

**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, 2017

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, 2017, there were 164,272,886 shares of the Registrant's share capital outstanding.

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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 2018 ended on September 29, 2017. The same quarter in the prior fiscal year ended on September 30, 2016. 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,	
	2017	2016	2017	2016
Net sales	\$ 632,470	\$ 564,304	\$ 1,162,416	\$ 1,044,168
Cost of goods sold	402,722	356,268	737,496	665,893
Amortization of intangible assets and purchase accounting effect on inventory	2,011	1,163	3,515	2,776
Gross profit	227,737	206,873	421,405	375,499
Operating expenses:				
Marketing and selling	107,386	93,792	209,764	177,664
Research and development	36,647	32,632	71,746	64,583
General and administrative	25,205	25,290	50,559	50,945
Amortization of intangible assets and acquisition-related costs	2,491	1,748	3,881	3,041
Change in fair value of contingent consideration for business acquisition	(2,930)	—	(4,908)	—
Total operating expenses	168,799	153,462	331,042	296,233
Operating income	58,938	53,411	90,363	79,266
Interest income (expense), net	1,048	(90)	2,223	61
Other income (expense), net	459	(683)	(570)	(1,691)
Income before income taxes	60,445	52,638	92,016	77,636
Provision for (benefit from) income taxes	4,087	5,593	(1,349)	8,650
Net income	\$ 56,358	\$ 47,045	\$ 93,365	\$ 68,986
Net income per share:				
Basic	\$ 0.34	\$ 0.29	\$ 0.57	\$ 0.43
Diluted	\$ 0.33	\$ 0.28	\$ 0.55	\$ 0.42
Weighted average shares used to compute net income per share:				
Basic	164,120	162,222	163,765	162,176
Diluted	169,078	165,549	168,710	164,926
Cash dividend per share	\$ 0.63	\$ 0.57	\$ 0.63	\$ 0.57

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,	
	2017	2016	2017	2016
Net income	\$ 56,358	\$ 47,045	\$ 93,365	\$ 68,986
Other comprehensive income (loss):				
Currency translation gain, net of taxes	2,185	550	3,641	254
Defined benefit pension plans:				
Net gain and prior service costs, net of taxes	532	17	380	327
Amortization included in operating expenses	52	432	102	865
Hedging gain (loss):				
Deferred hedging gain (loss), net of taxes	(2,140)	564	(5,349)	1,529
Reclassification of hedging loss included in cost of goods sold	2,596	155	3,129	895
Other comprehensive income:	3,225	1,718	1,903	3,870
Total comprehensive income	\$ 59,583	\$ 48,763	\$ 95,268	\$ 72,856

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, 2017	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 398,848	\$ 547,533
Short-term investments	6,789	—
Accounts receivable, net	277,839	185,179
Inventories	330,422	253,401
Other current assets	47,721	41,732
Total current assets	1,061,619	1,027,845
Non-current assets:		
Property, plant and equipment, net	87,355	85,408
Goodwill	271,154	249,741
Other intangible assets, net	93,846	47,564
Other assets	138,144	88,119
Total assets	\$ 1,652,118	\$ 1,498,677
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 386,963	\$ 274,805
Accrued and other current liabilities	229,176	232,273
Total current liabilities	616,139	507,078
Non-current liabilities:		
Income taxes payable	33,241	51,797
Other non-current liabilities	80,903	83,691
Total liabilities	730,283	642,566
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Registered shares, CHF 0.25 par value:	30,148	30,148
Issued and authorized shares — 173,106 at September 30 and March 31, 2017		
Conditionally authorized shares — 50,000 at September 30 and March 31, 2017		
Additional paid-in capital	29,940	26,596
Shares in treasury, at cost — 8,745 at September 30, 2017 and 10,727 at March 31, 2017	(156,589)	(174,037)
Retained earnings	1,117,139	1,074,110
Accumulated other comprehensive loss	(98,803)	(100,706)
Total shareholders' equity	921,835	856,111
Total liabilities and shareholders' equity	\$ 1,652,118	\$ 1,498,677

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,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 93,365	\$ 68,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,368	23,616
Amortization of intangible assets	6,238	3,867
Gain on investments in privately held companies	(436)	(172)
Loss on disposal of property, plant and equipment	12	—
Share-based compensation expense	21,683	16,967
Deferred income taxes	(11,933)	(385)
Change in fair value of contingent consideration for business acquisition	(4,908)	—
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(91,718)	(97,001)
Inventories	(58,078)	(28,317)
Other assets	(8,490)	(4,738)
Accounts payable	110,136	83,676
Accrued and other liabilities	(7,739)	25,387
Net cash provided by operating activities	67,500	91,886
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,188)	(14,758)
Investment in privately held companies	(520)	(480)
Acquisitions, net of cash acquired	(85,000)	(66,987)
Proceeds from return of investment in privately held companies	237	—
Changes in restricted cash	—	715
Purchases of short-term investments	(6,789)	—
Purchases of trading investments	(999)	(5,271)
Proceeds from sales of trading investments	1,057	5,296
Net cash used in investing activities	(109,202)	(81,485)
Cash flows from financing activities:		
Payment of cash dividends	(104,248)	(93,093)
Purchases of registered shares	(10,682)	(42,894)
Proceeds from exercises of stock options and purchase rights	30,000	14,484
Tax withholdings related to net share settlements of restricted stock units	(23,706)	(11,047)
Net cash used in financing activities	(108,636)	(132,550)
Effect of exchange rate changes on cash and cash equivalents	1,653	(1,845)
Net decrease in cash and cash equivalents	(148,685)	(123,994)
Cash and cash equivalents, beginning of the period	547,533	519,195
Cash and cash equivalents, end of the period	\$ 398,848	\$ 395,201
Supplementary Cash Flow Disclosures:		
Non-cash investing activities:		
Property, plant and equipment purchased during the period and included in period end liability accounts	\$ 6,219	\$ 4,008

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, 2016	173,106	\$ 30,148	\$ 6,616	10,697	\$ (128,407)	\$ 963,576	\$ (111,985)	\$ 759,948
Total comprehensive income	—	—	—	—	—	68,986	3,870	72,856
Purchases of registered shares	—	—	—	2,441	(42,894)	—	—	(42,894)
Tax effects from share-based awards	—	—	(1,138)	—	—	—	—	(1,138)
Sales of shares upon exercise of stock options and purchase rights	—	—	4,556	(1,100)	9,928	—	—	14,484
Issuance of shares upon vesting of restricted stock units	—	—	(18,101)	(1,029)	9,303	(2,249)	—	(11,047)
Share-based compensation expense	—	—	16,918	—	—	—	—	16,918
Cash dividends	—	—	—	—	—	(93,093)	—	(93,093)
September 30, 2016	<u>173,106</u>	<u>\$ 30,148</u>	<u>\$ 8,851</u>	<u>11,009</u>	<u>\$ (152,070)</u>	<u>\$ 937,220</u>	<u>\$ (108,115)</u>	<u>\$ 716,034</u>

	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 (Note 1)	—	—	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 and purchase rights	—	—	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 expense	—	—	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>

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 allow people to connect through music, gaming, video, computing, and other digital platforms.

The Company sells its products to a broad network of domestic and international customers, including direct sales to retailers 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 2017, the Company acquired the ASTRO Gaming business. 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, 2017, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on May 26, 2017.

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, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2018, or any future periods.

Reclassification

Certain amounts from the comparative period in the accompanying unaudited 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, 2017 .

Changes in Significant Accounting Policies

Other than the recent accounting pronouncements adopted, discussed below, there have been no substantial changes in the Company's significant accounting policies during the six months ended September 30, 2017 compared with the significant accounting policies described in its Annual Report on Form 10-K for the fiscal year ended March 31, 2017 .

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 programs and related breakage when appropriate, sales return reserves, 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 those estimates.

Recent Accounting Pronouncements Adopted

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)" ("ASU 2015-11"). Topic 330, Inventory, previously required an entity to measure inventory at the lower of cost or market, with market value represented by replacement cost, net realizable value or net realizable value less a normal profit margin. ASU 2015-11 requires an entity to measure inventory at the lower of cost or net realizable value and is effective for fiscal years beginning after December 15, 2016. The Company adopted this standard effective April 1, 2017, which has not had a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payments, including immediate recognition of all excess tax benefits and deficiencies in the income statement, changing the threshold to qualify for equity classification up to the employees' maximum statutory tax rates, allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur, and clarifying the classification on the statement of cash flows for the excess tax benefits and employee taxes paid when an employer withholds shares for tax withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016. The Company adopted this standard effective April 1, 2017. Changes to the statements of cash flows related to the classification of excess tax benefits were implemented on a retroactive basis and accordingly, to conform to the current year presentation, the Company reclassified \$4.1 million of excess tax benefits previously reported under financing activities to operating activities for the six months ended September 30, 2016 on its condensed consolidated statements of cash flows. Under the new standard, the Company accounts for forfeitures as they occur. The change in accounting for forfeitures resulted in a cumulative-effect adjustment to decrease retained earnings as of March 31, 2017 by \$3.3 million. The Company further recognized a cumulative-effect adjustment to increase retained earnings as of March 31, 2017 by \$57.2 million upon adoption of the new guidance to account for gross excess tax benefits of \$75.2 million that were previously not recognized because the related tax deduction had not reduced current income taxes, offset by a valuation allowance of \$18.0 million to reduce the deferred tax assets to amounts that are more likely than not to be realized.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 350)" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. ASU 2017-04 is effective for annual or any interim goodwill impairments in annual periods beginning December 15, 2019, with early adoption permitted. The Company adopted this standard effective April 1, 2017, which has not had a material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"), which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company adopted this standard effective April 1, 2017, which has not had a material impact on its consolidated financial statements.

Recent Accounting Pronouncements to be Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") which supersedes the revenue recognition requirements under ASC 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 most current revenue recognition guidance, including industry-specific guidance. Under the new model, 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. The new standard will become effective for the Company on April 1, 2018. The standard allows for either a "full retrospective" adoption, meaning the standard is applied to all of the periods presented subject to practical expedients, or a "modified retrospective" adoption, meaning the standard is applied only in the initial year, or interim period in year of initial application with a cumulative adjustment to opening retained earnings for existing contracts. The Company currently expects to utilize the modified retrospective transition method. The Company continues to evaluate the impact this new standard could have on the current contracts with customers and the accruals of various sales and marketing programs the Company offers and on the related breakage estimates. The Company has not completed its analysis of the impact to its consolidated financial statements and this information will not be available until the Company completes its full assessment. It is possible that during the fiscal year 2018, the Company may identify certain areas which may result in material impact on the Company's consolidated financial statements, or the Company may revise its adoption method.

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 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The Company does not believe that the adoption of ASU 2016-01 will have a material impact on its consolidated financial statements and will adopt this standard effective April 1, 2018.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which requires the recognition of lease assets and lease liabilities arising from operating leases in the statement of financial position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the full effect that ASU 2016-02 will have on its consolidated financial statements and will adopt this standard effective April 1, 2019.

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. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted but only in the first interim period of an annual period. The cumulative effect of change on equity upon adoption is to be quantified under the modified retrospective approach and recorded as of the beginning of the period of adoption. The Company is evaluating the full effect that ASU 2016-16 will have on its consolidated financial statements and will adopt this standard effective April 1, 2018.

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. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The adoption of this standard should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of ASU 2016-18 will have a material impact on its consolidated financial statements and will adopt this standard effective April 1, 2018.

In January 2017, the FASB issued ASU 2017-01, "Business Combination (ASC 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. ASU 2017-01 is effective for annual or any interim goodwill impairments in annual periods beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of ASU 2017-01 will have a material impact on its condensed consolidated financial statements and will adopt this standard effective April 1, 2018.

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. ASU 2017-07 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of ASU 2017-07 will have a material impact on its consolidated financial statements and will adopt this standard effective April 1, 2018.

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. ASU 2017-12 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of ASU 2017-12 will have a material impact on its consolidated financial statements and is currently assessing the timing of adoption.

