously and without material cost. The Company has made available to Buyer all material written correspondence with any Governmental Authority with respect to the export control classification of any product of the Company or the Subsidiary.

4.24 **Product Liability; Defects**.

(a) There are no Actions, or, to the Company's Knowledge, investigations or examinations commenced, brought, conducted, pending, heard by or before any court or other Governmental Authority or any arbitrator or arbitration panel or threatened, notice of violation or investigation or other notice from, by or before any Governmental Authority relating to or involving any product of the Company or the Subsidiary.

(b) There has not been, nor is there under consideration by the Company or the Subsidiary, any product recall or post-sale warning of a material nature conducted by or on behalf of the Company or the Subsidiary concerning any product of the Company or the Subsidiary. All products of the Company and the Subsidiary materially complied and comply with applicable Laws, and there have not been and there are no material defects or deficiencies in any such products. Each of the products of the Company and the Subsidiary during the two year period prior to the Effective Date have been in conformity in all material respects with the specifications for such product, all applicable contractual commitments and all applicable express and implied warranties. No product of the Company or the Subsidiary is subject to any guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of sale, license or lease or beyond that implied or imposed by applicable Law. The Company has made available to Buyer a copy of each of the standard terms or end user license agreement for each of the products of the Company and the Subsidiary as in effect on the Effective Date. All services provided by the Company and the Subsidiary to any third party during the two year period prior to the Effective Date were performed in conformity in all material respects with the terms and requirements of all applicable express and implied warranties and all applicable services agreements.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller represents and warrants, solely with respect to itself, himself or herself, as the case may be, to Buyer as of the date hereof and as of the Closing Date as follows:

5.1 **Authority, Validity and Effect**. Such Seller has all requisite power and authority or capacity to enter into and perform such Seller's obligations under this Agreement and to consummate the transactions contemplated hereby, including the Share Purchase, and this Agreement has been duly executed and delivered by such Seller pursuant to all necessary authorization and is the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as limited by the General Enforceability Exceptions. To the extent that such Seller is not a natural person, such Seller is an entity duly organized, validly existing and, where such concept is recognized, in good standing under the Laws of the jurisdiction of its incorporation or formation. The execution and delivery by such Seller of this Agreement and any other Ancillary Agreement to which such Seller is a party, the performance by such Seller of its obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated hereby, including the Share Purchase, have been duly authorized by all requisite action on the part of such Seller.

5.2 **Title**. Such Seller: (a) is the record and beneficial owner of the Shares set forth across from such Stockholder's name on **Exhibit A** attached hereto or the Options set forth across from such Optionholder's name on **Exhibit B** attached hereto, as the case may be; (b) has full power, right and authority, and any approval required by Law, to make and enter into this Agreement and to sell, assign, transfer and deliver his, her or its respective Shares to Buyer, or surrender his, her or its respective Options, as the case may be; (c) has the sole right to vote or direct the voting of such Shares, at such Seller's discretion, on any matter submitted to a vote of the equityholders of the Company and (d) has good and valid title to his, her or its respective Shares or Options, as the case may be, free and clear of all Liens, other than Liens arising under the Company Stockholders Agreement. Upon the consummation of the transactions contemplated by this Agreement in accordance with the terms hereof, at the Closing, Buyer will acquire valid title to the Shares of such Seller set forth on **Exhibit A** attached hereto, free and clear of all Liens, other than Liens created by Buyer. There are no voting trusts, voting agreements, proxies, stockholder agreements or other arrangements relating to such Seller's Shares or Options, other than the Company Stockholders Agreement.

5.3 **Legal Proceedings**. There are no Actions, or, to the knowledge of such Seller, investigations or examinations pending or, to the knowledge of such Seller, threatened against or by such Seller or any Affiliate thereof that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated hereby, including the Share

Purchase. No event has occurred or circumstances exist that would reasonably be expected to give rise or serve as a basis for any such Action, investigation or examination.

5.4 **Brokers**. Except for Intrepid Investment Bankers LLC, there is no investment banker, broker, finder or other intermediary that has been retained by, or is authorized to act on behalf of, such Seller or any Affiliate of such Seller who is entitled to any fee or commission in connection with the transactions contemplated by this Agreement, including the Share Purchase.

5.5 **Acknowledgements**. Such Seller (a) has read and understands the terms of this Agreement and the Ancillary Agreements and understands that they impose restrictions and obligations on such Seller; (b) has had an opportunity to ask all of its questions and receive answers from Buyer regarding this Agreement and the transactions contemplated hereby, including the Share Purchase; (c) has reviewed this Agreement and the Ancillary Agreements with such Person's own Tax and legal advisors, or has had an opportunity to do so but has waived such opportunity; and (d) has relied solely on such advisors for Tax and legal advice and will be responsible for such Seller's own Tax Liability resulting from the transactions contemplated hereby, including the Share Purchase.

5.6 **Solvency**. For the moment in time after giving effect to the transactions contemplated by this Agreement, including the Share Purchase, such Seller: (a) will be solvent (in that both the fair value of its assets will not be less than the sum of its Liabilities and that the present saleable value of its assets will not be less than the amount required to pay its probable Liabilities as they become absolute and matured) and (b) will not have incurred Liabilities beyond its ability to pay as they become absolute and matured.

5.7 **DPA**. Solely with respect to Riverside, Riverside represents and warrants to Buyer that neither Riverside nor any of its directors, officers, managers or employees has disclosed, provided, or transferred to, or shared with, DPA Microphones any products, roadmaps, marketing and other similar information of the Company or the Subsidiary or any Company-Owned Intellectual Property (collectively, the "**Product and IP Information**").

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to the Sellers as of the date hereof as follows:

6.1 **Investment Intent**. The Shares are being acquired solely for investment for Buyer's own account, not as a nominee or agent and not with a view to the resale or distribution of any part thereof, and Buyer has no present intention of selling, granting a participation in or otherwise distributing the same. Buyer understands that the Shares have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act that depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Buyer's representations as expressed herein. Buyer understands that the Shares are "restricted securities" under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, Buyer must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Buyer understands that no public market now exists for the Shares and that none of the Sellers, the Company, the Subsidiary nor any other Person has made assurances that a public market will ever exist for the Shares. Buyer is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

6.2 **Organization and Standing**. Buyer is a corporation duly organized under the laws of the Canton of Vaud, Switzerland, validly existing and, where such concept is recognized, in good standing under the Laws of its jurisdiction of incorporation or formation. Buyer is duly qualified to do business, and, where such concept is recognized, is in good standing, in each jurisdiction in which the character of the properties owned or leased by it or in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have a Material Adverse Effect on Buyer.

6.3 **Authority, Validity and Effect**. Buyer has the requisite power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, and to

consummate the transactions contemplated hereby and thereby without obtaining any additional approvals (whether internal or third party), except for any such Consents contemplated hereby. The execution and delivery of this Agreement and such other agreements and documents and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of Buyer. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as limited by the General Enforceability Exceptions.

6.4 **No Conflict; Required Consents**.

(a) Neither the execution and delivery of this Agreement by Buyer, nor the consummation by Buyer of the transactions contemplated hereby, nor compliance by Buyer with any of the provisions hereof, will: (i) conflict with or result in a breach of any provisions of the articles of association, bylaws or similar governing documents of Buyer; (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation or imposition of any Lien upon any property or assets of Buyer pursuant to any note, bond, mortgage, indenture, license, agreement, lease or other instrument or obligation to which Buyer is a party or by which Buyer or any of Buyer's properties or assets may be subject, and that would, in any such event, prevent the consummation of the Share Purchase; or (iii) violate any Order or Law applicable to Buyer or any of its properties or assets.

(b) Other than as may be required under the HSR Act, no Consent is required to be obtained by Buyer for the consummation by Buyer of the transactions contemplated by this Agreement that if not obtained would have a Material Adverse Effect on Buyer.

6.5 **Independent Investigation; No Reliance**. In connection with its investment decision, Buyer or its representatives have inspected and conducted such reasonable independent review, investigation and analysis (financial and otherwise) of the Company and the Subsidiary as desired by Buyer. The purchase of the Shares by Buyer and the consummation of the transactions contemplated hereby by Buyer are not done in reliance upon any representation or warranty by, or information from, the Sellers, the Company, the Subsidiary or any of their respective Affiliates, employees or representatives, whether oral or written, express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, except for the representations and warranties specifically and expressly set forth in **Article IV** and **Article V** (in each case, as modified by the Schedules), and Buyer expressly disclaims any other representations and warranties. Such purchase and consummation are instead done entirely on the basis of Buyer's own investigation, analysis, judgment and assessment of the present and potential value and earning power of the Company and the Subsidiary, as well as those representations and warranties by the Company and the Sellers, as applicable, specifically and expressly set forth in **Article IV** and **Article V** (in each case, as modified by the Schedules). Except as is set forth in **Article IV** and **Article V** (in each case, as modified by the Schedules), Buyer acknowledges that neither the Company nor the Sellers have made any representations or warranties to Buyer regarding the projections or forecasts delivered to or made available to Buyer of future revenues, future results of operations, future cash flows or the future financial condition of the Company (on a consolidated basis). Notwithstanding the foregoing, nothing in this **Section 6.5** shall limit in any respect any remedy of Buyer or any other Buyer Indemnitees under, and in accordance with, this Agreement or otherwise with respect to any claim related to Fraud.

6.6 **No Financing**. Buyer has sufficient funds presently available, and no third party debt or equity financing is required, for Buyer to deliver the Purchase Price and the Settlement Amounts in full and to consummate the transactions contemplated by this Agreement. As of the Effective Date, Buyer has no reason to believe that Buyer will not be able to pay the Purchase Price and the Settlement Amounts when due in accordance with, and subject to the terms and conditions of, this Agreement.

6.7 **Solvency**. Immediately after giving effect to the transactions contemplated by this Agreement, the Company: (a) will be solvent (in that both the fair value of its assets will not be less than the sum of its Liabilities and that the present saleable value of its assets will not be less than the amount required to pay its probable Liabilities as they become absolute and matured); (b) will have adequate capital with which to engage in its business; and (c) will not have incurred Liabilities beyond its ability to pay as they become absolute and matured.

6.8 **Legal Proceedings.** As of the Effective Date, there are no Actions, or, to Buyer's knowledge, investigations or examinations pending or, to the knowledge of Buyer, threatened against or affecting Buyer that, if adversely decided, would prevent the consummation of the transactions contemplated by this Agreement.

6.9 **No Brokers.** No broker, finder or similar agent has been employed by or on behalf of Buyer, and no Person with which Buyer has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or any similar compensation in connection with this Agreement or the transactions contemplated hereby.

ARTICLE VII COVENANTS AND AGREEMENTS

7.1 **Interim Operations of the Company.** The Company shall, and shall cause the Subsidiary to, continue to conduct the business of the Company and the Subsidiary, as currently conducted, and maintain its business relationships in the ordinary and usual course consistent with its past practices. From the Effective Date until the Closing or the earlier termination of this Agreement in accordance with **Section 9.1**, except as set forth on the corresponding subsection of **Schedule 7.1** or as expressly contemplated by the terms of this Agreement, unless Buyer has previously consented thereto in writing (which consent will not be unreasonably withheld, conditioned or delayed) the Company shall not and shall not permit the Subsidiary to:

(a) incur any Indebtedness (except for Indebtedness incurred in the ordinary course of business consistent with past practice under the Credit Facility) or issue any long-term debt securities or assume, guarantee or endorse such obligations of any other Person;

(b) (i) lend any money, other than reasonable advances to employees for bona fide travel and business expenses that are incurred in the ordinary course of business, (ii) make any investments in or capital contributions to, any Person, or (iii) prepay any Company Debt (except that the Company shall be permitted to use cash on hand to pay Selling Expenses);

(c) except for sales of products in the ordinary course of business consistent with past practice acquire, lease, license, transfer or dispose of, any material property or assets;

(d) (i) mortgage or encumber, or otherwise subject to or place any Lien on, any property or assets of the Company or the Subsidiary, other than Permitted Liens; or (ii) cancel, forgive, pay, satisfy or discharge any debts or loans owed to or claims held by the Company or the Subsidiary;

(e) (i) pay, discharge or satisfy, in an amount in excess of \$50,000 in any one case, any Liability arising otherwise than in the ordinary course of business, other than (A) the payment, discharge or satisfaction of Liabilities reflected or reserved against in the Company Balance Sheet and (B) the payment, discharge or satisfaction of Selling Expenses, or (ii) make any capital expenditures, capital additions or capital improvements in an amount in excess of \$50,000;

(f) (i) enter into any Contracts that would constitute a Material Contract, except Contracts made in the ordinary course of business consistent with past practice for the sales of Company Services and Products involving an amount payable to the Company of less than \$50,000 per annum pursuant to terms that do not materially deviate from the Company's standard customer contract, (ii) violate, terminate, amend or otherwise modify or waive any of the material terms of any Material Contract, (iii) enter into, amend, modify or terminate any Contract or waive, release or assign any rights or claims thereunder, which if so entered into modified, amended, terminated, waived, released or assigned would be reasonably likely to (A) adversely affect the Company or the Subsidiary in any material respect, (B) impair the ability of the Company or any of the Sellers to perform their respective obligations under this Agreement or (C) prevent or materially delay or impair the consummation of the Share Purchase and the other transactions contemplated hereby or (iv) enter into any other material transaction not in the ordinary course of business consistent with past practice;

- (g) enter into any Contracts with any Sellers, directors, officers, or Affiliates of the Company, except to the extent required by Law;
- (h) except to the extent required by Law or any existing Contracts or existing Employee Plans set forth on **Schedule 4.11(a)**, (i) enter into, adopt, materially amend or terminate any Contract or Employee Plan relating to the compensation, benefits or severance of any employee or other service-provider of the Company or the Subsidiary, or (ii) grant or pay any increase in base compensation or any bonus or other incentive compensation to any employee or other service-provider, or provide any increase in benefits to any employee or other service-provider, in each case other than in the ordinary course of business consistent with past practice or pursuant to annual compensation reviews in the ordinary course of business consistent with past practice;
- (i) hire or terminate the employment of any employee, retain or termination any consultants or independent contractors working within the business of the Company or the Subsidiary (other than for cause or other than in the ordinary course of business consistent with past practice);
- (j) accelerate the collection of accounts receivable or materially change the manner in which the Company or the Subsidiary extends warranties, discounts or credits to customers;
- (k) terminate, waive or release any material right of claim of the Company or the Subsidiary;
- (l) (i) initiate any Action, investigation or examination (other than for the routine collection of bills) or (ii) settle or agree to settle any Action, investigation or examination (except where the amount in controversy does not exceed \$50,000 and does not involve injunctive or other equitable relief and does not involve an admission of guilt on the part of the Company, the Subsidiary or any of their respective Affiliates, directors, officers, employees, consultants or contractors);
- (m) make any material change to its accounting (including Tax accounting) methods, principles or practices, except as required by GAAP, or materially alter or materially change the Company's or its Subsidiary's historical practice regarding placing inventory into the "channel" of retailers or selling inventory to retailers;
- (n) merge, consolidate or reorganize with, acquire, or enter into any other business combination with, any business, corporation, partnership, limited liability company or any other Person or any division thereof, acquire a substantial portion of the assets of any such Person, business or division, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the Company, the Subsidiary or the business of the Company or the Subsidiary, or enter into any Contract with respect to a joint venture, strategic alliance or partnership, or enter into any negotiations, discussions or agreement for such purpose;
- (o) make any amendment to any of the Company's or the Subsidiary's Charter Documents, including their respective certificates of incorporation or bylaws (or equivalent organizational documents);
- (p) declare, set aside or pay any dividends or distributions (whether in cash, shares or otherwise) or redeem, repurchase or otherwise acquire any shares of capital stock or other equity interests of the Company or the Subsidiary, or make any other cash payment to any of the stockholders or securityholders of the Company in their capacity as such, other than repurchases of stock from its employees in connection with the termination of their services pursuant to Contracts existing as of the Effective Date (and made available to Buyer) providing for such repurchase in accordance with the terms of the Company Stockholders Agreement;
- (q) issue, create, authorize or sell any shares capital stock or other equity or debt interests or options, warrants, calls, stock appreciation rights, subscriptions, convertible securities or other rights to purchase or obligations to issue any shares of capital stock or other equity or debt interests of the Company or the Subsidiary or split, reverse split, reclassify, combine or subdivide the shares of capital stock or other equity or debt interests of the Company or the Subsidiary, other than the issuance of shares of Common Stock upon the exercise of Options outstanding as of the Effective Date and disclosed on **Schedule 4.2(c)**;
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(r) modify or change the exercise or conversion rights, or exercise or purchase prices, of any of its shares of capital stock, any of its stock options, warrants or other securities, or accelerate or otherwise modify (i) the right to exercise any option, warrant or other right to purchase any of its capital stock or other securities or (ii) the vesting or release of any shares of its capital stock or other securities from any repurchase options or rights of first refusal held by it or any other party or any other restrictions;

(s) assign any rights to, or grant any license under, Company-Owned Intellectual Property, other than non-exclusive licenses granted in the ordinary course of business in connection with the sale or licensing of Company Services and Products;

(t) take any action (or fail to take any action) that results in the withdrawal, abandonment, cancellation, lapse, or expiration of any Company-Owned Intellectual Property, including any Company Registered IP (except for expiration in accordance with the statutory term);

(u) make, change or revoke any material Tax election, change any Tax accounting method, file any amended Tax Return, settle or compromise any audit or other proceeding relating to Tax, enter into any closing agreement with respect to Tax, extend the statute of limitations period for the assessment or collection of Tax, or surrender any right to claim a Tax refund; or

(v) agree to take any of the actions described in clauses (a) through (u) of this **Section 7.1**.

7.2 Maintenance of Business. The Company shall, and shall cause the Subsidiary to, carry on and use commercially reasonable efforts to preserve the business of the Company and the Subsidiary, as currently conducted, and its relationships with customers, advertisers, suppliers, employees and others with whom the Company or the Subsidiary has contractual relations in substantially the same manner as it has prior to the Effective Date consistent with its past practices. If so requested by Buyer, the Company shall exercise commercially reasonable efforts to cooperate with Buyer prior to the Closing for the purposes of facilitating an orderly and smooth transition of such relationships to Buyer after the Closing. If the Company becomes aware of a material deterioration in the relationship of the Company or the Subsidiary with any key customer, key reseller, key marketing partner, key supplier or key employee, consultant or contractor, it shall promptly bring such information to the attention of Buyer.

7.3 Reasonable Access; Confidentiality.

(a) From the Effective Date until the Closing or the earlier termination of this Agreement in accordance with **Section 9.1**, and subject to applicable Law, the Company shall give and shall cause the Subsidiary to give Buyer and its representatives, upon reasonable advance notice to the Seller Representative, reasonable access, during normal business hours, to the assets, properties, books, records, personnel, offices, financial information, and agreements of the Company and the Subsidiary and the Company shall, and shall cause the Subsidiary to, permit Buyer to make such inspections (but excluding sampling or testing of the Environment without the Seller Representative's prior written consent not to be unreasonably withheld, conditioned or delayed) as Buyer may reasonably request and to furnish Buyer during such period with all such information relating to the Company and the Subsidiary as Buyer may from time to time reasonably request. The Company shall use commercially reasonable efforts to cause its and the Subsidiary's accountants and other representatives to cooperate with Buyer and its representatives in making available all financial information reasonably requested by Buyer and its agents and advisors, including the right to examine all working papers pertaining to all financial statements prepared or audited by such accountants. No information or knowledge obtained by Buyer during the pendency of the transactions contemplated hereby in any investigation pursuant to this **Section 7.3** shall affect or be deemed to modify any representation, warranty, covenant, agreement, indemnity, obligation or condition set forth herein.

(b) Any information provided to or obtained by Buyer or its representatives pursuant to **Section 7.3(a)** will be subject to the Nondisclosure Agreement, dated April 9, 2018, entered into by Buyer or its Affiliate for the

benefit of the Company (the “**Confidentiality Agreement**”), and must be held by Buyer in accordance with and be subject to the terms of the Confidentiality Agreement.

(c) Buyer agrees to be bound by and comply with the provisions set forth in the Confidentiality Agreement as if such provisions were set forth herein, and such provisions are hereby incorporated herein by reference.

7.4 **Publicity**. Except as may be required to comply with the requirements of any applicable Law or the rules and regulations of any stock exchange or national market system upon which the securities of Buyer are listed, no party hereto will issue any press release or other public announcement prior to the Closing relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior approval (which approval will not be unreasonably withheld, conditioned or delayed) of, in the case of a press release or other public announcement by Buyer, the Seller Representative, and, in the case of a press release or other public announcement by the Company or any Seller, Buyer (except that, upon the issuance of Buyer’s press release relating to the subject matter of this Agreement, the Seller Representative will be entitled to issue the press release substantially in the form attached hereto as **Exhibit G** (the “**Seller Press Release**”) without prior approval); provided, however, that, other than the Seller Press Release, neither the Seller Representative nor any Seller will be entitled to issue any such press release or make any such other public announcement without obtaining the prior written approval of Buyer (such consent not to be unreasonably withheld, conditioned or delayed and it being hereby acknowledged that it would be unreasonable to withhold consent to any such press release or other public announcement that is consistent with the information disclosed in any public disclosure made by Buyer or any Affiliate of Buyer).

7.5 **Records**. Subject to **Article XI**, with respect to the financial books and records and minute books of the Company and the Subsidiary relating to matters on or prior to the Closing Date: (a) for a period of seven years after the Closing Date, Buyer shall not cause or permit their destruction or disposal without first offering to surrender them to the Seller Representative, and (b) where there is a legitimate purpose, including an audit, assessment or reassessment of any Seller by the IRS or any other Taxing Authority or an Action, investigation or examination involving a Seller or a claim or dispute relating to this Agreement, Buyer shall allow the Sellers and their respective representatives access to such books and records during regular business hours.

7.6 **[Reserved.]**

7.7 **Commercially Reasonable Efforts; Cooperation**. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties hereto agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including the Share Purchase, and to obtain satisfaction or waiver of the conditions precedent to the consummation of the transactions contemplated hereby, including: (a) obtaining all of the necessary Consents from Governmental Authorities and other third parties, including obtaining Consents in connection with the Contracts listed on **Schedule 3.2(i)** and the making of all filings and the taking of all steps as may be necessary to obtain Consent from, or to avoid an Action, investigation or examination by, any Governmental Authority; (b) the defending of any Actions, investigations or examinations, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed; and (c) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. The Company will (i) consult with Buyer beforehand regarding the process for seeking Consents contemplated by **Section 7.7(a)**, (ii) provide Buyer with a reasonable opportunity to review and comment in advance on the forms of such Consents, and (iii) consider in good faith any reasonable and timely comments thereto made by Buyer.

7.8 **HSR**. The Company and Buyer shall, as promptly as practicable, but in no event later than five Business Days following the execution and delivery of this Agreement, submit all filings required by the HSR Act (the “**HSR Filing**”) to the DOJ and the Federal Trade Commission, as appropriate, and thereafter use commercially reasonable efforts to provide any supplemental information requested in connection therewith pursuant to the HSR Act and make

any similar filing within, to the extent reasonably practicable, five Business Days with any other Governmental Authority for which such filing is required. The Company and Buyer shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission that is necessary under the HSR Act or other applicable antitrust and competition Laws. The Company and Buyer shall request early termination of the applicable waiting period under the HSR Act and any other applicable antitrust and competition Laws, shall use commercially reasonable efforts to promptly respond to any request for additional information made in response to such filings or in information requests made by any other Governmental Authority, shall keep each other apprised of any communications with, and inquiries or requests for additional information from, the DOJ, the Federal Trade Commission or any other Governmental Authority, shall comply with any inquiry or request made thereby, and shall cooperate to the extent reasonable under the circumstances in complying with any inquiry or request made thereby. Each of Buyer and the Company shall be responsible for fifty percent of the filing fees in respect of the HSR Filing and as required by all other antitrust and competition Laws of foreign countries applicable to the parties and transactions contemplated hereby. The Company shall not, without the prior written consent of Buyer, (a) permit any of the Company's directors, officers, employees or representatives to participate in any meeting with any Governmental Authority relating to the transactions contemplated hereby, including the Share Purchase, unless the Company consults with Buyer in advance and, to the extent permitted by such Governmental Authority, grants Buyer the opportunity to attend and participate in the discussions at such meeting or (b) proffer, make proposals, negotiate, execute, carry out or submit to any agreements or Orders; provided that the Company shall, if directed by Buyer in writing, agree to any such action that is conditioned on the consummation of the Share Purchase.

7.9 **Indemnification**.

(a) For six years after the Closing Date, Buyer shall cause the Company and the Subsidiary (and any of their respective successors that are Affiliated entities of Buyer) to fulfill and honor the obligations of the Company and the Subsidiary to their respective directors and officers as of immediately prior to the Closing (the “***Company Indemnified Persons***”) pursuant to any indemnification provisions (i) in the Charter Documents of the Company or the Subsidiary, (ii) under applicable Law and (iii) in any director and officer indemnification agreements in existence as of the Effective Date and made available to Buyer prior to the Effective Date, in any case, with respect to claims arising out of matters occurring at or prior to the Closing.

(b) Notwithstanding **Section 12.4**, the provisions of this **Section 7.9** are intended to be for the benefit of, and will be enforceable by, each Company Indemnified Person, his or her heirs and his or her representatives and are in addition to, and not in substitution for, any other right to indemnification or contribution that any such Person may have by contract or otherwise.

7.10 **Company Debt; Release of Liens**. To the extent that the Company or the Subsidiary incurs or has incurred any Company Debt that remains outstanding as of the Closing, the Company shall deliver to Buyer at the Closing payoff letters or similar instruments in form and substance reasonably satisfactory to Buyer with respect to all Company Debt, which letters or instruments shall provide for the full payoff and discharge of all such Company Debt outstanding as of immediately prior to the Closing (including any premiums above the principal amount of such Company Debt or any accrued but unpaid interest, fees and other amounts payable in connection therewith) and the termination and release of all instruments providing for or related to such Company Debt, including any related guaranty and promissory notes, as applicable, together with evidence reasonably satisfactory to Buyer. The Company shall cause all Liens (other than Permitted Liens) that exist with respect to the assets of the Company and/or of the Subsidiary, if any, to be released prior to, or simultaneously with, the Closing, including documentation in form and substance reasonably satisfactory to Buyer executed by each Person holding a security interest in any asset of the Company or the Subsidiary as of the Closing Date terminating any and all such security interests and authorizing Buyer to file or record on behalf of such Person a UCC-3 termination statement or other instruments of release or discharge

7.11 **Selling Expenses**. At least two Business Days prior to the Closing, the Company shall deliver to Buyer a final invoice from each non-employee service provider that is entitled to any Selling Expenses indicating the total amount of Selling Expenses that has been incurred and remains payable to such Person as of the Closing. Upon payment

of such remaining payable amount at the Closing, such non-employee service provider shall be paid in full and shall not be owed any other amount by Buyer, the Company, the Subsidiary and/or any of their respective Affiliates.