Note 2 — Business Acquisition

ASTRO Acquisition

On August 11, 2017 (the "Acquisition Date"), the Company acquired certain assets and liabilities constituting the ASTRO Gaming business ("ASTRO") from AG Acquisition Corporation for a preliminary purchase price of \$85.0 million in cash (the "ASTRO Acquisition"). ASTRO is a leading console gaming brand with a history of producing award-winning headsets for professional gamers and enthusiasts. ASTRO provides a strong growth platform in the console gaming accessories market.

ASTRO meets the definition of a business, and its 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
Inventories	\$ 10,331
Property, plant, and equipment	2,760
Intangible assets	52,520
Other assets	605
Total identifiable assets acquired	\$ 66,216
Accrued liabilities	(2,602)
Net identifiable assets acquired	\$ 63,614
Goodwill	21,386
Net assets acquired	\$ 85,000

Goodwill related to the transaction is primarily attributable to opportunities and economies of scale from combining the operations and technologies of Logitech and ASTRO. Goodwill is expected to be 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 recognized by the acquiree immediately before the acquisition date is \$0.8 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.

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The Company included ASTRO's estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning the Acquisition Date. The results of operations for ASTRO for this partial quarter have been included in, but are not material to, the Company's condensed consolidated statements of operations from the Acquisition Date. Pro forma results of operations for the ASTRO Acquisition have not been presented because they are not material to the condensed consolidated statements of operations.

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

	Preliminary Fair Value	Estimated Useful Life (years)
Developed technology	\$ 12,540	4.0
Customer relationships	33,100	8.0
Trade name	6,880	6.0
Total intangible assets acquired	<u>\$ 52,520</u>	<u>6.8</u>

Intangible assets acquired as a result of the ASTRO Acquisition are being amortized over their estimated useful lives using the straight-line method of amortization. Amortization of acquired developed technology of \$0.4 million during the three months ended September 30, 2017 is included in "amortization of intangible assets and purchase accounting effect of inventory" in the gross profit of the condensed consolidated statements of operations. Amortization of the acquired customer relationships and trade name of \$0.7 million during the three months ended September 30, 2017 is included in " amortization of intangible assets and acquisition-related costs " in the operating expense of the condensed consolidated statements of operations.

Developed technology relates to existing ASTRO gaming headset 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.

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

Trade name relates to the "ASTRO" 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 value 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 2% , respectively, and both were discounted at a rate of 13% .

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 13% .

The Company believes the preliminary value of purchased intangible assets recorded above represent the fair values of, and approximate the amounts a market participant would pay for, these intangible assets as of the Acquisition Date.

The Company incurred acquisition-related costs for the ASTRO Acquisition of approximately \$0.7 million and \$1.0 million for the three and six months ended September 30, 2017 , respectively. The acquisition-related costs are included in " amortization of intangible assets and acquisition-related costs " in the operating expenses of the condensed consolidated statements of operations.

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 any dispute 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.

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,	
	2017	2016	2017	2016
Net Income	\$ 56,358	\$ 47,045	\$ 93,365	\$ 68,986
Shares used in net income per share computation:				
Weighted average shares outstanding - basic	164,120	162,222	163,765	162,176
Effect of potentially dilutive equivalent shares	4,958	3,327	4,945	2,750
Weighted average shares outstanding - diluted	169,078	165,549	168,710	164,926
Net income per share:				
Basic	\$ 0.34	\$ 0.29	\$ 0.57	\$ 0.43
Diluted	\$ 0.33	\$ 0.28	\$ 0.55	\$ 0.42

Share equivalents attributable to outstanding stock options and restricted stock units of 0.6 million and 2.9 million for the three months ended September 30, 2017 and 2016, respectively, and 1.2 million and 3.1 million for the six months ended September 30, 2017 and 2016, respectively, were anti-dilutive and excluded from the calculation of diluted net income per share.

Note 4 — Employee Benefit Plans

Employee Share Purchase Plans and Stock Incentive Plans

As of September 30, 2017, 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).

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, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Cost of goods sold	\$ 1,091	\$ 638	\$ 1,802	\$ 1,313
Marketing and selling	4,343	3,244	8,724	6,681
Research and development	1,633	917	3,176	1,831
General and administrative	3,911	3,651	7,981	7,142
Total share-based compensation expense	10,978	8,450	21,683	16,967
Income tax benefit	(3,677)	(1,886)	(14,959)	(3,701)
Total share-based compensation expense, net of income tax	\$ 7,301	\$ 6,564	\$ 6,724	\$ 13,266

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 stock-based awards vested or exercised during the period.

As of September 30, 2017 and 2016, the Company capitalized \$0.8 million and \$0.4 million of stock-based compensation expense to inventory, respectively.

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 \$2.3 million and \$2.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$4.6 million and \$5.6 million for the six months ended September 30, 2017 and 2016, 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 income tax provision for the three months ended September 30, 2017 was \$4.1 million based on an effective income tax rate of 6.8% of pre-tax income, compared to an income tax provision of \$5.6 million based on an effective income tax rate of 10.6% of pre-tax income for the three months ended September 30, 2016. The income tax benefit for the six months ended September 30, 2017 was \$1.3 million based on an effective income tax rate of (1.5)% of pre-tax income, compared to an income tax provision of \$8.7 million based on an effective income tax rate of 11.1% for the six months ended September 30, 2016.

The change in the effective income tax rate is primarily due to the recognition of excess tax benefits of \$1.1 million and \$11.0 million, respectively, in the three and six months ended September 30, 2017 after adoption of ASU 2016-09, compared to the same periods ended September 30, 2016. In the three and six months ended September 30, 2017, there was a discrete tax benefit of \$0.7 million and \$1.9 million, respectively, from the reversal of uncertain tax positions from the expiration of statutes of limitations. In the same periods ended September 30, 2016, the tax benefit from the reversal of uncertain tax positions from the expiration of statutes of limitations was \$0.7 million and \$1.8 million, respectively.

As of September 30 and March 31, 2017, the total amount of unrecognized tax benefits due to uncertain tax positions was \$68.7 million and \$63.7 million, respectively, all of which would affect the effective income tax rate if recognized.

The Company had \$33.2 million in non-current income taxes payable and \$1.9 million in current income taxes payable, including interest and penalties, related to its income tax liability for uncertain tax positions as of September 30, 2017, compared to \$51.8 million in non-current income taxes payable and \$1.5 million in current income taxes payable as of March 31, 2017. The Company anticipates a settlement of \$1.9 million with the tax authorities in a foreign jurisdiction in the third quarter of fiscal year 2018.

The Company recognizes interest and penalties related to unrecognized tax positions in income tax expense. As of September 30 and March 31, 2017, the Company had \$3.2 million and \$3.0 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 2018, the Company will continue 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 \$7.8 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, 2017 (in thousands):

	September 30, 2017	March 31, 2017
Accounts receivable, net:		
Accounts receivable	\$ 529,842	\$ 395,754
Allowance for doubtful accounts	(229)	(607)
Allowance for sales returns	(21,712)	(18,800)
Allowance for cooperative marketing arrangements	(28,758)	(28,022)
Allowance for customer incentive programs	(70,413)	(60,857)
Allowance for pricing programs	(130,891)	(102,289)
	<u>\$ 277,839</u>	<u>\$ 185,179</u>
Inventories:		
Raw materials	\$ 46,405	\$ 30,582
Finished goods	284,017	222,819
	<u>\$ 330,422</u>	<u>\$ 253,401</u>
Other current assets:		
Value-added tax receivables	\$ 23,693	\$ 23,132
Prepaid expenses and other assets	24,028	18,600
	<u>\$ 47,721</u>	<u>\$ 41,732</u>
Property, plant and equipment, net:		
Property, plant and equipment at cost	\$ 359,333	\$ 348,760
Less: accumulated depreciation and amortization	(271,978)	(263,352)
	<u>\$ 87,355</u>	<u>\$ 85,408</u>
Other assets:		
Deferred tax assets	\$ 103,071	\$ 57,303
Trading investments for deferred compensation plan	17,583	15,043
Investments in privately held companies	11,495	10,776
Other assets	5,995	4,997
	<u>\$ 138,144</u>	<u>\$ 88,119</u>

The following table presents the components of certain balance sheet liability amounts as of September 30 and March 31, 2017 (in thousands):

	September 30, 2017	March 31, 2017
Accrued and other current liabilities:		
Accrued personnel expenses	\$ 68,645	\$ 88,346
Indirect customer incentive programs	41,710	36,409
Warranty accrual	14,567	13,424
Employee benefit plan obligation	1,841	1,266
Income taxes payable	6,950	6,232
Contingent consideration for business acquisition - current portion	5,000	2,889
Other current liabilities	90,463	83,707
	<u>\$ 229,176</u>	<u>\$ 232,273</u>
Other non-current liabilities:		
Warranty accrual	\$ 9,782	\$ 8,487
Obligation for deferred compensation plan	17,583	15,043
Employee benefit plan obligation	43,057	41,998
Deferred tax liability	1,789	1,789
Contingent consideration for business acquisition - non-current portion	—	7,019
Other non-current liabilities	8,692	9,355
	<u>\$ 80,903</u>	<u>\$ 83,691</u>

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, 2017			March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash equivalents	\$ 286,074	\$ —	\$ —	\$ 448,742	\$ —	\$ —
Time deposits included in short-term investments	\$ —	\$ 6,789	\$ —	\$ —	\$ —	\$ —
Trading investments for deferred compensation plan included in other assets:						
Money market funds	\$ 3,110	\$ —	\$ —	\$ 2,813	\$ —	\$ —
Mutual funds	14,473	—	—	12,230	—	—
Total of trading investments for deferred compensation plan	\$ 17,583	\$ —	\$ —	\$ 15,043	\$ —	\$ —
Currency exchange derivative assets included in other current assets	\$ —	\$ 165	\$ —	\$ —	\$ 48	\$ —
Liabilities:						
Acquisition-related contingent consideration included in accrued and other current liabilities and other non-current liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,908
Currency exchange derivative liabilities included in accrued and other current liabilities	\$ —	\$ 107	\$ —	\$ —	\$ 443	\$ —

The following table summarizes the changes in fair value of the Company's contingent consideration balance measured with Level 3 inputs during the three and six months ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Beginning of the period	\$ 7,475	\$ 18,000	\$ 9,908	\$ —
Fair value of contingent consideration upon acquisition	—	—	—	18,000
Change in fair value of contingent consideration	(2,930)	—	(4,908)	—
Expected payment	(4,545)	—	(5,000)	—
End of the period	\$ —	\$ 18,000	\$ —	\$ 18,000

Acquisition-related contingent consideration

On April 20, 2016 (the "Jaybird Acquisition Date"), the Company acquired all of the equity interest of Jaybird, LLC ("Jaybird"). The acquisition-related contingent consideration liability arising from the Jaybird acquisition represents the future potential earn-out payments of up to \$45.0 million based on the achievement of certain net revenue targets over approximately a two year period. If the net revenue targets are met, the Company will pay a maximum of \$25.0 million and \$20.0 million in fiscal years 2018 and 2019, respectively. The fair value of the earn-out as of the Jaybird Acquisition Date was \$18.0 million, which was determined by using a Monte Carlo Simulation that includes significant unobservable inputs such as a risk-adjusted discount rate of 16% and projected net sales of Jaybird over the earn-out period. The fair value is remeasured at each reporting period at the estimated fair value based on the inputs on the date of remeasurement, with the change in fair value recognized as "change in fair value of contingent consideration for business acquisition" in the operating expense section in the condensed consolidated statements of operations. Projected net sales are based on the Company's internal projections, including analysis of the target markets. In October 2017, the Company and the sellers of Jaybird entered into an agreement fully, irrevocably and unconditionally releasing the Company from the earn-out rights and payments in

exchange for \$5.0 million in cash, which approximates the fair value of the contingent consideration as of September 30, 2017 and the expected cash payment is included in the accrued and other current liabilities.

Investment Securities

The marketable securities for the Company's deferred compensation plan are recorded at a fair value of \$17.6 million and \$15.0 million , respectively, as of September 30, 2017 and March 31, 2017 , 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, 2017 and 2016 were not material and are included in other income (expense), net in the Company's condensed consolidated statements of operations.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company's non-marketable cost method investments, and non-financial assets, such as goodwill, intangible assets and property, plant and equipment, are recorded at fair value only upon initial recognition or if an impairment is recognized. There were no material impairments of long-lived assets during the three and six months ended September 30, 2017 or 2016 .

Non-marketable cost method investments. These investments are classified as Level 3 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 primary investment included in non-marketable investments is the Company's investment in Series A Preferred Stock of Lifesize Inc. ("Lifesize") recorded at the fair value of \$5.6 million on the date of the Lifesize divestiture.

The aggregate recorded amount of cost method investments included in other assets as of September 30, 2017 and March 31, 2017 was \$7.1 million and \$7.4 million , respectively.

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, 2017 and March 31, 2017 .

The fair values of the Company's derivative instruments not designated as hedging instruments were not material as of September 30, 2017 or March 31, 2017 . The following table presents the fair values of the Company's derivative instruments designated as hedging instruments on a gross basis in other current assets or accrued and other current liabilities on its condensed consolidated balance sheets as of September 30, 2017 and March 31, 2017 (in thousands):

	Derivatives			
	Asset		Liability	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Cash flow hedges	\$ 165	\$ 48	\$ 38	\$ 402

The amount of gain (loss) recognized on derivatives not designated as hedging instruments were 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, 2017 and 2016 (in thousands):

	Three Months Ended September 30,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2017	2016	2017	2016
Cash flow hedges	\$ (2,140)	\$ 564	\$ 2,596	\$ 155

	Six Months Ended September 30,			
	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss		Amount of Loss Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold	
	2017	2016	2017	2016
Cash flow hedges	\$ (5,349)	\$ 1,529	\$ 3,129	\$ 895

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. The notional amounts of foreign currency exchange forward contracts outstanding related to forecasted inventory purchases were \$149.1 million and \$59.4 million as of September 30, 2017 and March 31, 2017, respectively. The Company estimates that \$2.7 million of net losses related to its cash flow hedges included in accumulated other comprehensive loss as of September 30, 2017 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, 2017 and March 31, 2017 were \$95.6 million and \$56.7 million, respectively. Open forward and swap contracts outstanding as of September 30, 2017 and March 31, 2017 consisted of contracts in Mexican Pesos, Japanese Yen, British Pounds, Taiwanese Dollars, Canadian Dollars, Australian Dollars and Chinese Renminbi 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 the 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, 2017 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, 2017 (in thousands):

As of March 31, 2017	\$	249,741
Business acquisitions (See Note 2)		21,386
Currency impact		27
As of September 30, 2017	\$	271,154

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

	September 30, 2017			March 31, 2017		
	Gross Carrying Amount (Note 2)	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and trade names	\$ 23,380	\$ (8,012)	\$ 15,368	\$ 16,500	\$ (6,933)	\$ 9,567
Developed Technology	75,825	(46,225)	29,600	63,285	(42,831)	20,454
Customer contracts/relationships	58,280	(9,402)	48,878	25,180	(7,637)	17,543
Total	\$ 157,485	\$ (63,639)	\$ 93,846	\$ 104,965	\$ (57,401)	\$ 47,564

Note 10 — Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating \$68.2 million as of September 30, 2017. There are no financial covenants under these lines of credit with which the Company must comply. As of September 30, 2017, the Company had outstanding bank guarantees of \$39.8 million under these lines of credit. There was no borrowing outstanding under these lines of credit as of September 30, 2017 or March 31, 2017.

Note 11— Commitments and Contingencies

Product Warranties

All of the Company's peripherals products sold are covered by warranty to be free from defects in material and workmanship. The warranty period varies by product and by region.

Changes in the Company's warranty liability for the three and six months ended September 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Beginning of the period	\$ 22,056	\$ 21,752	\$ 21,911	\$ 20,380
Assumed from business acquisition	1,230	150	1,230	1,963
Provision	5,414	3,163	9,715	6,340
Settlements	(4,611)	(3,452)	(9,179)	(6,880)
Currency translation	260	(1)	672	(191)
End of the period	\$ 24,349	\$ 21,612	\$ 24,349	\$ 21,612

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, 2017, the maximum amount of this guarantee was \$3.8 million, of which \$1.4 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, 2017, 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.

The stock purchase agreement entered on December 28, 2015 in connection with the investment by three venture capital firms in Lifesize contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Investors. Logitech has agreed, subject to certain limitations, to indemnify the Investors and certain persons related to the Investors for certain losses resulting from breaches of or inaccuracies in such representations, warranties and covenants as well as certain other obligations, including third-party expenses, restructuring costs and pre-closing tax obligations of Lifesize.

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 2014, the Company's Board of Directors approved the 2014 share buyback program, which authorizes the Company to use up to \$250.0 million to purchase its own shares. This share buyback program expired in April 2017.

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 following the expiration date of the 2014 buyback program. 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.

During the six months ended September 30, 2017 and 2016, 0.3 million and 2.4 million shares, respectively, were repurchased for \$10.7 million and \$42.9 million, respectively.

Cash Dividend on Shares of Common

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. During the three and six months ended September 30, 2016, the Company declared and paid cash dividends of CHF 0.56 (USD equivalent of \$0.57) per common share, totaling \$93.1 million on the Company's outstanding common stock.

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

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)			
	Cumulative Translation Adjustment (1)	Defined Benefit Plan (1)	Deferred Hedging Losses	Total
March 31, 2017	\$ (89,708)	\$ (10,480)	\$ (518)	\$ (100,706)
Other comprehensive income (loss)	3,641	482	(2,220)	1,903
September 30, 2017	\$ (86,067)	\$ (9,998)	\$ (2,738)	\$ (98,803)

(1) Tax effect was not significant as of September 30 or March 31, 2017 .

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 Chief Executive Officer ("CEO"), who is considered to be the Company's Chief Operating Decision Maker ("CODM"). The CEO periodically reviews information such as net sales and 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, investigation and related expenses, or change in fair value of contingent consideration from business acquisition.

Net sales by product categories, excluding intercompany transactions, for the three and six months ended September 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Pointing Devices	\$ 123,643	\$ 123,300	\$ 245,717	\$ 240,083
Keyboards & Combos	119,200	116,516	235,313	234,535
PC Webcams	27,466	24,307	53,091	49,569
Tablet & Other Accessories	30,784	20,614	54,002	34,499
Video Collaboration	46,139	28,581	81,756	52,491
Mobile Speakers	90,548	97,172	153,466	154,468
Audio-PC & Wearables	62,445	62,254	112,647	118,833
Gaming	113,722	79,193	191,430	135,693
Smart Home	18,323	11,807	34,789	22,974
Other (1)	200	560	205	1,023
Total net sales	\$ 632,470	\$ 564,304	\$ 1,162,416	\$ 1,044,168

(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, 2017 and 2016 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Americas	\$ 261,993	\$ 239,830	\$ 507,393	\$ 462,455
EMEA	218,323	200,636	368,914	343,558
Asia Pacific	152,154	123,838	286,109	238,155
Total net sales	\$ 632,470	\$ 564,304	\$ 1,162,416	\$ 1,044,168

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 the periods presented herein. No other countries represented more than 10% of the Company's total consolidated net sales for the periods presented herein.

Switzerland, the Company's home domicile, represented 2% of the Company's total consolidated net sales for the three and six months ended September 30, 2017, and 3% and 2% for the three and six months ended September 30, 2016, respectively.

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

Tangible long-lived assets by geographic region were as follows (in thousands):

	September 30, 2017	March 31, 2017
Americas	\$ 37,725	\$ 37,242
EMEA	4,110	4,006
Asia Pacific	45,520	44,160
Total tangible long-lived assets	\$ 87,355	\$ 85,408

Tangible long-lived assets in the United States and China were \$37.6 million and \$38.1 million, respectively, as of September 30, 2017, and \$37.1 million and \$37.2 million, respectively, as of March 31, 2017. No other countries represented more than 10% of the Company's total consolidated tangible long-lived assets as of September 30, 2017 or March 31, 2017. Tangible long-lived assets in Switzerland, the Company's home domicile, were \$2.0 million and \$2.1 million as of September 30, 2017 and March 31, 2017, respectively.

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, 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, 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, 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, and the adequacy of our provisions for uncertain tax positions, our expectations regarding our potential indemnification obligations, and the outcome of pending or future legal proceedings and tax audits, our remediation efforts to address our material weaknesses, our belief that our disclosure controls and procedures will become effective at the reasonable assurance level by the end of fiscal year 2018, 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 have an everyday place in people's lives, connecting them to the digital experiences they care about. More than 35 years ago Logitech created products to improve experiences around the PC platform, and now it is designing products that enable better experiences consuming, sharing and creating any digital content (e.g. music, gaming, video), whether it is on a computer, mobile device or in the cloud. Logitech's brands include Logitech, Jaybird, ASTRO, Logitech G and Ultimate Ears.

Our products participate in five large markets that all have growth opportunities: Music, Gaming, Video Collaboration, Smart Home 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 electronics 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 11, 2017 (the "Acquisition Date"), we acquired certain assets and liabilities constituting the ASTRO Gaming business ("ASTRO") from AG Acquisition Corporation for a preliminary purchase price of \$85.0 million in cash (the "ASTRO Acquisition"). ASTRO is a leading console gaming brand with a history of producing award-winning headsets for professional gamers and enthusiasts.

Summary of Financial Results

Our net sales for the three and six months ended September 30, 2017 increased 12% and 11% , respectively, compared to the three and six months ended September 30, 2016 , due to stronger net sales across all regions. The results of operations for ASTRO have been included in our condensed consolidated statements of operations from the Acquisition Date. For the three and six months ended September 30, 2017 , Saitek, which was acquired on September 15, 2016, and ASTRO contributed a combined total of \$7.0 million and \$9.7 million to net sales, respectively, representing approximately 1% of the net sales for both periods.

Our net sales for the three months ended September 30, 2017 increased 9% , 9% and 23% in the Americas, EMEA and Asia Pacific, respectively, compared to the same period of the prior fiscal year. Our net sales for the six months ended September 30, 2017 increased 10% , 7% and 20% 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.

We added a new third party logistics provider and distribution center in the United States in the second half of the second quarter of fiscal year 2018 to support our growth. We experienced significant challenges in the transition, operating procedures and in ramping fulfillment in the second quarter and early third quarter of fiscal year 2018. Those challenges have added additional cost in these periods.

Our gross margin for the three months ended September 30, 2017 decreased to 36.0% from 36.7% for the three months ended September 30, 2016 . The decrease in gross margin was primarily driven by an increase in promotions related to product transition, product mix, and additional costs from transition of the distribution center in the United States, partially offset by product cost reductions.

Our gross margin for the six months ended September 30, 2017 increased to 36.3% from 36.0% for the six months ended September 30, 2016 . The increase in gross margin was primarily driven by product cost reductions, partially offset by an increase in promotions related to product transition, product mix, and additional costs from transition of the distribution center in the United States.

Operating expenses for the three months ended September 30, 2017 were \$ 168.8 million , or 26.7% of net sales, compared to \$ 153.5 million , or 27.2% of net sales, in the same period of the prior fiscal year. Operating expenses for the six months ended September 30, 2017 were \$331.0 million , or 28.5% of net sales, compared to \$296.2 million , or 28.4% of net sales, in the same period of the prior fiscal year. The increases were primarily driven by higher personnel-related costs due to increased headcount and higher external expenses to support the advertising, marketing, and research and development efforts for our new products, partially offset by a credit from change in fair value of contingent consideration from the Jaybird Acquisition.

Net income for the three and six months ended September 30, 2017 was \$56.4 million and \$93.4 million , compared to \$47.0 million and \$69.0 million for the three and six months ended September 30, 2016 .