7.12 **Termination of 401(k) Plan.** The Company (or the Subsidiary, as applicable) will adopt, or will cause to be adopted, all necessary corporate resolutions (which shall be subject to Buyer's reasonable review and approval) to terminate each 401(k) Plan sponsored or maintained by the Company or the Subsidiary (the "**Company 401(k) Plan**"), effective as of no later than one day prior to Closing (but such termination may be contingent upon the Closing). For this purpose, the term "**401(k) Plan**" means any plan intended to be qualified under Code Section 401(a) which includes a cash or deferred arrangement intended to qualify under Code Section 401(k). The Company shall provide Buyer with a copy of resolutions duly adopted by the Company's board of directors (or the Subsidiary's board of directors, as applicable) so terminating the Company 401(k) Plan. Buyer shall permit the employees of the Company and the Subsidiary, who continue to be so employed after the Closing, to be eligible to participate (with no waiting period) in a 401(k) Plan of Buyer or one of its Affiliates (the "**Buyer 401(k) Plan**") effective on or promptly after the Closing and shall cause the Buyer 401(k) Plan to accept rollover contributions of "eligible rollover distributions" (within the meaning of Section 401(a)(31) of the Code, including participant loan notes) from the Company 401(k) Plan.

7.13 **Transfer Restrictions.** Except for the Share Purchase pursuant to this Agreement, each Seller hereby agrees that he, she or it will not, prior to the Closing (a) directly or indirectly, transfer, sell, assign, exchange, pledge or otherwise dispose of or encumber any of such Seller's Company securities, including such Seller's Shares, or enter into any agreement or other arrangement relating thereto, except by will or by the laws of intestacy; or (b) except as already existing on the Effective Date, directly or indirectly, grant any proxies or powers of attorney with respect to any of such Seller's Shares, deposit any of such Seller's Shares into a voting trust, or enter into a voting agreement with respect to any of such Seller's Shares.

7.14 **R&W Insurance.** At or prior to the Closing, Buyer shall cause PartnerRe Ireland Insurance DAC (the "**R&W Insurer**") to effectuate the Buyer-Side Representations and Warranties Insurance policy, bound by the R&W Insurer on the date hereof, having terms and conditions as set forth in the Binder Agreement dated July 30, 2018 and attached hereto as **Exhibit F**, with policy number 18BC1-5226-0037 (as may be amended, modified or supplemented from time to time in accordance with this Agreement) (the "**R&W Insurance Policy**"). Buyer shall cause the R&W Insurance Policy to provide that the R&W Insurer has no subrogation rights against any Seller except solely in the case of Fraud, and Buyer will not amend the subrogation or third-party beneficiary provisions contained in the R&W Insurance Policy benefitting the Sellers or otherwise amend or modify the R&W Insurance Policy in a manner that would have an adverse effect on the Sellers without the prior written consent of the Seller Representative. Buyer agrees to pay the total premium and related taxes, fees and expenses for the R&W Insurance Policy. For the avoidance of doubt, Buyer acknowledges and agrees that the effectiveness of the R&W Insurance Policy is not a condition to the Closing and that Buyer shall remain obligated, subject only to the satisfaction or waiver of the conditions set forth in **Article VIII**, to consummate the Share Purchase and the transactions contemplated by this Agreement.

7.15 **No Solicitation.** During the period from the Effective Date through the Closing or the earlier termination of this Agreement pursuant to **Section 9.1**, neither the Company nor any of the Sellers shall, and the Company and the Sellers shall cause the Subsidiary and their respective representatives not to, take any action to knowingly encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, or enter into any Contract (other than to or with Buyer and its Affiliates and representatives) concerning any Acquisition Proposal. The Company and each of the Sellers shall, and shall cause the Subsidiary and their respective representatives to: (a) cease immediately and cause to be terminated, all existing discussions or negotiations with any third party conducted heretofore with respect to, or that would reasonably be expected to lead to, an Acquisition Proposal; and (b) notify Buyer promptly (but in no event later than 24 hours) after any of the Sellers, the Company, the Subsidiary or any of their respective representatives receives any Acquisition Proposal, or any inquiry that would reasonably be expected to lead to an Acquisition Proposal. "**Acquisition Proposal**" means with respect to the Company or the Subsidiary, any agreement, or bona fide offer or proposal (other than this Agreement or any other offer or proposal by Buyer), or any public announcement of intention to enter into any such agreement or of (or intention to make) any bona fide offer, proposal or indication of interest, relating to, or involving: (i) any acquisition or purchase from the Company or the Subsidiary, or from the holders of capital stock of the Company or the Subsidiary, by any Person or

group of more than a 10% interest in the total outstanding equity interests of the Company or the Subsidiary or voting securities of the Company or the Subsidiary, or any tender offer or exchange offer that if consummated would result in any Person or group beneficially owning 10% or more of the total outstanding equity securities of the Company or the Subsidiary or voting securities of the Company or the Subsidiary, or any merger, consolidation, business combination or similar transaction involving the Company or the Subsidiary pursuant to which the holders of capital stock of the Company or the Subsidiary immediately preceding such transaction hold securities representing less than 90% of the total outstanding equity securities or voting securities of the surviving or resulting entity of such transaction (or parent entity of such surviving or resulting entity), (ii) any sale, lease, mortgage, pledge, exchange, transfer, license (other than in the ordinary course of business), acquisition, or disposition of more than 10% of the fair market value of the consolidated assets of the Company in any single transaction or series of related transactions, or (iii) any liquidation, dissolution, recapitalization or other significant corporate reorganization of the Company or the Subsidiary, or any extraordinary dividend or distribution, whether of cash or other property, or (iv) any other transaction outside of the ordinary course of the business of the Company and the Subsidiary, as currently conducted, the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the Share Purchase.

7.16 **Release**.

(a) Effective as of, and contingent upon, the Closing, each Seller, on such Seller's behalf and on behalf of any such Seller's subsidiaries, heirs, estates, successors or assigns (the "**Releasors**") (which, for clarity, excludes any portfolio companies of any venture capital, private equity or other equityholder in the Company), hereby knowingly, fully, unconditionally and irrevocably releases any and all claims, rights, demands and causes of action that such Releasor has or may have against the Company or the Subsidiary or any present or former director, officer, manager, employee or agent of the Company or the Subsidiary, whether asserted or unasserted, known or unknown, contingent or noncontingent, past or present, arising or resulting from or relating, directly or indirectly, to any act, omission, event or occurrence prior to the Closing relating to the Company, the Subsidiary, their respective assets and properties and the equity securities and convertible securities of the Company and any rights or interests therein (including with respect to any inaccuracies in the Spreadsheet or the allocation of the Purchase Price as set forth herein or therein) (the "**Released Claims**"). Notwithstanding anything to the contrary in the foregoing, nothing in this **Section 7.16(a)** will be deemed to constitute a release or waiver by any Releasor of any claim, demand or cause of action, or of any right of, such Releasor pursuant to (i) this Agreement or the Ancillary Agreements (to which such Releasor is a party), (ii) any written indemnification agreement between the Company and such Releasor (if such Seller is a director or officer of the Company) that is disclosed on the Schedules, (iii) the right to receive amounts payable pursuant to exculpation, indemnification, reimbursement, contribution, payment or advancement of related expenses, hold harmless and liability exculpation covenants, agreements and obligations under provisions contained in (A) the Charter Documents of the Company or the Subsidiary, (B) liability insurance policies of the Company and (C) applicable Law, (iv) any rights to accrued but unpaid compensation or employee benefits as an employee or director of the Company or the Subsidiary or accrued compensation as a contractor or consultant to the Company or the Subsidiary, in each case, with respect to services performed prior to the Closing, or (v) any right of reimbursement for expenses incurred by any such Releasor in the ordinary course of his or her employment or service to the Company or the Subsidiary which are reimbursable under the expense reimbursement policies of the Company or the Subsidiary.

(b) Such Seller acknowledges and agrees that it, he or she is familiar with Section 1542 of the Civil Code of the State of California ("**Section 1542**"), which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Effective as of, and contingent upon, the Closing, such Seller, on such Seller's behalf and on behalf of the other Releasors, hereby waives and relinquishes any rights and benefits that such Seller may have under Section 1542 or any similar statute or common law principle of any jurisdiction with respect to the Released Claims. Such Seller acknowledges that it, he or she may hereafter discover facts in addition to or different from those that such Seller now

knows or believes to be true with respect to the subject matter of the Released Claims, but it is such Seller's intention to fully and finally and forever settle and release any and all Released Claims (other than as expressly set forth in **Section 7.16(a)** above) that do now exist, may exist or heretofore have existed with respect to the subject matter thereof. In furtherance of this intention, the release of the Released Claims (other than as set forth in **Section 7.16(a)** above) shall be and remain in effect as full and complete releases notwithstanding the discovery or existence of any such additional or different facts.

(c) Each Seller agrees that he, she or it will not bring, commence, institute, maintain, prosecute, participate in or voluntarily aid any Action, in law or in equity, in any court or before any Governmental Authority, which (i) challenges the validity of or seeks to enjoin the operation of any provision of this Agreement or the execution and delivery of the Ancillary Agreements or the consummation of the Share Purchase and the other transactions contemplated hereby and thereby, or (ii) alleges that the execution and delivery of this Agreement by such Seller, either alone or together with the other proxies to be delivered in connection with this Agreement and/or the execution of this Agreement by the other Sellers, breaches any fiduciary duty, whether of the Board of Directors of the Company or any member thereof, of any officer of the Company or of any holder of capital stock of the Company or other Company securities, in each case, other than any Action for the enforcement of the terms of this Agreement or any Ancillary Agreement to which such Seller is a party.

7.17 **Section 280G.**

(a) The Company shall use its best efforts to obtain, prior to the initiation of the requisite stockholder approval procedure under **Section 7.17(b)** below, a waiver of the right to receive payments that could constitute "excess parachute payments" as defined in Section 280G(b)(1) of the Code and Treasury Regulations promulgated thereunder (a "**Parachute Payment Waiver**"), and the payments so waived, the "**Waived Parachute Payments**") from each Person who is or would reasonably be considered to be, with respect to the Company, a "disqualified individual" (within the meaning of Section 280G of the Code and the Treasury Regulations promulgated thereunder), as determined immediately prior to the initiation of the requisite stockholder approval procedure under **Section 7.17(b)**, and who could otherwise receive, have received, or have the right or entitlement to receive any excess parachute payment under Section 280G of the Code, and the Company shall deliver any such Parachute Payment Waiver to Buyer before the Closing Date.

(b) The Company shall use its commercially reasonable efforts to obtain, not later than one day prior to the Closing Date, the approval by the stockholders of the Company of the Waived Parachute Payments in accordance with the terms of Section 280G(b)(5)(B) of the Code and the Treasury Regulations promulgated thereunder. Whenever the Company becomes aware of any event prior to Closing that should be set forth in an amendment or supplement to the disclosure provided to stockholders as contemplated by Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder so that such disclosure would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly inform the Buyer of such occurrence and will promptly (and in all events prior to Closing and consistent with the intent of the first sentence of this **Section 7.17(b)**) prepare and provide to the Company's stockholders such amendment or supplement. Buyer shall disclose to the Company the material terms of any arrangements agreed to prior to Closing that will be provided by Buyer or any of its Affiliates to any "disqualified individuals" within a reasonable time after the date of this Agreement, and in any event no later than five Business Days prior to the Closing Date, so that the Company may comply with its obligations under this **Section 7.17**.

(c) The Company shall provide to Buyer at least two Business Days in advance of their intended use copies of all Parachute Payment Waivers and copies of all consents, disclosure documents and other materials to solicit any stockholder vote contemplated by **Section 7.17(b)**, provide Buyer with a reasonable opportunity to review and comment thereon, and consider in good faith any reasonable comments provided thereon by Buyer.

7.18 **No Other Buyer Representations.** Each of the Company, the Seller Representative and each Seller hereby acknowledges and agrees that the sale of the Shares by the Sellers and the consummation of the transactions contemplated hereby by the Sellers and the Company, including the Share Purchase, are not done in reliance on any

representation or warranty by, or information from, Buyer or any of its Affiliates, employees or representatives, whether oral or written, express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, except for the representations and warranties specifically and expressly set forth in **Article VI** (as modified by the Schedules), and each of the Company, the Seller Representative and each Seller acknowledges that Buyer expressly disclaims any other representations and warranties.

7.19 **Confidential Information**. At the Closing, each of the Sellers shall return or destroy all Product and IP Information; provided that each Seller may retain such Product and IP Information (a) as required by applicable Law and (b) that is maintained on routine computer system backup tapes, disks or other backup storage devices as long as such backed-up information is not used, disclosed or otherwise recovered from such backup devices. Neither the Company, the Subsidiary, the Sellers nor any of their respective directors, officers, managers or employees shall disclose or otherwise make available to DPA Microphones any Product and IP Information.

ARTICLE VIII CONDITIONS TO CLOSING

8.1 **Conditions to Obligations of the Company and the Sellers**. The obligations of the Company and the Sellers to consummate the transactions contemplated by this Agreement, including the Share Purchase, are subject to the satisfaction or waiver in accordance with **Section 12.8** (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

(a) The representations and warranties of Buyer set forth in this Agreement must be true and correct in all respects (without giving effect to any materiality or material adverse effect qualifications contained therein) as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date), except where the failure of such representations and warranties to be so true and correct would not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Buyer.