Trends in Our Business

Our strategy focuses on five large multi-category markets, including Music, Gaming, Video Collaboration, 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

Music: The music market grew during the first half of fiscal year 2018, driven by growing consumption of music through mobile devices such as smartphones and tablets. According to the Recording Industry Association of America (RIAA), revenues from streaming music platforms grew significantly in the first half of 2017. This market growth, together with our investments in the Ultimate Ears and Jaybird brands, new channel expansion, integration of personal voice assistants, such as Google Home and Amazon Alexa, and our new product introductions, has driven our growth in this market. The integration of personal voice assistants has become increasingly competitive in the speaker categories.

Gaming: The PC gaming and console gaming platforms continue 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 the ASTRO Acquisition, 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 is still significant. 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.

Smart Home: This market increased in fiscal year 2017 and has continued to grow in the first half of fiscal year 2018. In October 2016, we integrated 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 Echo Dot or a Google Home device. Through Harmony, Alexa can turn on/off and control a TV and AV system. We have also seen success with the professional installer channel through the recent introduction of the Harmony Pro. We will continue to explore other innovative experiences for the Smart Home.

Creativity & Productivity: Although new PC shipments continue to decline, 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 Pro and iPad Mini, and keyboard covers and folios for the iPad Air.

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. 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, there have been no substantial changes in the Company's significant accounting policies during the six months ended September 30, 2017, compared with the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Adoption of New Accounting Guidance

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)" ("ASU 2015-11"). Topic 330, Inventory, previously required an entity to measure inventory at the lower of cost or market, with market value represented by replacement cost, net realizable value or net realizable value less a normal profit margin. ASU 2015-11 requires an entity to measure inventory at the lower of cost or net realizable value and effective for fiscal years beginning after December 15, 2016. We adopted this standard effective April 1, 2017, which has not had a material impact on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payments, including immediate recognition of all excess tax benefits and deficiencies in the income statement, changing the threshold to qualify for equity classification up to the employees' maximum statutory tax rates, allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur, and clarifying the classification on the statement of cash flows for the excess tax benefits and employee taxes paid when an employer withholds shares for tax withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016. We adopted this standard effective April 1, 2017. Changes to the statements of cash flows related to the classification of excess tax benefits were implemented on a retroactive basis and accordingly, to conform to the current year presentation, we reclassified \$4.1 million of excess tax benefits previously reported under financing activities to operating activities for the six months ended September 30, 2016 on our condensed consolidated statements of cash flows. Under the new standard, we account for forfeitures as they occur. The change in accounting for forfeitures resulted in a cumulative-effect adjustment to decrease retained earnings as of March 31, 2017 by \$3.3 million. We further recognized a cumulative-effect adjustment to increase retained earnings as of March 31, 2017 by \$57.2 million upon adoption of the new guidance to account for gross excess tax benefits of \$75.2 million that were previously not recognized because the related tax deduction had not reduced current income taxes, offset by a valuation allowance of \$18.0 million to reduce the deferred tax assets to amounts that are more likely than not to be realized.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 350)" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. ASU 2017-04 is effective for annual or any interim goodwill impairments in annual periods beginning December 15, 2019, with early adoption permitted. We adopted this standard effective April 1, 2017, which has not had a material impact on our condensed consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"), which provides guidance about which changes to the terms or conditions

of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. We adopted this standard effective April 1, 2017, which has not had a material impact on our condensed consolidated financial statements.

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 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 were 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, 2017, 51% of our net sales were denominated in currencies other than the U.S. Dollar.

Results of Operations

Net Sales

Net sales for the three and six months ended September 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended September 30,			Six Months Ended September 30,		
	2017	2016	Change	2017	2016	Change
Net Sales	\$ 632,470	\$ 564,304	12%	\$ 1,162,416	\$ 1,044,168	11%

Our net sales in the three and six months ended September 30, 2017 increased 12% and 11%, respectively, compared to the same periods of the prior fiscal year. Sales increased across all three regions during the three and six months ended September 30, 2017. If currency exchange rates had been constant in the three and six months ended September 30, 2017 and 2016, our constant dollar sales growth rates would have been 11% and 12%, respectively. We grew across most of our product categories, out of which Gaming, Video Collaboration, Tablet and Other Accessories, and Smart Home grew double digits for both periods presented above. For the three months ended September 30, 2017, growth in these product categories was partially offset by the decline in the sales of our Mobile Speakers.

Net Sales by Region

The following table presents the change in net sales by region for the three and six months ended September 30, 2017, compared with the three and six months ended September 30, 2016:

	Three Months Ended September 30, 2017 Change in Sales	Six Months Ended September 30, 2017 Change in Sales
Americas	9%	10%
EMEA	9	7
Asia Pacific	23	20

Americas:

Net sales in the Americas increased 9% and 10% during the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. If currency exchange rates had been constant in the three and six months ended September 30, 2017 and 2016, our constant dollar sales growth rate would have been 9% and 10% in the Americas, respectively. The increases in both periods were driven by growth in Tablet and Other Accessories, Video Collaboration, Gaming, Smart Home and Pointing Devices, partially offset by declines in sales for Mobile Speakers and Audio PC & Wearables.

EMEA:

Net sales in EMEA increased 9% and 7% during the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. If currency exchange rates had been constant in the three and six months ended September 30, 2017 and 2016, our constant dollar sales growth rates would have been 5% and 7%, respectively. The growth in both periods was driven by growth in Video Collaboration, Gaming and Smart Home, partially offset by declines in sales for Pointing Devices and Mobile Speakers.

Asia Pacific:

Net sales in Asia Pacific increased 23% and 20% during the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. If currency exchange rates had been constant in the three and six months ended September 30, 2017 and 2016, our constant dollar sales growth rates would have been 23% and 21%, respectively. The growth in both periods was driven by Gaming, Video Collaboration, Mobile Speakers, Pointing Devices, Tablet and Other Accessories and Audio PC & Wearables.

Net Sales by Product Categories

Net sales by product category for the three and six months ended September 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended September 30,			Six Months Ended September 30,		
	2017	2016	Change	2017	2016	Change
Pointing Devices	\$ 123,643	\$ 123,300	— %	\$ 245,717	\$ 240,083	2 %
Keyboards & Combos	119,200	116,516	2	235,313	234,535	—
PC Webcams	27,466	24,307	13	53,091	49,569	7
Tablet & Other Accessories	30,784	20,614	49	54,002	34,499	57
Video Collaboration	46,139	28,581	61	81,756	52,491	56
Mobile Speakers	90,548	97,172	(7)	153,466	154,468	(1)
Audio-PC & Wearables	62,445	62,254	—	112,647	118,833	(5)
Gaming	113,722	79,193	44	191,430	135,693	41
Smart Home	18,323	11,807	55	34,789	22,974	51
Other (1)	200	560	(64)	205	1,023	(80)
Total net sales	\$ 632,470	\$ 564,304	12	\$ 1,162,416	\$ 1,044,168	11

(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 remained flat and increased 2% for the three and six months ended September 30, 2017 , respectively, compared to the same periods of the prior fiscal year. The growth for the six-month period was driven by an increase in sales for our presentation tools and trackball mice.

Keyboards & Combos

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

Net sales of Keyboards & Combos increased 2% and remained flat in the three and six months ended September 30, 2017 , respectively, compared to the same periods of the prior fiscal year. The increase for the three-month period was primarily driven by increases in sales for cordless keyboards, corded combos and corded keyboards.

PC Webcams

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

PC Webcams net sales increased 13% and 7% in the three and six months ended September 30, 2017 , respectively, compared to the same periods of the prior fiscal year. The increases were primarily driven by the continued success of our C922 Pro Stream webcam.

Tablet & Other Accessories

Our Tablet & Other Accessories category comprises keyboards and covers for tablets and smartphones as well as other accessories for mobile devices.

Net sales of Tablet & Other Accessories products increased 49% and 57% in the three and six months ended September 30, 2017 , respectively, compared to the same periods of the prior fiscal year. The significant growth was primarily driven by the introduction of the Rugged Combo case for iPad Pro and the Slim Folio case for iPad, which were introduced in the fourth quarter of fiscal year 2017 and first quarter of fiscal year 2018, respectively.

Video Collaboration market:

Video Collaboration

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

Net sales of Video Collaboration products increased 61% and 56% in the three and six months ended September 30, 2017 , respectively, compared to the same periods of the prior fiscal year. The increases were primarily due to the continued success of our Logitech Group conference camera, as well as the introductions of the Brio 4K Pro Webcam, PTZ Pro group camera, and Meetup video conference camera in the first half of fiscal year 2018.

Music market:

Mobile Speakers

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

Net sales of Mobile Speakers decreased 7% and 1% for the three and six months ended September 30, 2017, respectively, compared to the same period of the prior fiscal year. The decrease for the three-month period was primarily due to lower sales of UE Boom 2, UE Roll 2 and UE Mega Boom, in advance of the introduction of MEGABLAST and BLAST in the third quarter of fiscal year 2018, which were partially offset by the increase in sales for the UE WonderBoom, which was introduced in the first quarter of fiscal year 2018.

Audio-PC & Wearables

Our Audio-PC & Wearables category comprises PC speakers, PC headsets, in-ear headphones and premium wireless audio wearables.

Audio-PC & Wearables net sales remained flat and decreased 5% for the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. The decrease for the six months ended was primarily driven by a decline in sales for PC speakers and cordless headsets.

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 44% and 41% for the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. The significant increases were primarily driven by the continuing success of our gaming mice, keyboards, headsets, simulation sticks and steering wheels, as well as the introduction of console gaming headsets resulting from the acquisition of ASTRO.

Smart Home market:

Smart Home

Our Smart Home category includes our Harmony line of advanced home entertainment controllers, home security cameras and new products, incorporating voice assistants, dedicated to controlling emerging categories of connected smart home devices such as lighting, thermostats and door locks.

Smart Home net sales increased 55% and 51% during the three and six months ended September 30, 2017, respectively, compared to the same periods of the prior fiscal year. The increases were primarily due to continued success of our Harmony Elite remote, as well as the introduction of Circle 2 Wired and Circle 2 Wireless security cameras in the second quarter of fiscal year 2018.

Gross Profit

Gross profit for the three and six months ended September 30, 2017 and 2016 was as follows (Dollars in thousands):

	Three Months Ended September 30,			Six Months Ended September 30,		
	2017	2016	Change	2017	2016	Change
Net sales	\$ 632,470	\$ 564,304	12%	\$ 1,162,416	\$ 1,044,168	11%
Gross profit	\$ 227,737	\$ 206,873	10	\$ 421,405	\$ 375,499	12
Gross margin	36.0%	36.7%		36.3%	36.0%	

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.

Our gross margin for the three months ended September 30, 2017 decreased by 70 basis points compared to the three months ended September 30, 2016. The decrease in gross margin was primarily driven by an increase in promotions related to product transition, product mix, and additional costs from transition of the distribution center in the United States, partially offset by product cost reductions.

Our gross margin for the six months ended September 30, 2017 increased by 30 basis points compared to the six months ended September 30, 2016. The increase in gross margin was primarily driven by product cost reductions, partially offset by an increase in promotions related to product transition, product mix, and additional costs from transition of the distribution center in the United States.

Operating Expenses

Operating expenses for the three and six months ended September 30, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Marketing and selling	\$ 107,386	\$ 93,792	\$ 209,764	\$ 177,664
% of net sales	17.0 %	16.6%	18.0 %	17.0%
Research and development	36,647	32,632	71,746	64,583
% of net sales	5.8 %	5.8%	6.2 %	6.2%
General and administrative	25,205	25,290	50,559	50,945
% of net sales	4.0 %	4.5%	4.3 %	4.9%
Amortization of intangible assets and acquisition-related costs	2,491	1,748	3,881	3,041
% of net sales	0.4 %	0.3%	0.3 %	0.3%
Change in fair value of contingent consideration for business acquisition	(2,930)	—	(4,908)	—
% of net sales	(0.5)%	—%	(0.4)%	—%
Total operating expenses	\$ 168,799	\$ 153,462	\$ 331,042	\$ 296,233
% of net sales	26.7 %	27.2%	28.5 %	28.4%

The increases in total operating expenses for the three and six months ended September 30, 2017, compared to the same period of the prior fiscal year, were mainly due to increases in marketing and selling expenses and research and development expenses from higher personnel-related costs due to increased headcount and higher external expenses to support the advertising and marketing efforts for our new products, partially offset by a credit from the change in fair value of contingent consideration for business acquisition.

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 months ended September 30, 2017, marketing and selling expenses increased \$13.6 million, compared to the same period of the prior fiscal year. The increase was primarily driven by \$7.1 million higher personnel-related costs due to increased headcount in addition to \$5.7 million higher external expenses to support the advertising and marketing efforts for our new products. During the six months ended September 30, 2017, marketing and selling expenses increased \$32.1 million compared to the same period of the prior fiscal year. The increase was primarily driven by \$13.2 million higher personnel-related costs due to increased headcount in

addition to \$18.5 million higher external expenses to support the advertising and marketing efforts for our new products.

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 months ended September 30, 2017, research and development expenses increased \$4.0 million compared to the same period in the prior fiscal year. The increase was primarily driven by \$4.3 million higher personnel-related costs due to increased headcount to support the development and launch of new products and capabilities. During the six months ended September 30, 2017, research and development expenses increased \$7.2 million compared to the same period in the prior fiscal year. The increase was primarily driven by \$8.4 million higher personnel-related costs due to increased headcount to support the development and launch of new products and capabilities.

General and Administrative

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

During the three and six months ended September 30, 2017, 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, 2017 and 2016 were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Amortization of intangible assets	\$ 1,750	\$ 996	\$ 2,839	\$ 1,794
Acquisition-related costs	741	752	1,042	1,247
Total	\$ 2,491	\$ 1,748	\$ 3,881	\$ 3,041

Amortization of intangible assets consists of amortization of acquired intangible assets, including customer relationships and trade names. 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

During the three months ended September 30, 2017, the fair value of the contingent consideration decreased \$2.9 million. The decrease in fair value of contingent consideration is primarily due to the agreement we reached with the sellers of Jaybird. In October 2017, we entered into an agreement with the sellers of Jaybird fully, irrevocably and unconditionally releasing the Company from the earn-out rights and payments in the Jaybird Acquisition agreement in exchange for \$5.0 million in cash, which approximates the fair value of the contingent consideration as of September 30, 2017. During the six months ended September 30, 2017, the fair value of the contingent consideration decreased \$4.9 million. See Note 7 to the Condensed Consolidated Financial Statements.

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, 2017 and 2016 were as follows (Dollars in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Provision for (benefit from) income taxes	\$ 4,087	\$ 5,593	\$ (1,349)	\$ 8,650
Effective income tax rate	6.8%	10.6%	(1.5)%	11.1%

The change in the effective income tax rate is primarily due to the recognition of excess tax benefits of \$1.1 million and \$11.0 million, respectively, in the three and six months ended September 30, 2017 after adoption of ASU 2016-09, compared to the same periods ended September 30, 2016. In the three and six months ended September 30, 2017, there was a discrete tax benefit of \$0.7 million and \$1.9 million, respectively, from the reversal of uncertain tax positions from the expiration of statutes of limitations. In the same periods ended September 30, 2016, the tax benefit from the reversal of uncertain tax positions from the expiration of statutes of limitations was \$0.7 million and \$1.8 million, respectively.

As of September 30 and March 31, 2017, the total amount of unrecognized tax benefits due to uncertain tax positions was \$68.7 million and \$63.7 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, 2017, we had cash, cash equivalents and short-term investments of \$405.6 million, compared to \$547.5 million as of March 31, 2017, of which 42% is held in Switzerland, 24% is held in Germany, and 15% is held in Hong Kong and China as of September 30, 2017. 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 was primarily due to the payment of cash dividends, the purchase of ASTRO, purchases of property, plant and equipment, tax withholdings related to settlements of restricted stock units and the purchases of our shares, partially offset by net income and proceeds from exercises of stock options and purchase rights.

As of September 30, 2017, our working capital was \$445.5 million, compared to \$520.8 million as of March 31, 2017. The decrease was primarily due to higher accounts payable and lower cash and cash equivalents, partially offset by higher accounts receivable, net and higher inventories. Our working capital increased compared to \$396.7 million as of September 30, 2016, which was primarily driven by higher inventories, higher cash and cash equivalents and higher accounts receivable, net, partially offset by higher accounts payable and higher accruals and other liabilities.

We had several uncommitted, unsecured bank lines of credit aggregating \$68.2 million as of September 30, 2017. There are no financial covenants under these lines of credit with which we must comply. As of September 30, 2017, we had outstanding bank guarantees of \$39.8 million under these lines of credit.

The following table summarizes our Condensed Consolidated Statements of Cash Flows (in thousands) on a total company basis:

	Six Months Ended September 30,	
	2017	2016
Net cash provided by operating activities	\$ 67,500	\$ 91,886
Net cash used in investing activities	(109,202)	(81,485)
Net cash used in financing activities	(108,636)	(132,550)
Effect of exchange rate changes on cash and cash equivalents	1,653	(1,845)
Net decrease in cash and cash equivalents	\$ (148,685)	\$ (123,994)

The following table presents selected financial information and statistics as of September 30, 2017 and 2016 (Dollars in thousands):

	Three Months Ended September 30,	
	2017	2016
Accounts receivable, net	\$ 277,839	\$ 240,606
Accounts payable	\$ 386,963	\$ 333,543
Inventories	\$ 330,422	\$ 268,110
Days sales in accounts receivable ("DSO") (Days) (1)	40	38
Days accounts payable outstanding ("DPO") (Days) (2)	86	84
Inventory turnover ("ITO") (x)(3)	4.9	5.3

(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, 2017 increased two days, compared to September 30, 2016, primarily due to timing of net sales.

DPO for the three months ended September 30, 2017 increased two days, compared to September 30, 2016, due to higher inventory purchase for planned new product launches in the third quarter of fiscal year 2018.

ITO for the three months ended September 30, 2017 was lower, compared to the same period of the prior fiscal year. The increase in inventories compared with September 30, 2016 was primarily driven by higher purchase of inventories for planned new product launches in the third quarter of fiscal year 2018 and inventory acquired as part of ASTRO acquisition.

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, 2017, we generated \$67.5 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 the increases in accounts payable, offset by the increases in accounts receivable, net and inventories. The increases in accounts receivable, net and accounts payable were primarily driven by higher business volumes and timing of payments.

Net cash used in investing activities was \$ 109.2 million, primarily due to \$85.0 million of purchase price for the acquisition of ASTRO business (refer to "Note 2- Business Acquisition" to the condensed consolidated financial statements), \$17.2 million of purchases of property, plant, and equipment and \$6.8 million purchases of short-term investments.

Net cash used in financing activities was \$108.6 million, primarily for the \$104.2 million cash dividends paid, \$10.7 million repurchases of our registered shares and \$23.7 million tax withholdings related to net share settlements of restricted stock units, partially offset by \$30.0 million in proceeds received from the exercises of stock options.

Our expenditures for property, plant and equipment during the six months ended September 30, 2017 increased, compared to the same period of the prior fiscal year, mainly due to the higher amount of tooling purchases.

During the six months ended September 30, 2017, there was a \$1.7 million gain of currency translation exchange rate effect on cash and cash equivalents, compared to a loss of \$1.8 million during the same period of the prior fiscal year. 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. The loss from currency translation exchange effect during the six months ended September 30, 2016 was primarily due to weakening of the Euro against the U.S. Dollar by 2% during the period, which had an adverse impact on our cash and cash equivalents balances in subsidiaries with Euro as their functional currency.

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.

During the three and six months ended September 30, 2017, we declared and paid cash dividends of approximately CHF 0.61 (USD equivalent of \$0.63) per common share, totaling \$104.2 million on our outstanding common stock. During the three and six months ended September 30, 2016, we declared and paid cash dividends of approximately CHF 0.56 (USD equivalent of \$0.57) per common share, totaling \$93.1 million on our outstanding common stock. Any future dividends will be subject to the approval of our shareholders.

In March 2017, our Board of Directors approved another share buyback program, which authorizes us to invest up to \$250.0 million to purchase our own shares, following the expiration date of the 2014 buyback program. 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 opportunistic 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, 2017, \$239.9 million is still available for repurchase under the March 2017 program.

As noted in "Note 7 - Fair Value Measurements" to our condensed consolidated financial statements, we acquired all of the equity interest of Jaybird with an additional earn-out of up to \$45.0 million in cash based on the achievement of certain net revenue growth targets over two years starting July 2016. If the net revenue growth targets are met, the Company will pay a maximum of \$25.0 million and \$20.0 million in fiscal years 2018 and 2019, respectively. In October 2017, we entered into an agreement with the sellers of Jaybird fully, irrevocably and unconditionally releasing the Company from the earn-out rights and payments in the Jaybird purchase agreement in exchange for \$5 million cash. The payment is expected to be made in the third quarter of fiscal year 2018.

We have changed the payment frequency of our employee performance bonus plan from semi-annual payment to annual payment. The full year bonus is expected to be made in the first quarter of the following fiscal year, and the operating cash flow for that period will be 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 on our non-cancelable operating leases expire in various years through 2030.

Purchase Commitments

As of September 30, 2017, 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, 2017.

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 two third-party contract manufacturers' purchase obligations. As of September 30, 2017, the maximum amount of this guarantee was \$3.8 million, of which \$1.4 million of guaranteed purchase obligations were outstanding.

Indemnifications

We indemnify certain of our 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, 2017, 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 of our 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.

The stock purchase agreement that we entered into in connection with the investment by three venture capital firms in Lifesize contains representations, warranties and covenants of Logitech and Lifesize to the Investors. Subject to certain limitations, we have agreed to indemnify the Investors and certain persons related to the Investors for certain losses resulting from breaches of or inaccuracies in such representations, warranties and covenants as well as certain other obligations, including third party expenses, restructuring costs and pre-closing tax obligations of Lifesize.

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, Australian Dollar, Taiwanese Dollar, British Pound, Canadian Dollar, Japanese Yen and Mexican Peso. For the three months ended September 30, 2017, approximately 51% of our sales were in non-U.S. denominated currencies, with 27% 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 remains at its current strong levels in comparison to other currencies, this will affect our results of operations in future periods as well. 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, 2017. 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	Chinese Renminbi	\$ (36,658)	\$ 3,333	\$ (4,073)
U.S. Dollar	Canadian Dollar	15,827	(1,439)	1,759
U.S. Dollar	Australian Dollar	12,230	(1,112)	1,359
U.S. Dollar	Singapore Dollar	(11,030)	1,003	(1,226)
U.S. Dollar	Mexican Peso	10,453	(950)	1,161
U.S. Dollar	Taiwanese Dollar	(8,899)	809	(989)
U.S. Dollar	Japanese Yen	6,813	(619)	757
Euro	British Pound	3,343	(304)	371
Euro	Turkish Lira	3,083	(280)	343
Euro	Swedish Krona	(2,585)	235	(287)
Euro	U.S. Dollar	1,557	(142)	173
Euro	Swiss Franc	(1,183)	108	(131)
Euro	Croatian Kuna	1,181	(107)	131
U.S. Dollar	Brazilian Real	1,114	(101)	124
Euro	Polish Zloty	(968)	88	(108)
U.S. Dollar	Korean Wan	(883)	80	(98)
Euro	Russian Ruble	(863)	78	(96)
U.S. Dollar	Russian Ruble	622	(57)	69
Swiss Franc	British Pound	(547)	50	(61)
		<u>\$ (7,393)</u>	<u>\$ 673</u>	<u>\$ (822)</u>

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 ("CNY"). As of September 30, 2017, net liabilities held in CNY totaled \$36.7 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, 2017 and March 31, 2017, the notional amounts of currency exchange forward contracts outstanding related to forecasted inventory purchases were \$149.1 million and \$59.4 million, respectively. Deferred realized losses of \$2.6 million were recorded in accumulated other comprehensive loss as of September 30, 2017, and are expected to be reclassified to cost of goods sold when the related inventory is sold. Deferred unrealized losses of \$0.1 million related to open cash flow hedges were recorded in accumulated other comprehensive loss as of September 30, 2017, and these forward contracts will be revalued in future periods until the related inventory is sold, at which time the resulting gains or losses will be reclassified to cost of goods sold.