(b) Buyer must have performed and complied with in all material respects all covenants, agreements and obligations required to be performed by them under this Agreement at or prior to the Closing Date.

(c) Buyer must have delivered or caused to be delivered to the Seller Representative the items required by **Section 3.3**.

(d) The waiting period (including any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act or any antitrust and competition Laws of foreign countries will have expired or been terminated.

(e) None of the parties hereto will be subject to any Order of a court of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement.

8.2 **Conditions to Obligations of Buyer**. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

(a) The representations and warranties of (i) the Company contained in **Section 4.1**, **Section 4.2**, **Section 4.3**, and **Section 4.22** and (ii) the Sellers contained in **Section 5.1**, **Section 5.2** and **Section 5.4** (the representations and warranties contemplated by clauses (i) and (ii), the “*Fundamental Representations*”) shall be true and correct in all respects (without giving effect to any materiality, Material Adverse Effect or other similar qualifications contained therein) at and as of the Effective Date and at and as of the Closing Date as if made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date). The other representations and warranties of the Company set forth in this Agreement shall be true and correct in all respects (without giving effect to any materiality or Material Adverse Effect qualifications contained therein) as of the Effective Date and as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier

date, in which case, as of such date), except where the failure of such representations and warranties to be so true and correct would not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and the Subsidiary, taken as a whole.

(b) The Sellers and the Company must have performed and complied with in all material respects all covenants, agreements and obligations required to be performed by them under this Agreement at or prior to the Closing Date.

(c) The Company must have delivered or caused to be delivered to Buyer the items required by **Section 3.2**.

(d) The waiting period (including any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act or any applicable antitrust and competition Laws of foreign countries will have expired or been terminated.

(e) None of the parties hereto will be subject to any Order of a court of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement.

(f) There shall not have been any Material Adverse Effect on the Company and the Subsidiary, taken as a whole, between the Effective Date and the Closing with respect to the Company and the Subsidiary.

8.3 **Frustration of Closing Conditions**. No party hereto may rely on the failure of any condition set forth in **Section 8.1** or **Section 8.2**, as the case may be, to be satisfied if such failure was caused by such party's failure to comply with its obligations to consummate the transactions contemplated by this Agreement as required by and subject to **Section 7.7**.

ARTICLE IX TERMINATION OF AGREEMENT

9.1 **Termination**. Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Buyer and the Seller Representative;

(b) by Buyer or the Seller Representative, upon written notice to the other party, if the transactions contemplated by this Agreement have not been consummated on or prior to the date that is 90 days after the Effective Date or such later date, if any, as Buyer and the Seller Representative agree upon in writing (the "**Termination Date**"); provided, that if on such 90th day the condition in **Section 8.1(d)** shall not have been satisfied or waived, then the Termination Date shall be extended one time by an additional 60 days (and such 60th day after the first 90th day shall be the "**Termination Date**"); provided, however, that the right to terminate this Agreement pursuant to this **Section 9.1(b)** is not available to any party hereto whose breach of any provision of this Agreement results in or causes the failure of the transactions contemplated by this Agreement to be consummated by such time;

(c) by Buyer or the Seller Representative, upon written notice to the other party, if a Governmental Authority of competent jurisdiction has issued an Order or any other action permanently enjoining, restraining or otherwise prohibiting the consummation of any of the transactions contemplated by this Agreement, and such Order has become final and non-appealable; provided, however, that the right to terminate this Agreement pursuant to this **Section 9.1(c)** is not available to any party hereto whose breach of any provision of this Agreement results in or causes such Order or other action;

(d) by the Seller Representative if: (i) Buyer has breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by Buyer such that the closing condition set forth in **Section 8.1(b)** would not be satisfied; or (ii) there exists a breach of any representation or warranty of Buyer contained in this Agreement such that the closing condition set forth in **Section 8.1(a)** would not be satisfied, and, in the case of clauses (i) and (ii) of this **Section 9.1(d)**, such breach or failure to perform is not cured within 30 days after receipt of written notice thereof or is incapable of being cured by Buyer by the Termination Date; or

(e) by Buyer if: (i) any of the Sellers or the Company have breached or failed to perform any of their covenants or other agreements contained in this Agreement to be complied with by them such that the closing condition set forth in **Section 8.2(b)** would not be satisfied; or (ii) there exists a breach of any representation or warranty of any of the Sellers or the Company contained in this Agreement such that the closing condition set forth in **Section 8.2(a)** would not be satisfied, and, in the case of clauses (i) and (ii) of this **Section 9.1(e)**, such breach or failure to perform is not cured within 30 days after receipt of written notice thereof or is incapable of being cured by the Company or the Sellers by the Termination Date.

9.2 **Effect of Termination**. In the event of termination of this Agreement pursuant to **Section 9.1** by either Buyer or the Seller Representative, this Agreement will become void and have no further effect, without any liability or obligation on the part of Buyer or the Sellers, other than the provisions of **Section 7.3(b)**, **Section 7.4**, this **Section 9.2**, and **Article XII**, which will survive any termination of this Agreement; provided, however, that nothing herein will relieve any party hereto from any liability for any intentional and material pre-termination breach by such party of its covenants or agreements set forth in this Agreement.

ARTICLE X REMEDIES

10.1 **Survival**. The representations, warranties, covenants and agreements of the Sellers, the Company and Buyer contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) will survive the Closing but only to the extent specified in this **Section 10.1**.

(a) All covenants and agreements contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) that contemplate performance thereof following the Closing will survive the Closing in accordance with their respective terms, except for pending Claims and pending Buyer Claims brought prior to such expiration, which shall survive until such pending Claims or pending Buyer Claims, as applicable, are finally resolved pursuant hereto.

(b) The representations and warranties contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto), other than the Fundamental Representations or the Tax Representations, will survive the Closing Date until the [***], at which such point such representations and warranties and any claim for indemnification brought by Buyer or the Sellers, as applicable, on account thereof will terminate, except for pending Claims and pending Buyer Claims brought prior to the [***], which shall survive until such pending Claims or pending Buyer Claims, as applicable, are finally resolved pursuant hereto.

(c) The Fundamental Representations and the representations and warranties in **Section 4.6** (the “*Tax Representations*”) contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto and relating thereto) will survive the Closing Date until the [***], at which such point such representations and warranties and any claim for indemnification brought by Buyer on account thereof will terminate, except for pending Claims and pending Buyer Claims brought prior to the [***], which shall survive until such pending Claims or such pending Buyer Claims, as applicable, are finally resolved pursuant hereto.

(d) Notwithstanding anything to the contrary contained in this **Section 10.1**, the limitations set forth in this **Section 10.1** shall not apply in the event of Fraud.

10.2 **Indemnification by Buyer**. Subject to the limitations set forth in this **Article X** (including the provisions of **Section 10.1**), from and after the Closing, Buyer will indemnify and hold harmless the Sellers and their respective successors and permitted assigns, and the officers, employees, directors, managers, members, partners and stockholders of the Sellers and their heirs and personal representatives (collectively, the “*Seller Indemnitees*”) from and against, and will pay to the Seller Indemnitees the amount of, any and all losses, liabilities, claims, damages, penalties, fines, interest, judgments, awards, settlements, costs, fees (including reasonable investigation fees), expenses (including reasonable attorneys’ fees and other reasonable professional and expert fees), court costs and disbursements (collectively, “*Losses*”) that are suffered or actually incurred by any of the Seller Indemnitees following the Closing

as a result of or arising from: (a) any breach of or inaccuracy in the representations and warranties of Buyer contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) as of the Effective Date or as of the Closing Date (except in the case of representations and warranties which by their terms speak only as of a specific date or dates, in which case as of such specified date or dates); or (b) any breach of the covenants or agreements of the Company to be performed following the Closing or Buyer contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto).

10.3 **Indemnification by the Sellers.** Subject to the limitations set forth in this **Article X** (including the provisions of **Section 10.1**), from and after the Closing, each of the Sellers (together with their respective successors, assigns and heirs, the “**Seller Indemnitors**”) will, on a several, but not joint basis, indemnify and hold harmless Buyer and its successors and permitted assigns, and the officers, employees, directors, managers, members, partners and stockholders of Buyer and their heirs and personal representatives (collectively, the “**Buyer Indemnitees**”) from and against, and will pay to the Buyer Indemnitees the amount of, any and all Losses that are suffered or actually incurred by any of the Buyer Indemnitees following the Closing as a result of or arising from: (a) any breach of or inaccuracy in the representations and warranties of the Company or any Seller contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) or any Ancillary Agreement, as of the Effective Date or as of the Closing Date (except in the case of representations and warranties which by their terms speak only as of a specific date or dates, in which case as of such specified date or dates); provided that for the purposes of this clause (a), qualifications as to material, materiality or Material Adverse Effect contained in such representations and warranties shall be given effect for determining whether a breach or inaccuracy of such representations and warranties has occurred, but shall not be given effect for purposes of calculating any Losses relating thereto; (b) any breach of the covenants or agreements of the Company arising prior to or as of the Closing, or any breach of the covenants or agreements of any of the Sellers, contained in this Agreement (including the Schedules and exhibits attached hereto and the certificates delivered pursuant hereto) or any Ancillary Agreement; and/or (c) any Fraud.

10.4 **Exclusive Remedy.** The parties hereto agree that, from and after the Closing, the sole and exclusive remedies of the parties for any Losses based upon, arising out of or otherwise in respect of the matters set forth in this Agreement (including representations, warranties, covenants and agreements) and the transactions contemplated hereby, whether based in contract, tort, equity or Law, are the indemnification, reimbursement and other obligations of the parties set forth in this **Article X**. The provisions of this **Section 10.4** shall not, however, prevent or limit a cause of action under **Section 10.8** to obtain an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the terms and provisions hereof.

10.5 **Limitations on Indemnification Payments to Seller Indemnitees.** Notwithstanding anything in this Agreement to the contrary (including **Section 10.2**), the right of the Seller Indemnitees to indemnification shall be subject to the following:

(a) The Seller Indemnitees’ right to indemnification pursuant to **Section 10.2** on account of any Losses will be reduced by all insurance proceeds actually received by the Seller Indemnitees (net of any applicable collection costs and reserves, deductibles, premium adjustments and retrospectively rated premiums). The Seller Indemnitees shall use commercially reasonable efforts to claim and recover any Losses suffered by the Seller Indemnitees under all such insurance policies and other third party indemnities; provided, that in no event shall any Seller Indemnitee be required to litigate to obtain any such insurance coverage. The Seller Indemnitees shall remit to Buyer any such insurance proceeds that are paid to the Seller Indemnitees with respect to Losses for which the Seller Indemnitees have been previously compensated pursuant to **Section 10.2** (net of any applicable collection costs and reserves, deductibles, premium adjustments and retrospectively rated premiums).

(b) The Seller Indemnitees will not be entitled to indemnification pursuant to **Section 10.2** for punitive damages except to the extent that punitive damages have been awarded and paid to a third party in any Third Party Claim.

(c) No Seller Indemnitee shall be entitled to be compensated more than once for the same Loss.

10.6 **Limitations on Indemnification Payments to Buyer Indemnitees**. Notwithstanding anything in this Agreement to the contrary (including **Section 10.3**), the right of the Buyer Indemnitees to indemnification is subject to the following:

(a) The Buyer Indemnitees will be entitled to indemnification pursuant to **Section 10.3(a)** on account of any Losses arising with respect to the matters described in **Section 10.3(a)** to the extent (but only to the extent) that the aggregate amount of all Losses suffered by the Buyer Indemnitees with respect to such matters exceeds a deductible of \$[***]. The limitations set forth in this **Section 10.6(a)** shall not apply to any indemnification claim pursuant to **Section 10.3(a)** as a result of or arising from a breach or inaccuracy in any Fundamental Representation.

(b) Buyer shall not, and shall cause the Buyer Indemnitees not to, seek recourse against, and shall not, and shall cause the Buyer Indemnitees not to, recover from any of the Seller Indemnitors on account of any Losses pursuant to **Section 10.3** (other than with respect to claims pursuant to **Section 10.3(a)** as a result of or arising from any breach or inaccuracy of any Fundamental Representation or pursuant to **Section 10.3(c)**) that exceed [***]. To the extent such Losses pursuant to **Section 10.3** (other than with respect to claims pursuant to **Section 10.3(a)** as a result of or arising from any breach or inaccuracy of any Fundamental Representation or pursuant to **Section 10.3(c)**) exceed [***], the parties agree that the R&W Insurance Policy shall be the sole and exclusive remedy of the Buyer Indemnitees and no Buyer Indemnitees shall have any rights to pursue any claims against any Seller Indemnitors for amounts in excess of [***] (other than with respect to claims pursuant to **Section 10.3(a)** as a result of or arising from any breach or inaccuracy of any Fundamental Representation or pursuant to **Section 10.3(c)**). Notwithstanding anything to the contrary in this Agreement, in the case of a claim pursuant to **Section 10.3(a)** as a result of or arising from a breach or inaccuracy of any or all of the Fundamental Representations, the aggregate liability of a Seller with respect to any and all recoveries under this Agreement and the Ancillary Agreements shall not exceed [***] up to an aggregate amount which, if added to all other amounts paid or payable by such Seller pursuant to this **Article X**, is equal to [***]. Notwithstanding anything to the contrary in this Agreement, in the case of a claim pursuant to **Section 10.3(c)**, the aggregate liability of a Seller with respect to any and all recoveries under this Agreement and the Ancillary Agreements shall equal [***] without any further limit or cap.