We also enter into foreign 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, 2017 and March 31, 2017 relating to foreign currency receivables or payables were \$95.6 million and \$56.7 million, respectively. Open forward and swap contracts as of September 30, 2017 and March 31, 2017 consisted of contracts in Mexican Pesos, Japanese Yen, British Pounds, Taiwanese Dollars, Canadian Dollars, Australian Dollars and Chinese Renminbi to be settled at future dates at pre-determined exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (“Disclosure Controls”) as of the end of the period covered by this Quarterly Report on Form 10-Q (this “Report”) required by Exchange Act Rules 13a-15(b) or 15d-15(b). The controls evaluation was conducted under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in our reports filed or submitted 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 Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures are also designed to reasonably assure that this information is accumulated and communicated to our management, including the CEO and CFO, to allow timely decisions regarding required disclosure. Based on this evaluation, the CEO and CFO have concluded that, as of the end of the period covered by this Report, the Company’s Disclosure Controls and procedures were not effective as a result of the material weakness that existed in our internal control over financial reporting as described below.

Notwithstanding the material weaknesses discussed below, management, including our CEO and CFO, believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent, in all material respects, our financial condition, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

Material Weakness in Internal Controls over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weakness as of March 31, 2017 that continued to exist as of September 30, 2017:

In connection with the Company’s sales growth strategy in EMEA, the Company expanded its use of performance-based customer programs in the region in fiscal 2016 and 2017. As a result, the allowances and accruals for customer incentive, cooperative marketing and pricing programs increased in those years. In prior periods, the Company did not have sufficient historical data on customer breakage patterns in the EMEA region to allow for a reliable estimation of future customer breakage attributable to these allowances and accruals. However, by the fourth quarter of fiscal year 2017, sufficient historical data was available to establish a model to reliably estimate the expected future customer breakage. As of March 31, 2017, the Company did not identify that sufficient historical data existed to estimate future customer breakage and, as a result, the Company did not modify the design of the control activities related to the accuracy of the allowance and accruals to respond to the change in relevant data. Our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting.

Management concluded that the allowances and accrued liabilities relating to customer programs in the EMEA region were overstated at March 31, 2017 as future breakage was not estimated. This overstatement of allowances and accrued liabilities relating to customer programs in the EMEA region has been corrected in our consolidated financial statements included in our Annual Report on Form 10-K. While the control deficiency did not result in a misstatement of our current or previously issued consolidated financial statements, the material weakness resulted in changes to our preliminary results of operations for the quarter and year ended March 31, 2017 furnished to the United States Securities and Exchange Commission (“SEC”) in the Current Report on Form 8-K on April 26, 2017.

Management’s Plan to Remediate the Material Weakness

In May 2017, management began implementing a remediation plan to address the material weakness. The remediation plan includes:

- The development and implementation of a new estimation model of breakage related to customer incentive, cooperative marketing and pricing programs in the EMEA region;
- The design and implementation of related controls over the new estimation model; and

- Enhancements to the process to periodically evaluate and appropriately respond to changing business circumstances that may impact control activities, specifically in the area of the accuracy of the allowances and accruals.

Our management believes the foregoing efforts will effectively remediate the material weakness; however, the material weakness cannot be considered remediated until the control has operated for a sufficient period of time and until management has concluded, through testing of several instances that the control is operating effectively. The Company expects to remediate this material weakness by the end of fiscal year 2018.

Limitations on the Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. Internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives will be met. Because of the inherent limitations in internal control over financial reporting, 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

The changes in the Company's internal control over financial reporting during the three months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, are discussed above in Management's Plan to Remediate the Material Weakness.

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 license 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, 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, 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 is very difficult and requires high levels of innovation. The development process is also 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 be not 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, the impact of sovereign debt issues in Europe, the impact of low oil prices on Russia and conflicts with either local or

global financial implications in places such as Russia and Ukraine, 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.

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. If we are not able to grow our existing and acquired product lines, introduce differentiated product and marketing strategies to separate ourselves from competitors, our mobile speaker and audio headphone efforts will not be successful, and our business and results of operations could be adversely affected.

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 are developing. If the market opportunity proves to exist, we expect increasing competition from the large competitors in the video conferencing market as well as potential new entrants.

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, and sensitivity to general economic conditions and cyclical downturns. 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 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 consumer recommendations and referrals. 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, short product life cycles, continual performance enhancements, and rapid adoption of technological and product advancements by competitors in our retail markets. 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, Polycom, Samsung and others, have greater financial, technical, sales, marketing and other resources than we have.

Microsoft, Apple and Google are leading producers of operating systems, hardware and applications with which our mice, keyboards and other products are designed to operate. In addition, Microsoft, Apple and Google 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 and Google 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 or other competitors with significant lead-time advantages. In addition, Microsoft, Apple, Google or other competitors may be able to offer pricing advantages on bundled hardware and software products that we may not be able to offer, and may be financially positioned to exert significant downward pressure on product prices and upward pressure on promotional incentives in order to gain market share.

Music

Mobile Speakers. Our competitors for Bluetooth wireless speakers include Bose, JBL, Harmon Kardon, and Beats Electronics. Bose is our largest competitor. Apple's ownership of Beats Electronics may impact our access to shelf space in Apple retail stores and adversely impact our ability to succeed in this important growth market. Personal assistance and other devices that offer music, such as Amazon's Echo, may also compete with our products. Amazon is also a significant distributor for our products.

Audio-PC & Wearables . In the PC speakers category, our competitors include Bose, Cyber Acoustics, Phillips and Creative Labs, Inc. In the PC headset business, our main competitors include Plantronics and Altec Lansing. In-ear headphones competitors include Skull Candy, Sennheiser, Sony, Beats, and others.

Gaming

Competitors for our Gaming products include Razer USA Ltd., Corsair, SteelSeries, and Turtle Beach.

Video Collaboration

Our competitors for Video Collaboration products include Cisco Systems, Inc., Polycom, Inc., and AVer Information Inc.

Smart Home

Direct competitors in the remote control market include pro-installer-focused Universal Remote Control Inc., and new “DIY” entrants from Savant Systems and Ray Enterprises. Indirect competition exists in the form of low-end “replacement remotes” such as Sony, RCA, GE, pure app-based solutions for smartphones and other mobile devices 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 products and brands are partners with Logitech as well via integrations with Harmony remotes.

Creativity & Productivity

Pointing Devices. Microsoft Corporation and HP Inc. are our main competitors. We also experience competition and pricing pressure from less-established brands, including house brands, which we believe have impacted our market share in some sales geographies.

Keyboards & Combo . Microsoft Corporation and Apple Inc. 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.

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 will increase. Competitors in the tablet case market include Apple, Otter, Speck and a large number of small brands.

PC Webcams. Our primary competitors for PC webcams are Microsoft Corporation and HP Inc. with various other manufacturers taking smaller market share. The worldwide market for consumer PC webcams has been declining, and as a result, fewer competitors have entered the market.

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, 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, the Android phones and tablets, Google Home 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, during fiscal year 2016 we 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 life cycle, product mix, new product introductions, unit volumes, acquisitions and divestitures, commodity and supply chain 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 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, and we acquired Saitek to expand into the gaming flight simulation and farm simulation 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 stock-based compensation. Several of our past acquisitions have not been successful and have led to impairment charges, including \$122.7 million and \$214.5 million non-cash goodwill impairment charges in fiscal years 2015 and 2013, respectively, 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.

While most of our sales are made to sales channel partners, we are dependent on those distributors and retailers to distribute and sell our products to other sales channel partners and ultimately to consumers. The sales and business practices of 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, the distributors and retailers who distribute and sell our products, 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 retailer 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, direct and indirect customer 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 retail sell-through data, which represents sales of our products by our direct retailer 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 retailer and distributor customers. 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.

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 other 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.

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 goes 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 2016 with the SEC on May 30, 2017.

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 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;
- 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 materializes in these markets, our overall business and results of operations will be adversely affected.

We have also invested significantly in our manufacturing facilities in China. Policy changes in the United States or other countries, given our lack of manufacturing in those countries or for other protectionist reasons, could result in tariffs or other adverse tax consequences or may cause us to change the structure of how we currently operate, any of which could adversely affect our business and results of operations.

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, 2017, 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. 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. 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.

We have identified a material weakness in our internal control over financial reporting which, if not remediated, could adversely affect investor confidence in our financial reports, our business and our stock price.

As disclosed in Item 4 of this report, we identified a material weakness in our internal control over financial reporting. The material weakness was identified during the preparation of our audited financial statements for the year ended March 31, 2017. 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. As a result of the material weakness identified, our management concluded that our internal control over financial reporting was not effective as of March 31, 2017, based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. We are actively engaged in implementing a remediation plan designed to address this material weakness. In the past, we have identified material weaknesses in our internal control over financial reporting, as described in our previous Annual Reports on Form 10-K. If our remediation measures are insufficient to address this material weakness, or if additional material weaknesses in our internal control over financial reporting 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. In addition to potentially adversely affecting investors' confidence, any restatement of our consolidated financial statements could lead to potential litigation against us, which, whether meritorious or not, could be time-consuming, costly or divert significant operational resources, any of which could adversely affect our business and results of our operations.

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. 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, liabilities or negative publicity that could adversely affect our business.

We recently upgraded our worldwide business application suite, and difficulties, distraction or disruptions may interrupt our normal operations and adversely affect our business and operating results.

During fiscal years 2014 and 2015, we devoted significant resources to the upgrade of our worldwide business application suite to Oracle's version R12. We implemented that upgrade in fiscal year 2016 and will continue to review the success of that implementation during fiscal year 2018. As a result of our transition to the new business application suite, we may experience difficulties with our systems, management distraction, lack of visibility into our business operations and results, and significant business disruptions. Difficulties with our systems may interrupt our normal operations, including our enterprise resource planning, forecasting, demand planning, supply planning,

intercompany processes, promotion management, internal financial controls, pricing, and our ability to provide quotes, process orders, ship products, provide services and support to our customers and consumers, bill and track our customers, fulfill contractual obligations, and otherwise run and track our business. For example, the transition has resulted in delays in processing customer claims for claims accruals. In addition, we may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. Any such difficulty or disruption may adversely affect our business and operating results.

We cannot ensure that our recently announced 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 and diminish our cash reserves .

In March 2017, our Board of Directors authorized a three-year \$250 million repurchase program of our registered shares. This 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, and any announcement of a termination or suspension of the program may result in a decrease in our share price. The program could also diminish our cash reserves that may be needed for investments in our business, acquisitions or other purposes.

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 2018, the following approved share buyback programs were in place (in thousands):

Share Buyback Program	Shares	Approved Amounts
March 2014	17,311	\$ 250,000
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, 2017 to July 28, 2017	—	—	—	\$ 250,000
Month 2				
July 29, 2017 to August 25, 2017	200	33.15	—	243,087
Month 3				
August 26, 2017 to September 29, 2017	87	35.72	—	239,875
Total	287	33.93	—	\$ 239,875

* The March 2014 program expired in April 2017.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS**Exhibit Index**

Exhibit No.	Description
2.1	<u>Asset Purchase Agreement, dated as of July 10, 2017, by and between AG Acquisition Corporation and Logitech Europe S.A. ***</u>
2.2	<u>Amendment No. 1 to Asset Purchase Agreement, dated as of August 11, 2017, by and between AG Acquisition Corporation and Logitech Europe S.A. ***</u>
10.1	<u>Agreement between Logitech Europe S.A. and Marcel Stolk, dated as of July 22, 2017. **</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</u>
32.1	<u>Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.*</u>
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.

November 1, 2017	/s/ Bracken Darrell
Date	Bracken Darrell
	President and
	Chief Executive Officer
November 1, 2017	/s/ Vincent Pilette
Date	Vincent Pilette
	Chief Financial Officer

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.**

ASSET PURCHASE AGREEMENT

by and between

AG ACQUISITION CORPORATION

and

LOGITECH EUROPE S.A.

Dated as of July 10, 2017

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of July 10, 2017 by and between AG Acquisition Corporation, a Delaware corporation (“Seller”), and Logitech Europe S.A., a company incorporated under the laws of Switzerland (“Buyer”). Terms used but not defined in this Agreement have the meanings ascribed thereto in Annex A.

RECITALS

A. Seller, directly and through the other members of the Seller Group (as defined below), is engaged in, among other things, the Business (as defined below).

B. Seller desires to sell and transfer to Buyer, and Buyer desires to acquire from Seller, the Business, and, in furtherance thereof, Seller will sell and assign, and will cause the other members of the Seller Group to sell and assign, to Buyer, and Buyer will purchase and assume, and will cause the other members of the Buyer Group to purchase and assume, from the Seller Group, the Acquired Assets and the Assumed Liabilities (each as defined below), upon the terms and subject to the conditions specified in this Agreement.

C. Buyer (for itself and on behalf of the other members of the Buyer Group) and Seller (for itself and on behalf of the other members of the Seller Group) desire to enter into IP Assignment Agreements, an Assignment and Assumption Agreement, a Bill of Sale, Lease Assignment, Local Asset Transfer Agreements and a Transition Services Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES

1.1 Sale and Transfer of Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall (and, where applicable, shall cause the other members of the Seller Group to) sell, transfer, assign, convey and deliver to the Buyer Group, and Buyer shall (and, where applicable, shall cause the other members of the Buyer Group to) purchase, acquire and accept from the Seller Group, all of the Seller Group’s right, title and interest in, to and under all the following, except for the Excluded Assets (collectively, the “Acquired Assets”), free and clear of all Liens:

- (a) all Inventory of the Business as of the Closing (the “Business Inventory”);
 - (b) all rights of the Seller Group under the lease of the Business Leasehold Property set forth on Schedule 1.1(b) (“Transferred Lease Agreement”);
 - (c) all rights the Seller Group under all Transferred Contracts;
 - (d) all rights of the Seller Group under all Governmental Authorizations and all pending applications therefor or renewals thereof related to the Business and set forth on Schedule 1.1(d) (the “Business Governmental Authorizations”);
 - (e) all Transferred Technology;
-

- (f) all Transferred Intellectual Property Rights;
- (g) all other intangible rights and property, including going concern value and goodwill, of the Business;
- (h) copies of the Books and Records;
- (i) all claims, demands, deposits, refunds, rebates, causes of action, choses in action, rights of recovery, rights of set-off and rights of recoupment with respect to the Acquired Assets and the Assumed Liabilities (but not with respect to the Excluded Assets or any Excluded Liabilities) including, without limitation, all (x) rights under or pursuant to all warranties, rights to indemnities and guarantees made by third parties in connection with the Acquired Assets; (y) proceeds from insurance policies that relate to the Acquired Assets or the Assumed Liabilities; and (z) claims for infringement of the Transferred Intellectual Property Rights against third parties whether arising prior to, on or after the Closing Date;
- (j) all prepaid charges, expenses, and fees (“ Prepaid Assets ”) with respect to any Acquired Assets or obligations of the Business included in the Assumed Liabilities (but not with respect to any Excluded Liabilities); and
- (k) all assets set forth on Schedule 1.1(k); and
- (l) all other Tangible Property of the Business set forth on Schedule 1.1(l) (the “ Business Tangible Property ”).

1.2 Excluded Assets. Notwithstanding anything to the contrary contained in Section 1.1 or elsewhere in this Agreement, the following assets of the Seller Group (collectively, the “ Excluded Assets ”) are not part of the sale and purchase contemplated hereunder, are excluded from the Acquired Assets and shall remain the property of the Seller Group after the Closing:

- (a) all properties, rights and assets of the Seller Group reflected on Schedule 1.2(a);
 - (b) all cash and cash equivalents and bank accounts of the Seller Group;
 - (c) any equity interests in any member of the Seller Group or any other entity;
 - (d) the Infrastructure Assets;
 - (e) the Seller Excluded Technology;
 - (f) the Retained Technology;
 - (g) all right, title or interest of Seller in and to any Real Property (including Business Leasehold Property), other than the Transferred Lease Agreement;
 - (h) all books and records relating to the Taxes and Tax Returns of any member of the Seller Group (except that Buyer shall be entitled upon reasonable request to copies of any non-income Tax Returns related solely to the Business or the Acquired Assets) and all rights relating to refunds, credits or recoupment of Taxes to the extent such Taxes are Excluded Liabilities and were paid by any member of the Seller Group;
 - (i) the original Books and Records;
-

(j) all Accounts Receivable generated prior to the Closing;

(k) all rights of Seller and the other members of the Seller Group under this Agreement and the other Transaction Documents;

(l) except as otherwise provided in this Agreement, all Books and Records and other information prepared by Seller or the other members of the Seller Group in connection with the Transactions; and

(m) all actions, claims, causes of action, rights of recovery, choses in action and rights of set-off of any kind arising before, on or after the Closing relating to the items set forth above in this Section 1.2 or to any Excluded Liabilities.

1.3 Assumed Liabilities. Subject to the terms and conditions set forth in this Agreement, at the Closing, Buyer shall assume (or cause another member of the Buyer Group to assume) and thereafter pay, perform and discharge (or cause another member of the Buyer Group to pay, perform or discharge) when due, only (collectively, the “Assumed Liabilities”):

(a) the executory Liabilities under the Transferred Contracts and the Transferred Lease Agreement (in each case, to the extent assigned and transferred to Buyer or another member of the Buyer Group on the Closing Date or such later date pursuant to Section 1.6) that arise from events and circumstances occurring after the Closing, other than Liabilities under Transferred Contracts that are Excluded Liabilities under Section 1.4(a);

(b) the Liabilities under the Transferred Contracts (in each case, to the extent assigned and transferred to Buyer or another member of the Buyer Group on the Closing Date or such later date pursuant to Section 1.6) that are set forth on Schedule 1.3(b) (the “Un invoiced Obligations”);

(c) the product warranty Liabilities of the Business in respect of the Business Products sold prior to the Closing pursuant to Seller’s warranty policies set forth on Section 4.26(a) of the Disclosure Letter (the “Warranty Obligations”);

(d) the product return Liabilities of the Business in respect of the Business Products sold prior to the Closing pursuant to Seller’s product return policies set forth on Section 4.26(a) of the Disclosure Letter (the “Return Obligations”);

(e) Liabilities arising from actions of customer service personnel to the extent they arise out of the operation of the Business after the Closing with respect to Business Products sold prior to the Closing (the “Service Obligations”);

(f) all Liabilities for (i) Taxes with respect to the ownership, possession or use of the Acquired Assets or the conduct of the Business after the Closing, (ii) any Straddle Period Taxes allocated to Buyer pursuant to this Agreement, and (iii) any Transfer Taxes allocated to Buyer pursuant to this Agreement; and

(g) all Liabilities to the extent arising from the operation or conduct of the Business after the Closing (but excluding any Excluded Liabilities);

provided that, the assumption by Buyer (or another member of the Buyer Group) of any Assumed Liability shall not prevent or limit any Buyer Indemnified Person’s rights or remedies pursuant to this Agreement

(including, without limitation, pursuant to Section 10.2 or with respect to Fraud or Intentional Misrepresentation).

1.4 Liabilities Not Assumed. Other than the Assumed Liabilities, the Buyer Group shall not assume or otherwise be responsible for any other Liabilities of Seller or any of its Affiliates (including any predecessor of Seller or its Affiliates or any prior owner of all or part of their respective businesses and assets) of whatever nature, whether presently in existence or arising hereafter (collectively, the “Excluded Liabilities”). Seller shall be responsible for the Excluded Liabilities, which shall be paid, performed and discharged by Seller or its Affiliates. Without limiting the foregoing, Excluded Liabilities means every Liability of Seller or any of its Affiliates other than Assumed Liabilities, including:

(a) all Liabilities (other than the Warranty Obligations, the Return Obligations the Service Obligations and Uninvoiced Obligations) related to any Transferred Contract or the Transferred Lease Agreement arising from events and circumstances occurring on or prior to the Closing (including, in each case, Liabilities arising from any breach, default or violation of Seller or any other member of the Seller Group of any Transferred Contract or the Transferred Lease Agreement occurring on or prior to the Closing Date);

(b) all Liabilities related to the Business Employees incurred, or arising from, events and circumstances occurring, on or prior to the Closing;

(c) all Indebtedness of the Seller Group, whether or not related to the Acquired Assets;

(d) all Liabilities arising from the operation of the Business or the ownership of the Acquired Assets on or prior to Closing (other than the Warranty Obligations, the Return Obligations, the Service Obligations, and the Uninvoiced Obligations), including (i) all Liabilities for the infringement or misappropriation of a third party’s Intellectual Property Rights and (ii) all Liabilities arising from product liability claims arising prior to the Closing;

(e) the Accounts Payable of the Business generated prior to the Closing;

(f) all Liabilities related to employees of Seller and its Affiliates who are Non-Business Employees;

(g) all Third Party Expenses of the Seller Group;

(h) all Liabilities for (i) Taxes with respect to the ownership, possession or use of the Acquired Assets or the conduct of the Business prior to the Closing, (ii) any Straddle Period Taxes allocated to Seller pursuant to this Agreement, and (iii) any Transfer Taxes allocated to Seller pursuant to this Agreement;

(i) all Seller Retained Environmental Liabilities; and

(j) all of the Liabilities set forth on Schedule 1.4(j).

1.5 Transfer of Acquired Assets and Assumed Liabilities. The Acquired Assets shall be sold, conveyed, transferred, assigned and delivered, and the Assumed Liabilities shall be assumed, pursuant to transfer and assumption agreements and such other instruments in such form as may be necessary or appropriate to effect a conveyance of the Acquired Assets and an assumption of the Assumed Liabilities in the jurisdictions in which such transfers are to be made. Such transfer and assumption agreements shall include, in addition to one or more Bills of Sale and Assignment and Assumption Agreements, local asset

transfer agreements for each jurisdiction outside of the United States in which Acquired Assets or Assumed Liabilities are located, in form and substance mutually satisfactory to Buyer and Seller (the “Local Asset Transfer Agreements”), which shall be executed no later than at or as of the Closing by Seller and/or one or more other members of the Seller Group, as appropriate, and Buyer and/or one or more members of the Buyer Group, as appropriate. The Transferred Lease Agreement shall be assigned through the Lease Assignment.

1.6 Further Assurances; Further Conveyances and Assumptions; Consent of Third Parties.

(a) From time to time following the Closing, Seller and Buyer shall, and shall cause the other members of the Seller Group and the Buyer Group, respectively, to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquittances and such other instruments, and shall take such further actions, as may be necessary or appropriate to fully and effectively transfer, assign and convey to the Buyer Group and its members’ respective successors or permitted assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to the Buyer Group under this Agreement and to fully and effectively transfer, assign and convey to the Buyer Group and its members’ respective successors and permitted assigns, the Assumed Liabilities intended to be assumed by the Buyer Group under this Agreement, and to otherwise make effective the transactions contemplated hereby and to confirm the Buyer Group’s right, title or interest in the Acquired Assets, to put the Buyer Group in actual possession and operating control thereof and to assist the Buyer Group in exercising all rights with respect thereto, including (i) transferring and/or delivering back to the Seller Group any asset or Liability not contemplated by this Agreement to be an Acquired Asset or an Assumed Liability, respectively, which asset or Liability was transferred and/or delivered to the Buyer Group at Closing and (ii) transferring and/or delivering to the Buyer Group any asset or Liability contemplated by this Agreement to be an Acquired Asset or an Assumed Liability, respectively, which was not transferred and/or delivered to the Buyer Group at Closing.