(c) The Buyer Indemnitees' right to indemnification pursuant to **Section 10.3** (other than **Section 10.3(c)**) on account of any Losses will be reduced by all insurance (including the R&W Insurance Policy) proceeds actually received by the Buyer Indemnitees from any insurance policy of the Company or the Subsidiary in effect immediately prior to the Closing (net of any applicable collection costs and reserves, deductibles and premium adjustments). Buyer shall use commercially reasonable efforts to claim and recover any Losses suffered by the Buyer Indemnitees under all such insurance policies of the Company or the Subsidiary in effect immediately prior to the Closing; provided, that in no event shall any Buyer Indemnitee be required to litigate to obtain any such insurance coverage. The Buyer Indemnitees shall, as promptly as practicable, remit to the Seller Representative for the benefit of the Sellers any such insurance proceeds that are paid to the Buyer Indemnitees with respect to Losses for which the Buyer Indemnitees have been previously compensated pursuant to **Section 10.3** (net of any applicable collection costs and reserves, deductibles and premium adjustments). The Buyer Indemnitees' right to indemnification pursuant to **Section 10.3** on account of any Losses will be reduced by all third party indemnification proceeds actually received by the Buyer Indemnitees from a third party (net of any applicable collection costs and reserves); provided, however, that notwithstanding the foregoing, in no event shall any Buyer Indemnitee be obligated to seek, pursue or recover any third party indemnification proceeds on account of any Losses and the failure to seek, pursue or recover any such third party indemnification proceeds shall not reduce the amount of, or otherwise limit any Buyer Indemnitee's right to, any such Losses.

(d) The Buyer Indemnitees will not be entitled to indemnification pursuant to **Section 10.3** for punitive damages except to the extent that punitive damages have been awarded and paid to a third party in any Third Party Claim.

(e) The Buyer Indemnitees will not be entitled to indemnification pursuant to **Section 10.3** for Losses to the extent that any Buyer Indemnitee has been compensated therefor pursuant to **Section 2.3**.

(f) The Buyer Indemnitees right to indemnification pursuant to **Section 10.3** on account of any Losses will be reduced by the amount of any reserve or provision properly reflected in the Final Working Capital, as finally determined pursuant to **Section 2.3**, to the extent such Loss directly relates to such reserve or provision.

(g) The Buyer Indemnitees shall comply with applicable Law with regards to mitigating any Losses.

(h) Notwithstanding anything to the contrary herein, subject to the limitations set forth in this **Article X**, (i) no Seller Indemnitee will have any right of indemnification, contribution or right of advancement from Buyer, the Company or any other Buyer Indemnitee with respect to any portion of any Losses that are indemnifiable by any Seller Indemnitor under this **Article X**, and (ii) the rights and remedies of the Buyer Indemnitees after the Closing shall not be limited by (A) any investigation made, disclosure received, or knowledge obtained, by or on behalf of any Buyer Indemnitee prior to the Closing regarding any matter or (B) any waiver by Buyer of any condition to the Closing related thereto.

(i) No Buyer Indemnitee shall be entitled to be compensated more than once for the same Loss.

(j) Subject to **Section 10.6(a)**, with respect to any claim for indemnification pursuant to **Section 10.3** (other than with respect to claims pursuant to **Section 10.3(a)** as a result of or arising from any breach or inaccuracy of any Fundamental Representation or pursuant to **Section 10.3(c)**), the obligation to pay the Losses to the applicable Buyer Indemnitee shall be satisfied (i) first, by the Seller Indemnitors to the extent recovery is available from the Indemnity Escrow Funds pursuant to the Escrow Agreement and (ii) thereafter, solely by recovery under the R&W Insurance Policy.

(k) With respect to any claim for indemnification pursuant to **Section 10.3(a)** as a result of or arising from any breach or inaccuracy of any Fundamental Representation, the obligation to pay the Losses to the applicable Buyer Indemnitee shall be satisfied (i) first, by the Seller Indemnitors to the extent recovery is available from the Indemnity Escrow Funds pursuant to the Escrow Agreement, (ii) second, by recovery under the R&W Insurance Policy and (iii) thereafter, by each Seller Indemnitor paying, within five Business Days following the obligation of the Seller Indemnitors to pay to such Buyer Indemnitee pursuant to **Section 10.7**, such Seller Indemnitor's Pro Rata Share of any remaining unpaid portion of such Losses to the applicable Buyer Indemnitee, subject to the second to last sentence of **Section 10.6(b)**.

(l) With respect to any claim for indemnification pursuant to **Section 10.3(c)**, the obligation to pay the Losses to the applicable Buyer Indemnitee shall be satisfied (i) first, only if such Losses are recoverable under the R&W Insurance Policy and only to the extent the retention under the R&W Insurance Policy has previously been satisfied, by recovery under the R&W Insurance Policy and (ii) second by each Seller Indemnitor paying, within five Business Days following the obligation of the Seller Indemnitors to pay such Losses to such Buyer Indemnitee pursuant to **Section 10.7**, such Seller Indemnitor's Pro Rata Share of such Losses to the Buyer Indemnitee, subject to the last sentence of **Section 10.6(b)**.

(m) The Buyer Indemnitees will not have the right to indemnification under this Agreement for any Losses to the extent such Losses are based on Taxes: (i) except to the extent attributable to any breach or inaccuracy in the representations and warranties in **Sections 4.6(c), (d), (e), (f), or (k)**, attributable to taxable periods (or portions thereof) beginning after the Closing Date; (ii) that are due to the unavailability in any taxable period (or portion thereof) beginning after the Closing Date of any net operating losses, or other Tax attribute from a taxable period (or portion thereof) ending on or prior to the Closing Date; (iii) resulting from transactions or actions taken by Buyer, the Company, the Subsidiary or any of their respective Affiliates after the Closing on the Closing Date that are not contemplated by this Agreement and are outside the ordinary course of business consistent with past practice; or (iv) that result from Buyer's breach of any of the covenants contained in **Article XI**.

10.7 **Procedures**.

(a) Notice of Losses by Seller Indemnitee. Subject to the limitations set forth in this **Article X**, as soon as reasonably practicable after a Seller Indemnitee has actual knowledge, based on a good faith belief, of any claim that it has under this **Article X** that may result in a Loss (a “**Claim**”), the Seller Representative shall give written notice thereof (a “**Claims Notice**”) to Buyer. A Claims Notice must describe the Claim in reasonable detail and indicate the amount (estimated, as necessary and to the extent feasible) of the Loss that has been or may be suffered by the applicable Seller Indemnitee. No delay in or failure to give a Claims Notice by the Seller Representative to Buyer pursuant to this **Section 10.7(a)** will adversely affect any of the other rights or remedies that the Seller Representative has under this Agreement, or alter or relieve Buyer of its obligation to indemnify the applicable Seller Indemnitee, except to the extent (and only to the extent) that Buyer is materially prejudiced thereby. Buyer shall respond to the Seller Representative (a “**Claim Response**”) within 30 days (the “**Response Period**”) after the date that the Claims Notice is sent by the Seller Representative. Any Claim Response must specify whether or not Buyer disputes the Claim described in the Claims Notice. If Buyer fails to give a Claim Response within the Response Period, then Buyer will be deemed not to dispute the Claim described in the related Claims Notice. If Buyer elects not to dispute a Claim described in a Claims Notice, whether by failing to give a timely Claim Response or otherwise, then the amount of Losses alleged in such Claims Notice will be conclusively deemed to be an obligation of Buyer, and Buyer shall pay, in cash, to the Seller Representative within 15 days after the last day of the applicable Response Period the amount specified in the Claims Notice. If Buyer delivers a Claim Response within the Response Period indicating that it disputes one or more of the matters identified in the Claims Notice, then Buyer and the Seller Representative shall promptly meet and use their reasonable efforts to settle the dispute. If Buyer and the Seller Representative are unable to reach agreement within 30 days after the conclusion of the Response Period, then either Buyer or the Seller Representative may resort to other legal remedies in accordance with **Section 12.12**, subject to the limitations set forth in this **Article X**.

(b) Notice of Losses by Buyer Indemnitee.

(i) *Claims with Determinable Losses*. Subject to the limitations set forth in this **Article X**, if any Buyer Indemnitee believes in good faith that it has a claim for indemnification pursuant to **Section 10.3** (a “**Buyer Claim**”), the amount of which is then known by Buyer, then Buyer shall, as soon as reasonably practicable after it actually becomes aware of such Buyer Claim, notify the Seller Representative and, if applicable, the R&W Insurer of such Buyer Claim by means of a written notice (with a copy to the Escrow Agent if the Claim involves recovery against the Indemnity Escrow Funds) describing the Buyer Claim in reasonable detail and setting forth Buyer’s good faith calculation of the Losses paid, sustained, suffered or incurred by the applicable Buyer Indemnitee with respect thereto (a “**Buyer Claim Notice**” and, together with a Claims Notice, a “**Notice**”). The failure by Buyer to promptly deliver a Buyer Claim Notice under this **Section 10.7(b)(i)** will not adversely affect the applicable Buyer Indemnitee’s right to indemnification pursuant to **Section 10.3**, except to the extent (and only to the extent) the Seller Representative or any of the Sellers are materially prejudiced thereby in terms of the amount of Losses for which the Seller Indemnitors are obligated to indemnify the Buyer Indemnitees. If, by the 30th day following receipt by the Seller Representative of a Buyer Claim Notice (the “**Dispute Period**”), Buyer has not received from the Seller Representative notice in writing that the Seller Representative objects to the Buyer Claim (or the amount of Losses set forth therein) asserted in such Buyer Claim Notice (a “**Dispute Notice**”), then (A) the Seller Representative (on behalf of the Sellers) shall be conclusively deemed to have consented to the recovery by the applicable Buyer Indemnitees of the full amount of Losses specified in the Buyer Claim Notice and (B) the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to pay to Buyer from the Indemnity Escrow Funds the amount of Losses specified in the Buyer Claim Notice, subject to the provisions contained in this **Article X**.

(ii) *Claims without Determinable Losses*. Subject to the limitations set forth in this **Article X**, if any Buyer Indemnitee believes in good faith that it has a Buyer Claim, the amount of which cannot reasonably be determined by Buyer, then Buyer shall, as soon as reasonably practicable after it actually becomes aware of such Buyer Claim, notify the Seller Representative and, if applicable, the R&W Insurer by means of a Buyer Claim Notice (with a copy to the Escrow Agent if the Claim involves recovery against the Indemnity Escrow Funds) that contains the information required by **Section 10.7(b)(i)** (other than a good faith calculation of the Losses paid, sustained, suffered or incurred) and a good faith estimate, if reasonably practicable, of Buyer’s

calculation of the Losses paid, sustained, suffered or incurred or that may be paid, sustained, suffered or incurred by the applicable Buyer Indemnitee with respect thereto. The failure by Buyer to promptly deliver a Buyer Claim Notice under this **Section 10.7(b)(ii)** will not adversely affect the applicable Buyer Indemnitee's right to indemnification pursuant to **Section 10.3**, except to the extent (and only to the extent) the Seller Representative or any Seller is materially prejudiced thereby in terms of the amount of Losses for which the Seller Indemnitors are obligated to indemnify the Buyer Indemnitees. If Buyer has not received a Dispute Notice from the Seller Representative within the Dispute Period, then (A) the Seller Representative (on behalf of the Sellers) shall be conclusively deemed to have consented to the recovery by the applicable Buyer Indemnitees of the full amount of Losses specified in the Buyer Claim Notice and (B) the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to pay to Buyer from the Indemnity Escrow Funds the amount of Losses specified from time to time as the amount of any such Buyer Claim becomes known, subject to the provisions contained in this **Article X**.

(iii) *Disputes*. If the Seller Representative timely delivers a Dispute Notice to Buyer within the Dispute Period (with a copy to the Escrow Agent if the Claim involves recovery against the Indemnity Escrow Funds), Buyer and the Seller Representative shall promptly meet and use their reasonable efforts to settle the dispute as to whether and to what extent the Buyer Indemnitees are entitled to indemnification hereunder on account of such Buyer Claim. If Buyer and the Seller Representative are able to reach agreement within 30 days after Buyer receives such Dispute Notice, then the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent setting forth such agreement and instructing the Escrow Agent to pay to Buyer from the Indemnity Escrow Funds an amount in accordance with such agreement. If Buyer and the Seller Representative are unable to reach agreement within 30 days after Buyer receives such Dispute Notice, then either Buyer or the Seller Representative may resort to other legal remedies in accordance with **Section 12.12**, subject to the limitations set forth in this **Article X**. For all purposes of this **Article X** (including those pertaining to disputes under **Section 10.7(a)** and this **Section 10.7(b)**), Buyer and the Seller Representative shall cooperate with and make available to the other party and its respective representatives all information, records and data, and shall permit reasonable access to its facilities and personnel, as may be reasonably required and reasonably requested in connection with the resolution of such disputes.

(iv) *Buyer Claim Notice*. Notwithstanding anything in this **Section 10.7(b)** to the contrary, a Buyer Claim Notice may be updated and amended from time to time by Buyer delivering an updated or amended Buyer Claim Notice, so long as such update or amendment relates to the underlying facts and circumstances specifically set forth in such original Buyer Claim Notice.

(c) **Third Party Claims**. Buyer shall determine and conduct the investigation, defense and the settlement, adjustment or compromise of any claim by a third party against any Buyer Indemnitee (a "**Third Party Claim**"), and all costs, expenses and other amounts incurred by Buyer in connection with such investigation, defense or settlement of such claim and the enforcement and protection of its rights under this Agreement in respect thereof (including reasonable attorneys' fees, other professionals' and experts' fees and court or arbitration costs), shall constitute Losses for which the Buyer Indemnitees shall obtain indemnification for hereunder if it is ultimately determined that such Third-Party Claim itself is indemnifiable under **Section 10.3**. No settlement, adjustment, compromise or entry of judgment shall be determinative of the existence or amount of Losses relating to such matter, except for any such settlement, adjustment, compromise or entry of judgment entered into or agreed to with the prior written consent of the Seller Representative (on behalf of the Seller Indemnitors), such consent not to be unreasonably withheld conditioned or delayed. In the event that the Seller Representative has consented in writing to any such settlement, adjustment, compromise or entry of judgment, neither the Seller Representative nor any Seller Indemnitors shall have any power or authority to object under any provision of this **Article X** to the amount of any Buyer Claim by or on behalf of any Buyer Indemnitee against the Indemnity Escrow Funds or the Seller Indemnitors in accordance with the provisions of this **Article X** for indemnification with respect to the amount of Losses contemplated by such settlement, adjustment, compromise or entry of judgment.

(d) **Seller Representative Participation**. The Seller Representative shall have the right to receive copies of all pleadings, notices and other written communications with the third party claimant or its counsel with respect to

the Third Party Claim and may participate (with its own counsel and at the expense of the Seller Indemnitors, which cannot be satisfied from the Indemnity Escrow Funds) in, but not determine, the conduct of the defense of the Third Party Claim or settlement, adjustment or compromise negotiations with respect to the Third Party Claim. Buyer shall have the right, in its sole discretion, to determine the conduct of the defense of the Third Party Claim or the settlement, adjustment or compromise thereto.

(e) **Other Releases of the Indemnity Escrow Funds.** All Indemnity Escrow Funds held under the Escrow Agreement minus the amounts reasonably necessary to satisfy any and all unresolved or disputed Buyer Claims set forth in any then pending Buyer Claim Notices (and less the employer portion of any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) as a result of or with respect to or attributable to the release of such funds to the extent such Tax or similar amount would constitute Selling Expenses) shall automatically be released to the Stockholders and the Company (on behalf of the Optionholders), in each case, in accordance with their Pro Rata Share thereof as set forth in the Spreadsheet, within one Business Day after the [***] (the "**Escrow Release Date**") in accordance with this Agreement and the Escrow Agreement. With respect to amounts delivered to the Company (on behalf of the Optionholders), Buyer shall pay, or shall cause one or more of its Affiliated entities to pay, such amounts to the Optionholders (less applicable withholding), in accordance with the Escrow Agreement, as promptly thereafter as reasonably practicable, but in no event later than 21 days following the date on which Buyer receives such amounts from the Escrow Agent, through the payroll of Buyer or its Affiliated entities. Any portion of the Indemnity Escrow Funds held by the Escrow Agent following the Escrow Release Date with respect to any unresolved or disputed Buyer Claims that are not awarded to a Buyer Indemnitee upon the resolution of thereof (less the employer portion of any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) as a result of or with respect to or attributable to the release of such funds to the extent such Tax or similar amount would constitute Selling Expenses) shall be released to the Stockholders and the Company (on behalf of the Optionholders), in each case, in accordance with their Pro Rata Share thereof as set forth in the Spreadsheet.

10.8 **Specific Performance.** Each party's obligations under this Agreement are unique. If any party hereto should breach its covenants or agreements under this Agreement, the parties hereto each acknowledge that it would be extremely impracticable to measure the resulting damages; accordingly, the nonbreaching party or parties, in addition to any other available rights or remedies they may have under the terms of this Agreement, may sue in equity for specific performance or to obtain an injunction or injunctions to prevent breaches of this Agreement, and each party hereto expressly waives the defense that a remedy in damages will be adequate.

10.9 **Subrogation.** Upon the Seller Indemnitors making any payment of Losses to any Buyer Indemnitee pursuant to **Section 10.6(k)(iii)** or **Section 10.6(l)(ii)**, the Seller Representative (on behalf of the Sellers) shall be subrogated to all rights of the Buyer Indemnitees against the R&W Insurer arising from that portion of such Losses paid by the Seller Indemnitors to the Buyer Indemnitees pursuant to **Section 10.6(k)(iii)** or **Section 10.6(l)(ii)** if, and only if, such Buyer Indemnitees did not recover from the R&W Insurer under the R&W Insurance Policy all or such portion of such Losses that would reasonably be expected to be recoverable under the R&W Insurance Policy.

10.10 **Adjustment to Purchase Price.** All indemnification payments made pursuant to this **Article X** will be treated as an adjustment to the Purchase Price unless otherwise required by applicable Law.

10.11 **Deemed Losses.** Notwithstanding anything else contained in this Agreement to the contrary, any Losses incurred by any Buyer Indemnitee shall be deemed as Losses incurred by Logitech US.

ARTICLE XI TAX MATTERS

11.1 **Cooperation; Audits; Tax Returns.**

(a) In connection with the preparation of Tax Returns, audit examinations, and any administrative or judicial proceedings relating to the Tax Liabilities imposed on the Company or the Subsidiary for all Tax periods (or

portion of a Straddle Period) ending on or before the Closing Date (“**Pre-Closing Tax Periods**”), Buyer, on the one hand, and the Sellers, on the other hand, shall cooperate fully with each other, including the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney or other materials necessary or helpful for the preparation of such Tax Returns, the conduct of audit examinations or the defense of claims by Taxing Authorities as to the imposition of Taxes and any assessment or reassessment in respect of Taxes. Buyer shall, and shall cause the Company and the Subsidiary to, (i) retain all books and records with respect to Tax Matters pertinent to the Company and the Subsidiary relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations (and, to the extent notified by the Seller Representative, any extension thereof) for the respective taxable periods, and to abide by all record retention Laws and agreements entered into with any Taxing Authority, and (ii) give the Seller Representative reasonable written notice prior to transferring, destroying or discarding any such books and records and shall allow the Seller Representative to take possession of such books and records.

(b) Buyer and the Seller Representative shall, upon the other’s request, use their commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereby).

(c) The Seller Representative shall prepare, or cause to be prepared, all income Tax Returns of the Company or the Subsidiary for any Pre-Closing Tax Period (not including any Straddle Period). The Seller Representative shall provide such income Tax Returns to Buyer at least thirty days before the due date for such income Tax Returns, including any applicable extensions, for Buyer’s review and approval, not to be unreasonably withheld, conditioned or delayed. To the fullest extent permitted by Law, the Tax Deductions shall be reported on applicable income Tax Returns solely as income Tax deductions of the Company and the Subsidiary for Pre-Closing Tax Periods and to the extent so reported shall not be treated or reported as income Tax deductions for a year or period (or portion thereof) beginning after the Closing Date (including under Section 1.1502-76(b)(1)(ii)(B) of the Treasury Regulations or any comparable or similar provision under state, local or foreign Law). Buyer shall timely file such income Tax Returns. The Sellers shall pay to the Company or Buyer the amount of Taxes shown due on such Tax Returns.

11.2 **Controversies**. Notwithstanding **Section 10.7(c)**, this **Section 11.2** shall control any inquiries, assessments, proceedings or similar events with respect to Taxes. Buyer shall promptly notify the Seller Representative: (a) upon receipt by Buyer or any Affiliate of Buyer of any notice of any Tax Matter from any Taxing Authority; or (b) prior to Buyer, the Company or the Subsidiary initiating any Tax Matter with any Taxing Authority. The Seller Representative may, at the Sellers’ expense, participate in any such Tax Matter; provided, however, that the failure to provide such notice with respect to clause (a) of this **Section 11.2** will not affect Buyer’s right to indemnification under **Section 10.3** except to the extent the Sellers’ defense of such matter is demonstrably prejudiced by such failure; provided further that the failure to provide such notice with respect to clause (b) of this **Section 11.2** will negate Buyer’s right to indemnification under **Section 10.3** with respect to Tax Liabilities resulting from any such voluntary contact. Buyer shall have the authority, with respect to any Tax Matter, to represent the interests of the Company and the Subsidiary before the relevant Taxing Authority and the Buyer shall have the right to control the defense, compromise or other resolution of any such Tax Matter, subject to the limitations contained herein, including responding to inquiries, and contesting, defending against and resolving any assessment for additional Taxes or notice of Tax deficiency or other adjustment of Taxes of, or relating to, such Tax Matter. Buyer shall not enter into any settlement of or otherwise compromise any such Tax Matter to the extent that it adversely affects the Tax Liability of the Sellers without the prior written consent of the Seller Representative, which consent shall not be unreasonably withheld, conditioned or delayed. The Buyer shall keep the Seller Representative informed with respect to the commencement, status and nature of any such Tax Matter and will, in good faith, allow the Seller Representative to consult with Buyer regarding the conduct of or positions taken in any such proceeding.

11.3 **Amendment of Tax Returns**. Unless required to reflect a final determination within the meaning of Section 1313 of the Code, neither Buyer nor any of its Affiliates shall amend, refile, revoke or otherwise modify any Tax Return or Tax election of the Company or the Subsidiary with respect to a Pre-Closing Tax Period (not including any Straddle Period) without the prior written consent of the Seller Representative.

11.4 **Certain Taxes.** All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with the transactions contemplated by this Agreement (collectively, “**Transfer Taxes**”) will be paid by Buyer when due, and all necessary Tax Returns and other documentation with respect to Transfer Taxes will be prepared and filed by Buyer unless a Seller is required to file such Tax Returns under applicable Law.

11.5 **Refunds and Credits.** Any Tax refund received by Buyer, the Company or the Subsidiary (or any of their respective Affiliates), and any amounts credited against any Tax to which Buyer, the Company or the Subsidiary (or any of their respective Affiliates) shall become entitled, which refund or credit relates to taxable periods, or portions thereof, ending on or before the Closing Date, shall be for the account of the Sellers, and Buyer shall pay, or cause to be paid, to the Sellers in the proportions set forth on **Schedule 2.3(e)(ii)**, an amount equal to such refund or credit. With respect to the Stockholders, such amounts shall be paid by Buyer within five Business Days after receipt or utilization thereof by bank wire transfer of immediately available funds to the accounts designated in writing by the Seller Representative to Buyer. With respect to the Optionholders, such amounts shall be paid by Buyer, or Buyer shall cause one or more of its Affiliated entities to pay, such amounts to the Optionholders (less applicable withholding and any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) or for which Buyer (or any of its Affiliated entities) is or will otherwise be liable, as a result of or with respect to or attributable to, any such payment) as promptly thereafter as practicable, but in no event later than 21 days, after receipt or utilization thereof, through the payroll of Buyer or one or more of its Affiliated entities.

11.6 **Consolidated Income Tax Return.** The Company shall join the consolidated U.S. federal income Tax Return of Logitech US and its Subsidiaries for the taxable year of Logitech US that includes the day after the Closing Date. The parties acknowledge and agree that, as a consequence of the transactions contemplated pursuant to or in connection with this Agreement, (a) the taxable year of the Company and the Subsidiaries shall close for U.S. federal income Tax purposes at the end of the day on the Closing Date, (b) to the extent applicable Law in other taxing jurisdictions so permits, the taxable year of the Company and the Subsidiaries shall close at the end of the day on the Closing Date and (c) to the extent applicable Law in other taxing jurisdictions so permits, all federal, state, local and foreign income Tax Returns shall be filed consistently on the foregoing basis.

ARTICLE XII MISCELLANEOUS AND GENERAL

12.1 **Seller Representative.**

(a) Riverside is hereby constituted and appointed as agent and attorney-in-fact for and on behalf of the other Sellers and is the Seller Representative for all purposes under this Agreement. Without limiting the generality of the foregoing, the Seller Representative has full power and authority, on behalf of each Seller and his, her or its successors and assigns, to (i) interpret the terms and provisions of this Agreement, any Ancillary Agreement and the documents to be executed and delivered by the Sellers in connection herewith, including the Escrow Agreement and the Holdback Agreement, (ii) execute and deliver and receive deliveries of all agreements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments and other documents required or permitted to be given in connection with the consummation of the transactions contemplated by this Agreement, including the Escrow Agreement and the Holdback Agreement, (iii) receive service of process in connection with any claims under this Agreement, the Escrow Agreement or the Holdback Agreement, (iv) agree to, negotiate and enter into settlements and compromises of, and assume the defense of, claims, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to any claims under this Agreement, any Ancillary Agreement or any other documents to be executed and delivered by any of the Sellers, and take all actions necessary or appropriate in the judgment of the Seller Representative for the accomplishment of the foregoing, (v) give and receive notices and communications, (vi) take all actions necessary or appropriate in the judgment of the Seller Representative on behalf of the Sellers in connection with this Agreement, (vii) make any determinations and settle any matters in connection with the adjustments to the Purchase Price in **Section 2.3**, (viii) authorize delivery to any Buyer Indemnitee of the Indemnity Escrow Funds or any portion thereof in satisfaction of claims brought by any Buyer Indemnitee for Losses, (ix) distribute the Indemnity

Escrow Funds and any earning and proceeds thereon, and (x) deduct, hold back or redirect any funds, including the Holdback Amount, which may be payable to any Seller pursuant to the terms of this Agreement, the Escrow Agreement, the Holdback Agreement or any agreements or documents executed and delivered in connection herewith in order to pay, or establish a reserve for, (A) any amount that may be payable by such Seller hereunder or (B) any costs, fees, expenses and other Liabilities incurred by the Seller Representative (in its capacity as such) in connection with this Agreement or its rights or obligations hereunder. The Seller Representative shall have authority and power to act on behalf of each Seller Indemnitor and each Seller Indemnitee with respect to the disposition, settlement or other handling of all claims under **Article X** and all rights or obligations arising under **Article X**. The Seller Indemnitors and Seller Indemnitees shall be bound by all actions and decisions taken and consents and instructions given by the Seller Representative in connection with **Article X**, and Buyer and other Buyer Indemnitees and the Escrow Agent shall be entitled to rely on, and shall be relieved from any liability to any Person for any acts done by them in accordance with, any such action, decision, consent or instruction of the Seller Representative. After the Closing, notices or communications to or from the Seller Representative shall constitute notice to or from each Seller Indemnitor and each Seller Indemnitee.

(b) Such agency may be changed by Riverside from time to time upon not less than five days' prior written notice to Buyer. The Seller Representative, or any successor hereafter appointed, may resign at any time by providing prior written notice to Buyer and the Escrow Agent at least five days prior to such resignation, which notice shall specify the Person replacing the Seller Representative, the effective date of such replacement, the mailing address and telephone and facsimile numbers for such Person and other information reasonably requested by Buyer or the Escrow Agent. A successor Seller Representative will be named by Riverside prior to any such resignation and shall be a Person principally located in the United States. All power, authority, rights and privileges conferred in this Agreement to Riverside as the Seller Representative will apply to any successor Seller Representative.

(c) The Seller Representative will not be liable for any act done or omitted under this Agreement as the Seller Representative while acting in good faith, and any act taken or omitted to be taken pursuant to the advice of counsel will be conclusive evidence of such good faith. Buyer agrees that it will not look to the personal assets of the Seller Representative, acting in such capacity, for the satisfaction of any obligations to be performed by the Company (pre-Closing) or the Sellers. In performing any of its duties under this Agreement or any agreements or documents executed and delivered in connection herewith, the Seller Representative will not be liable to the Sellers for any Losses that any Person may incur as a result of any act, or failure to act, by the Seller Representative under this Agreement or any agreements or documents executed and delivered in connection herewith, and the Seller Representative will be indemnified and held harmless by the Sellers for all Losses, except to the extent that the actions or omissions of the Seller Representative were taken or omitted not in good faith. The limitation of liability provisions of this **Section 12.1(c)** will survive the termination of this Agreement and the resignation of the Seller Representative.

12.2 **Expenses**. Except as set forth in this Agreement, all costs and expenses (including all legal, accounting, broker, finder or investment banker fees) incurred in connection with this Agreement and the transactions contemplated hereby are to be paid, in the case of the Company, by the Company (if the transactions contemplated by this Agreement are not consummated), or will be treated as Selling Expenses (if the transactions contemplated by this Agreement are consummated) to the extent unpaid at the Closing, in the case of Buyer, by Buyer, in the case of any Seller, by such Seller, and, in the case of the Seller Representative, by the Seller Representative.

12.3 **Successors and Assigns**. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective successors and permitted assigns, but is not assignable by any party hereto without the prior written consent of Buyer and the Seller Representative.

12.4 **Third Party Beneficiaries**. Each party hereto intends that this Agreement does not benefit or create any right or cause of action in or on behalf of any Person other than the parties hereto, except that **Article X** is intended to benefit the Buyer Indemnitees and the Seller Indemnitees.

12.5 **Further Assurances**. The parties hereto shall execute such further instruments and take such further actions as may reasonably be necessary to carry out the intent of this Agreement. Each party hereto shall cooperate

affirmatively with the other parties hereto, to the extent reasonably requested by such other parties, to enforce rights and obligations herein provided.

12.6 **Notices.** Any notice or other communication provided for herein or given hereunder to a party hereto must be in writing and: (a) sent by facsimile transmission; (b) sent by electronic mail; (c) delivered in person; (d) mailed by first class registered or certified mail, postage prepaid; or (e) sent by Federal Express or other overnight courier of national reputation, in each case, addressed as follows:

If to the Company (only after the Closing) or Buyer:

Logitech Europe S.A.
c/o Logitech Inc.
7700 Gateway Boulevard
Newark, California 94560
Attention: General Counsel
Email: [***]

with a copy to:

O'Melveny & Myers LLP
Two Embarcadero Center, 28th Floor
San Francisco, California 94111
Attention: C. Brophy Christensen, Esq.
Facsimile No.: (415) 984-8701
Email: bchristensen@omm.com

If to the Company (only prior to the Closing) or the Seller Representative:

The Riverside Company
Rockefeller Center
630 Fifth Avenue, Suite 400
New York, New York 10111
Attention: [***]
Facsimile No.: [***]
Email: [***]

with a copy to:

The Riverside Company
1453 3rd Street Promenade, Suite 305
Santa Monica, California 90401
Attention: [***]
Facsimile No.: [***]
Email: [***]

and

Jones Day
901 Lakeside Avenue
Cleveland, Ohio 44414
Attention: Joseph D. Hatina
Facsimile No.: (216) 579-0212
Email: jdhatina@jonesday.com

If to a Seller, to the address set forth on the signature page of such Seller.

or to such other address with respect to a party hereto as such party notifies the other parties hereto in writing as above provided. Each such notice or communication will be effective: (i) if given by facsimile, then when the successful sending of such facsimile is electronically confirmed; (ii) if given by electronic mail, then when confirmation of successful transmission is received; or (iii) if given by any other means specified in the first sentence of this **Section 12.6**, then upon delivery or refusal of delivery at the address specified in this **Section 12.6**.

12.7 **Captions**. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement.

12.8 **Amendment; Waiver**. This Agreement may be amended or modified only by an instrument in writing duly executed by the Seller Representative and Buyer. At any time, the Seller Representative or Buyer may: (a) extend the time for the performance of any of the obligations or other acts of the parties hereto; provided, that the Seller Representative may not extend the time for the performance of any of the obligations or other acts of the Company, the Seller Representative or any of the Sellers; provided, further that Buyer may not extend the time for the performance of any of the obligations or other acts of Buyer; (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; provided, that the Seller Representative may not waive any inaccuracies in the representations and warranties of the Company or any of the Sellers contained herein or in any document delivered pursuant hereto; provided, further that Buyer may not waive any inaccuracies in the representations and warranties of Buyer contained herein or in any document delivered pursuant hereto; or (c) waive compliance with any of the covenants, agreements or conditions contained herein, to the extent permitted by applicable Law; provided, that the Seller Representative may not waive non-compliance with any of the covenants, agreements or conditions of the Company, the Seller Representative or any of the Sellers contained herein; provided, further, that Buyer may not waive non-compliance with any of the covenants, agreements or conditions of Buyer contained herein. Any agreement to any such extension or waiver will be valid only if set forth in a writing signed by the Seller Representative, on behalf of the Sellers if the Sellers are making the waiver, or Buyer, if Buyer is making the waiver. No waiver of any provision hereunder or any breach or default thereof shall extend to or affect in any way any other provision or prior or subsequent breach or default. Receipt by Buyer of any of the agreements, instruments, certificates or documents delivered pursuant to **Section 3.2** shall not be deemed to be an agreement by Buyer that the information or statements contained therein are true, correct or complete, and shall not diminish Buyer's remedies hereunder if any of the foregoing agreements, instruments, certificates or documents are not true, correct or complete.

12.9 **Optionholder Payments**. Notwithstanding anything herein to the contrary, no payment of any amounts contemplated by this Agreement shall be made to any Optionholder, in his or her capacity as such, after the fifth anniversary of the Closing Date, and such amounts remaining after the fifth anniversary of the Closing Date shall be distributed to the Stockholders, on a pro-rata basis based on his, her or its fully diluted ownership compared with all Stockholders.

12.10 **Legal Representation**. Buyer further agrees that, as to all communications between and among all counsel for the Sellers, the Company, the Subsidiary or their respective Affiliates (including Jones Day), and Riverside, the Sellers, the Company, the Subsidiary or their respective Affiliates that primarily relate to the transactions contemplated by or in connection with this Agreement (collectively, the "**Privileged Communications**"), the attorney-client privilege and the expectation of client confidence with respect to the Privileged Communications belongs to the Sellers and may be controlled by the Sellers and will not pass to or be claimed by Buyer or any of its respective subsidiaries (including, following the Closing, the Company and the Subsidiary). The Privileged Communications are the property of the Sellers and, from and after the Closing, none of Buyer, its subsidiaries (including, following the Closing, the Company and the Subsidiary) or any Person purporting to act on behalf of or through Buyer or such subsidiaries will seek to obtain the Privileged Communications, whether by seeking a waiver of the attorney-client privilege or through other means. Buyer, and its respective subsidiaries (including, following the Closing, the Company and the Subsidiary), together with any of their respective Affiliates, successors or assigns, further agree that no such party may use or rely on any of the Privileged Communications in any action against or involving any of the Sellers or any of their respective Affiliates after the Closing. The Privileged Communications may be used by the Sellers or any of their respective Affiliates in connection with any dispute that relates to the transactions contemplated by or in connection with this Agreement, including in any claim for indemnification brought by Buyer. Notwithstanding the

foregoing, in the event that a dispute arises between Buyer or any of its respective subsidiaries and a third party (other than a party to this Agreement or any of its Affiliates) after the Closing, Buyer and its subsidiaries may assert the attorney-client privilege to prevent disclosure of confidential communications by counsel to such third party, provided that neither Buyer nor its subsidiaries (including, following the Closing, the Company and the Subsidiary) may waive such privilege without the prior written consent of the Seller Representative.

12.11 **Governing Law**. This Agreement is to be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its rules of conflict of laws.

12.12 **Consent to Jurisdiction and Service of Process**. The parties hereto consent and submit to the exclusive jurisdiction of the courts of the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, then any state or federal court within the State of Delaware) in respect of the interpretation and enforcement of the provisions of this Agreement and waive, and will not assert, any defense in any Action for the interpretation or enforcement of this Agreement, that they are not subject to the courts' jurisdiction or that the Action may not be brought or is not maintainable in such courts or that this Agreement may not be enforced in or by such courts or that their respective property is exempt or immune from execution, that the Action is brought in an inconvenient forum or that the venue of the Action is improper. Service of process with respect thereto may be made upon the parties hereto by mailing a copy thereof by registered or certified mail, postage prepaid, to that party at the applicable address provided in **Section 12.6**.

12.13 **Waiver of Jury Trial**. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

12.14 **Severability**. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only so broad as is enforceable.

12.15 **Construction**. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, then this Agreement will be construed as drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party hereto by virtue of the authorship of any of the provisions of this Agreement. Unless otherwise indicated to the contrary herein by the context or use thereof: (a) any reference to any federal, state, local or foreign statute or law will be deemed also to refer to all rules and regulations promulgated thereunder; (b) all references to the preamble, recitals, Sections, Articles, Exhibits or Schedules are to the preamble, recitals, Sections, Articles, Exhibits or Schedules of or to this Agreement; (c) the words "herein", "hereto", "hereof" and words of similar import refer to this Agreement as a whole and not to any particular section or paragraph hereof; (d) masculine gender shall also include the feminine and neutral genders and vice versa; (e) words importing the singular shall also include the plural, and vice versa; (f) the words "include", "including" and "or" shall mean without limitation by reason of enumeration; and (g) all references to "\$" or dollar amounts are to lawful currency of the United States of America. The phrases "delivered," "provided," "made available" and phrases of similar import mean, with respect to any statement in this Agreement to the effect that any information, document or other material has been "delivered," "provided" or "made available" to Buyer, its legal counsel or its other representatives, that such information, document or material was included, and available for review by Buyer, its legal counsel and its other representatives, in the virtual data room set up by Donnelley Financial Services in connection with this Agreement as of 5:00 p.m. Pacific Time on the date one Business Day prior to the Effective Date.

12.16 **Counterparts; Electronic Transmission**. This Agreement may be executed in separate counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission (including in Adobe PDF format) will be effective as delivery of a manually executed counterpart to this Agreement.

12.17 **Complete Agreement**. This Agreement and the Schedules and exhibits hereto and the other documents delivered by the parties hereto in connection herewith, together with the Confidentiality Agreement, contain the complete agreement between the parties hereto with respect to the transactions contemplated hereby and thereby and supersede all prior agreements and understandings between the parties hereto with respect thereto. For the avoidance of doubt, none of (a) that certain Letter, dated July 13, 2018, delivered by BDO USA, LLP to Logitech US, KPMG LLP and the Company, (b) that certain Due Diligence Access Letter, dated July 17, 2018, delivered by BDO USA, LLP to Logitech US, KPMG LLP and the Company, (c) that certain Letter, dated June 21, 2018, delivered by Deloitte & Touche LLP to Logitech US and (d) that certain Letter, dated May 31, 2018, delivered by PricewaterhouseCoopers LLP to Logitech US, shall limit Buyer's rights or remedies under this Agreement.

[Remainder of Page Intentionally Blank - Signature Page Follows]

IN WITNESS WHEREOF, the Company, the Sellers, the Seller Representative and Buyer have executed this Agreement or caused this Agreement to be executed as of the day and year first above written.

THE COMPANY :

BLUE MICROPHONES HOLDING CORPORATION

By: /s/ [***]
Name: [***]
Title: Vice President and Secretary

THE STOCKHOLDERS :

[***]

By: [***], its general partner

By: /s/ [***] _____

Name: [***]

Title: Co-Chief Executive Officer

[***]

By: /s/ [***] _____

Name: [***]

Title: President

Address: [***]

/s/ [***] _____

[***], individually

Address: [***]

/s/ [***] _____

[***], individually

Address: [***]

THE OPTIONHOLDERS :

/s/ [***]
[***], individually

Address: [***]

/s/ [***]
[***], individually

Address: [***]

/s/ [***]
[***], individually

Address: [***]

THE SELLER REPRESENTATIVE :

[***]

By: [***], its general partner

By: /s/ [***] _____

Name: [***]

Title: Co-Chief Executive Officer

BUYER:

LOGITECH EUROPE S.A.

By: /s/ [***] _____

Name: [***]

Title: General Counsel EMEA

By: /s/ [***] _____

Name: [***]

Title: HR Director EMEA

LOGITECH US (for purposes of Section 10.11 only):

LOGITECH INC.

By: /s/ Vincent Pilette _____

Name: Vincent Pilette

Title: Officer

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN RESTRICTED STOCK UNIT AGREEMENT
 (NON-EXECUTIVE BOARD MEMBER PARTICIPANT)

This Restricted Stock Unit Agreement, including any country-specific terms and conditions set forth in the attached Appendix A (collectively, the “Agreement”), is between Logitech International S.A., a Swiss company (the “Company”), and the Participant named below and is made pursuant to the Logitech International S.A. 2006 Stock Incentive Plan (the “Plan”). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning given to them in the Plan. Subject to Section 20(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms of the Plan shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant named below the number of Restricted Stock Units corresponding to Shares specified below, subject to the terms and conditions of this Agreement and of the Plan, which is incorporated in this Agreement by reference:

Participant’s Name: [NAME]
 Grant Date: [GRANT DATE]
Total Number of Restricted Stock: [UNITS]

2. Vesting. The Restricted Stock Units subject to this Award shall vest with respect to 100% of the total Restricted Stock Units subject to this Award on the first anniversary of the Grant Date, or, if earlier and only if the Participant is not re-elected as a Director at such annual general meeting, the date of the next annual general meeting following the Grant Date (the “Vesting Date”), in each case, provided that the Participant is still providing Service on the Vesting Date. In no event shall any Restricted Stock Units vest after the Participant’s termination of Service.
 3. Settlement of Vested Restricted Stock Units. The Participant’s vested Restricted Stock Units shall be settled in Shares promptly after the Vesting Date of such Restricted Stock Units, or accelerated vesting event pursuant to Section 5(b), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until Participant has satisfied any applicable tax and/or other obligations pursuant to Section 7 below and such issuance otherwise complies with Applicable Laws. The foregoing notwithstanding, Restricted Stock Units shall in no event be settled later than the later of (i) the March 15 of the calendar year after the applicable Vesting Date or accelerated vesting event or (ii) the June 15 of the Company’s fiscal year after the applicable Vesting Date or accelerated vesting event.
 4. Nature of Restricted Stock Units. The Restricted Stock Units are mere bookkeeping entries and represent only an unfunded and unsecured obligation of the Company to issue or deliver Shares on a future date. As a holder of Restricted Stock Units, the Participant has no rights other than the rights of a general creditor of the Company. The Restricted Stock Units carry neither voting rights nor rights to cash or other dividends. The Participant has no rights as a shareholder of the Company by virtue of the Restricted Stock Units unless and until the Restricted Stock Units are settled by issuing or delivering Shares.
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5. Termination of Service.

- (a) Except as otherwise provided in Section 5(b), if the Participant's Service terminates for any reason, all unvested Restricted Stock Units shall be forfeited effective on the date the Participant's Service terminates. The Administrator shall have the exclusive discretion to determine when the Participant's Service terminates.
- (b) If the Participant's Service terminates by reason of death or Disability, any unvested Restricted Stock Units shall vest immediately as of the date of such termination of Service. For purposes of this Agreement, "Disability" means a medically determined physical or mental impairment rendering the Participant substantially unable to function as a member of the Board for a material portion of the Participant's remaining term on the Board, as determined in the sole discretion of the Board (excluding any Participant whose own Disability is at issue in or based on a given case) based upon such evidence as it deems necessary and appropriate. A Participant shall not be considered to have experienced a Disability unless he or she furnishes such medical or other evidence of the existence of Disability as the Board, in its sole discretion, may require.

6. Suspension or Cancellation for Misconduct . If at any time (including after vesting but before settlement) the Administrator reasonably believes that the Participant has committed an act of misconduct as described in this Section 6, the Administrator may suspend the vesting or settlement of Restricted Stock Units, pending a determination of whether an act of misconduct has been committed. If the Administrator determines that the Participant has committed an act of embezzlement, fraud or breach of fiduciary duty, or if the Participant makes an unauthorized disclosure of any trade secret or confidential information of the Company or any of its Subsidiaries or Affiliates, or induces any customer to breach a contract with the Company or any of its Subsidiaries or Affiliates, then this Agreement shall terminate immediately and the Restricted Stock Units subject to this Award shall cease to be outstanding. Any determination by the Administrator with respect to the foregoing shall be final, conclusive and binding on all interested parties (it being understood that the Administrator for purposes of this Section 6 shall mean the Board).

7. Responsibility for Taxes.

- (a) The Participant acknowledges that the Participant will consult with his or her personal tax advisor regarding any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"). The Participant is relying solely on such advisor and is not relying in any part on any statement or representation of the Company or any of its agents. The Company will not be responsible for withholding any Tax-Related Items, unless required by Applicable Laws. The Company may take such action as it deems appropriate to ensure that all Tax-Related Items, which are the Participant's sole and absolute responsibility, are withheld or collected from the Participant, if and to the extent required by Applicable Laws. In this regard, the Participant authorizes the Company or its agents, at their discretion, to satisfy any withholding obligation for Tax-Related Items by withholding in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the withholding obligation for Tax-Related Items may be satisfied by one or a combination of the following: (1) withholding from the Participant's cash compensation paid to the Participant by the Company; or (2) withholding from proceeds of the sale of Shares acquired upon vesting/settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization). Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering tax rates of up to the maximum tax rates applicable in a particular jurisdiction, provided that if Shares are withheld or sold to cover Tax-Related Items, the Participant will receive a refund in cash of any amount that was over-withheld based on a tax rate that exceeds the Participant's tax rate and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.
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- (b) Finally, the Participant shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.
8. Compliance with Applicable Laws; No Company Liability. No Shares shall be issued or delivered pursuant to the settlement of the Restricted Stock Units unless such issuance or delivery complies with Applicable Laws. The Company shall not be liable to the Participant or other persons as to (a) the non-issuance or delivery of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance or delivery of any Shares hereunder and (b) any tax consequence expected, but not realized, by the Participant or other person due to the receipt, vesting or settlement of the Restricted Stock Units.
9. Non-Transferability of Restricted Stock Units. The Restricted Stock Units and this Agreement may not be transferred in any manner otherwise than by will, by the laws of descent or distribution or, if the Company permits, by a written beneficiary designation. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, beneficiaries, successors and assigns of the Participant.
10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
11. Nature of Grant. In accepting the grant, the Participant understands and agrees that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
 - (c) all decisions with respect to future Restricted Stock Units grants, if any, will be at the sole discretion of the Company;
 - (d) the grant and Participant's participation in the Plan shall not be interpreted as forming an employment or service contract with Company or any Subsidiary or Affiliate, and shall not interfere with the ability of the Company or any Subsidiary or Affiliate, as applicable, to terminate the Participant's service relationship at any time;
 - (e) the Participant is voluntarily participating in the Plan;
 - (f) the future value of the underlying Shares is unknown, indeterminable, and cannot be predicted with certainty;
 - (g) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of the Participant's relationship as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of labor laws in the jurisdiction where Participant is engaged as a Service Provider or the terms of Participant's service agreement, if any);
 - (h) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares of the Company; and
 - (i) neither the Company, nor any Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar or the Swiss Franc, as applicable, that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.
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12. **Data Privacy.**

- (a) **Data Collection and Usage.** *The Company or any of its Subsidiaries or Affiliates may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address, telephone number(s), email address(es), date of birth, social insurance number, passport or other identification number, compensation, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*
- (b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Equatex AG and Equatex US Inc. and their respective affiliates (the "Plan Broker") and to other third-party service providers, which are assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share Data with such other providers serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service providers, with such agreements being a condition to the ability to participate in the Plan.*
- (c) **International Data Transfers.** *The Company and its service providers are based in Switzerland, the United States, the United Kingdom and/or Germany, and the Participant's country or jurisdiction may have different data privacy laws and protections than these countries. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company's legal basis, where required, for the transfer of Data is the Participant's consent.*
- (d) **Data Retention.** *The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*
- (e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's compensation from or service relationship with the Company will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant Restricted Stock Units or other awards to the Participant or administer or maintain such awards, and the Participant would no longer be able to participate in the Plan and would forfeit opportunities associated with the Plan.*

By accepting the grant and indicating consent by signing this Agreement below or via the Company's online acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, the Participant understands that the Company may rely on a different legal basis for the processing or transfer of Data in the future and/or request that the Participant provide another data privacy consent form. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgement or data privacy consent form to the Company (or any other acknowledgements, agreements or consents that may be required by the Company) that the Company may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that he or she will not be able to participate in the Plan if he or she fails to execute any such acknowledgement, agreement or consent requested by the Company.

13. **Exchange Control and Foreign Asset/Account Reporting Acknowledgement.** *Local foreign exchange laws may affect the grant of the Restricted Stock Units, the receipt of Shares upon settlement of the Restricted Stock Units, the sale of Shares received upon settlement of the Restricted Stock Units and/or the receipt of dividends or dividend equivalents (if any). Such laws may affect the Participant's ability to hold funds outside of the Participant's country and may require the repatriation of any cash, dividends or dividend equivalents received*
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in connection with the Restricted Stock Units. The Participant may also be subject to foreign asset/account reporting requirements as a result of the acquisition, holding or transfer of Shares or cash resulting from participation in the Plan, to or from a brokerage/bank account or entity located outside the Participant's country. The applicable laws of the Participant's country may require that he or she report such assets, accounts, the balances therein, or the transactions related thereto to the applicable authorities in such country. The Participant is responsible for being aware of and satisfying any exchange control and foreign asset/account reporting requirements that may be necessary in connection with the Restricted Stock Units. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such requirements or liable for the failure on the Participant's part to know and abide by the requirements that are the Participant's responsibility. The Participant should consult with his or her own personal legal and tax advisers to ensure compliance with local laws.

14. Adjustments Upon Changes in Capitalization. In the event of a declaration of a stock dividend, a stock split, combination or reclassification of shares, extraordinary dividend of cash and/or assets, recapitalization, reorganization or any similar event affecting the Shares or other securities of the Company, the Administrator shall equitably adjust the number and kind of Restricted Stock Units or other securities which are subject to this Agreement, in order to reflect such change and thereby preclude a dilution or enlargement of benefits under this Agreement.
 15. Entire Agreement; Governing Law. The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter of this Agreement and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter of this Agreement. This Agreement is governed by the internal substantive laws, but not the choice of law rules of Switzerland (the Company's jurisdiction of organization).
 16. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
 17. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
 18. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
 19. Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock Units grant shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for the Participant's country. Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.
 20. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to facilitate compliance with local law or the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
 21. Permitted Modifications to Comply with Laws. The Company reserves the right to unilaterally amend this Agreement to facilitate compliance with existing or adopted applicable ordinances, laws, rules or regulations
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("Laws") (even if such Laws have not yet taken effect), including but not limited to any Laws related to the Minder initiative in Switzerland.

22. Insider Trading Restrictions/Market Abuse Laws. The Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including, but not limited to, Switzerland, the United States and the Participant's country, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g. , Restricted Stock Units) or rights linked to the value of Shares under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such restrictions or liable for the failure on the Participant's part to know and abide by such restrictions. The Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

* * *

By the Participant's signature below, the Participant agrees that the Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Agreement. The Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement.

In order to accept the Restricted Stock Units on the above terms, you must print out this Agreement, and sign and deliver the signed Agreement, by mail or fax (+41-21-863-5310) to the Logitech Stock Plan Administrator, Treasury Department, Attn: Sylvie Zwahlen, Logitech Europe S.A., EPFL - Quartier de l'Innovation, Daniel Borel Innovation Center, 1015 Lausanne, Switzerland. Please keep a copy for your records.

PARTICIPANT:

Signature:

Print Name:

THE COMPANY:

By:

Title:

APPENDIX A

**ADDITIONAL TERMS AND CONDITIONS OF RESTRICTED STOCK
UNIT AGREEMENT**

None .

CERTIFICATIONS

I, Bracken Darrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Logitech International S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 25, 2018

/s/ Bracken Darrell

Bracken Darrell

President and Chief Executive Officer

CERTIFICATIONS

I, Vincent Pilette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Logitech International S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 25, 2018

/s/ Vincent Pilette

Vincent Pilette

Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(B) OR RULE 15D-14(B) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF
THE UNITED STATES CODE

The certification set forth below is being submitted in connection with this quarterly report on Form 10-Q (the "Report") of Logitech International S.A. ("the Company") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Bracken Darrell, Chief Executive Officer of the Company, and Vincent Pilette, Chief Financial Officer of the Company, each certify that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 25, 2018

/s/ Bracken Darrell

Bracken Darrell
President and
Chief Executive Officer

/s/ Vincent Pilette

Vincent Pilette
Chief Financial Officer