(b) Nothing in this Agreement nor the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to sell, transfer, assign, convey or deliver any asset, property or right to any member of the Buyer Group or for any member of the Buyer Group and its successors and permitted assigns to assume any Assumed Liability which by its terms or by Law is not transferable or is non-assignable, as applicable, without the consent or waiver of a third party or is cancelable by a third party in the event of such a transfer or assignment without the consent or waiver of such third party, in each case unless and until such consent or waiver shall have been obtained (collectively, “Non-Assignable Assets”).

(c) Buyer and Seller shall, and shall cause the other members of the Buyer Group and Seller Group, respectively, to, use its and their commercially reasonable efforts to obtain, or to cause to be obtained, any consent or waiver that is required for the Seller Group to sell, transfer, assign, convey and deliver the Acquired Assets to the Buyer Group pursuant to this Agreement or to novate all obligations under any and all Liabilities that constitute Assumed Liabilities (or to obtain in writing the unconditional release of the Seller Group so that, in any case, the Buyer Group shall, effective as of the Closing, be solely responsible for the Assumed Liabilities); provided that in connection with the foregoing neither party shall be required to (i) pay or agree to pay any amounts or other consideration, (ii) agree to the imposition of any limitation or obligation on its business or operations, (iii) provide or agree to provide any additional security (including a guaranty), or (iv) agree to any modifications of existing Contracts or the entry into any new Contracts; *further provided that*, notwithstanding the foregoing, the assumption by Buyer (or another member of the Buyer Group) of any Assumed Liability shall not prevent or limit any Buyer Indemnified Person’s rights or remedies pursuant to this Agreement (including, without limitation, pursuant to Section 10.2 or with respect to Fraud or Intentional Misrepresentation).

(d) To the extent permitted by applicable Law, in the event any such consent or waiver cannot be obtained prior to Closing, (i) the Non-Assignable Assets subject thereto and affected thereby shall be held, as of and from the Closing, by Seller in trust for the benefit of Buyer, and all benefits and obligations, including, for the avoidance of doubt, any Tax liabilities attributable to Buyer's beneficial ownership of the Non-Assignable Assets hereunder, (ii) Buyer shall pay, perform or otherwise discharge (in accordance with the respective terms and subject to the respective conditions thereof, and in the name of Seller) all of the covenants and obligations of Seller incurred after the Closing with respect to such Non-Assignable Asset (other than liabilities or obligations that arise from a breach, default or violation by Seller or another member of the Seller Group under the terms of any Contract constituting a Non-Assignable Asset that occurs prior to the Closing), (iii) Seller shall take or cause to be taken, at Buyer's expense, such actions in its name or otherwise as Buyer may reasonably request so as to provide Buyer with the benefits of such Non-Assignable Assets and to effect the collection of money or other consideration that becomes due and payable under such Non-Assignable Assets, and promptly pay over to Buyer all money or other consideration received by it in respect of such Non-Assignable Assets, and (iv) Buyer and Seller shall, at Buyer's expense, mutually cooperate to provide any other alternative arrangements as may be reasonably required to implement the purposes of this Agreement and the other Transaction Documents.

(e) As of and from the Closing Date, Seller authorizes (and shall cause each other member of the Seller Group to authorize) Buyer (and, to the extent applicable, the other members of the Buyer Group), to the extent permitted by applicable Law and the terms of the Non-Assignable Assets, at Buyer's expense, to perform all the obligations and receive all the benefits of the Seller Group under the Non-Assignable Assets.

(f) From time to time after the Closing, Seller shall (and shall cause each other member of the Seller Group to) execute and deliver such other instruments of transfer and documents related thereto and take such other action as Buyer may reasonably request in order to more effectively transfer to Buyer and the other members of the Buyer Group, and to place Buyer and the other members of the Buyer Group in possession and control of, the Acquired Assets, or to enable Buyer and the other members of the Buyer Group to exercise and enjoy all rights and benefits of the Seller Group with respect thereto. Buyer shall take such actions as Seller may reasonably request in order to assure the Buyer Group's assumption of the Assumed Liabilities.

1.7 Shared Contracts.

(a) Schedule 1.7(a)(i) sets forth a list of all Shared Contracts, indicating which of such Shared Contracts may be assigned in part, pursuant to its terms, without the consent of the counterparty thereto or other conditions, including the payment of a transfer or other fee (the "Assignable Shared Contracts"). Schedule 1.7(a)(ii) sets forth a list of all Assignable Shared Contracts that Buyer desires to assume in part. Each Assignable Shared Contract set forth on Schedule 1.7(a)(ii) shall thereafter be deemed to be a Transferred Contract hereunder (but solely to the extent of the rights and obligations actually assigned to, and assumed by, Buyer or another member of the Buyer Group) and Seller shall, or shall cause another member of the Seller Group, as applicable, to, partially assign to Buyer or another member of the Buyer Group as of the Closing such Contract in accordance with its terms.

(b) Schedule 1.7(b) sets forth a list of each Shared Contract identified on Schedule 1.7(a)(i) that is not an Assignable Shared Contract (the "Non-Assignable Shared Contracts") and that Buyer desires to assume in part. Each party shall use its commercially reasonable efforts prior to the Closing Date to cause the counterparty to each such Non-Assignable Shared Contract to consent to the partial assignment of such Non-Assignable Shared Contract to Buyer or another member of the Buyer Group, or to otherwise enter into a new Contract with Buyer or another member of the Buyer Group on substantially the same terms as exist

under the applicable Shared Contract, in each case as of the Closing. Each such Non-Assignable Shared Contract for which the parties have received consent to the partial assignment shall thereafter be deemed to be a Transferred Contract hereunder (but solely to the extent of the rights and obligations actually assigned to, and assumed by Buyer or another member of the Buyer Group) and Seller shall, or shall cause another member of the Seller Group, as applicable, to, partially assign to Buyer or another member of the Buyer Group as of the Closing such Contract in accordance with its terms. Seller shall not, and shall not permit any other member of the Seller Group to, take any action to terminate prior to its expiration any Non-Assignable Shared Contract that is a Material Contract and which has been identified by Buyer on Schedule 1.7(b), or take any action or fail to take any action that would permit the other party to any such Non-Assignable Shared Contract to terminate prior to its expiration such Shared Contract, in each case, prior to the date that is twelve (12) months after the Closing Date. Notwithstanding the foregoing, Seller shall not be required to partially assign to Buyer or any other member of the Buyer Group at Closing any of the Non-Assignable Shared Contracts for which consent has not been obtained.

(c) With respect to each Non-Assignable Shared Contract for which the arrangements described in Section 1.7(b) could not be entered into prior to the Closing Date, Seller and Buyer each agrees to continue to use its commercially reasonable efforts from and after the Closing Date to cause the counterparty to each such Non-Assignable Shared Contract to consent to the partial assignment of such Non-Assignable Shared Contract to a member of the Buyer Group, or to otherwise enter into a new Contract with a member of the Buyer Group on substantially the same terms as exist under the applicable Shared Contract (which obligations to use commercially reasonable efforts shall end on the earlier to occur of the fifteen (15) month anniversary of the Closing Date or when the applicable Shared Contract expires by its terms). Subject to the other terms of this Section 1.7(c), until any such consent or new Contract is obtained, Seller and Buyer will use their respective commercially reasonable efforts to cooperate, in any lawful and reasonable arrangement, to the extent such cooperation would not result in a breach of the terms of such Non-Assignable Shared Contract, and is not prohibited under applicable Law, which will provide the Buyer Group the benefits and obligations of any such Non-Assignable Shared Contract to the extent relating to the Business, including subcontracting, licensing, sublicensing, leasing or subleasing to the Buyer Group any or all of the Seller Group's rights and obligations with respect to such Non-Assignable Shared Contract to the extent relating to the Business. In any such arrangement, Buyer will (i) bear the sole responsibility for completion of the work or provision of goods and services, (ii) be solely entitled to all benefits thereof, economic or otherwise and shall, for the avoidance of doubt, bear all Tax liabilities attributable to Buyer's beneficial interests in such Non-Assignable Shared Contracts hereunder, (iii) be solely responsible for any warranty or breach thereof, any repurchase, indemnity and service obligations thereof, and (iv) promptly reimburse the reasonable costs and expenses of Seller and its Affiliates related thereto; *provided, however*, that Buyer's obligations under clauses (i) through (iv) shall be limited to that portion of such Non-Assignable Shared Contract that Buyer has identified on Section 1.7(b). If and when such consents or approvals are obtained or such other required actions have been taken, the partial assignment of such Non-Assignable Shared Contract will be effected in accordance with the terms of this Agreement.

(d) Notwithstanding anything to the contrary in this Section 1.7, the parties may mutually agree to alternative procedures to those required by this Section 1.7 for effecting the partial assignment of the Assignable Shared Contracts and the Non-Assignable Shared Contracts identified in Schedule 1.7(a)(ii) and Schedule 1.7(b), respectively, to Buyer.

1.8 Transfer of Acquired Assets; Risk of Loss.

(a) Seller will, at Seller's cost and expense, prepare for the removal and relocation of any Business Tangible Property located at the facilities set forth on Section 1.8(a)(i) of the Disclosure Letter, which are currently occupied by Seller or any other member of the Seller Group and which facilities are not to be purchased, assigned, subleased, transferred to or otherwise occupied by the Buyer Group pursuant to this Agreement or any other agreement entered into in connection with the Transactions, or, if a third party facility, the contract for which is not a Transferred Contract (each such facility, an "Excluded Seller Facility") and Buyer will, at Buyer's cost and expense and in cooperation with Seller, remove and relocate such Acquired Assets from the relevant Excluded Seller Facility within thirty (30) calendar days of the Closing Date (the "Buyer Relocation Deadline"). Seller will (i) at Seller's cost and expense, prepare for the removal and relocation of any tangible Excluded Assets located at the facilities set forth on Section 1.8(a)(ii) of the Disclosure Letter, which are currently occupied by Seller or any other member of the Seller Group and which facilities are to be assigned, subleased or transferred to the Buyer Group and not subleased or otherwise occupied by the Seller Group following the applicable Closing pursuant to this Agreement or any other agreement entered into in connection with the Transactions (each such facility, a "Post-Closing Buyer Facility") and remove and relocate such Excluded Assets from the relevant Post-Closing Buyer Facility within ninety (90) calendar days of the Closing Date (the "Seller Relocation Deadline"). Subject to the provisions hereof, each of Seller and Buyer agrees to use commercially reasonable efforts, and agrees to cause the other members of the Seller Group or the Buyer Group, as applicable, to use commercially reasonable efforts with the Buyer Group and the Seller Group, as applicable, and provide the Buyer Group or the Seller Group, as applicable, assistance reasonably requested by the other party in connection with the planning and implementation of the removal and relocation of any such Acquired Assets or Excluded Assets or any portion thereof to such location as Buyer or Seller, as applicable, will designate.

(i) Until all of such Acquired Assets are removed from an Excluded Seller Facility, Seller will permit, and will cause the other members of the Seller Group to permit, Buyer and its authorized agents or representatives, upon reasonable prior notice, to have reasonable access to such Excluded Seller Facility during normal business hours to the extent necessary to comply with the terms of this Section 1.8. Seller will be responsible for (A) disconnecting and detaching all fixtures and equipment comprising such Acquired Assets from the roofs, floor, ceiling and walls of an Excluded Seller Facility prior to removing the same from such Excluded Seller Facility and (B) packaging of such Acquired Assets for transport.

(ii) Until all of such Excluded Assets are removed from a Post-Closing Buyer Facility, Buyer will permit, and will cause the other members of Buyer Group to permit, Seller and its authorized agents or representatives, upon reasonable prior notice, to have reasonable access to such Post-Closing Buyer Facility during normal business hours to the extent necessary to comply with the terms of this Section 1.8 including to disconnect, detach, remove, package and crate such Excluded Assets for transport. Seller will be responsible for (A) disconnecting and detaching all fixtures and equipment comprising such Excluded Assets from the roofs, floor, ceiling and walls of a Post-Closing Buyer Facility prior to removing the same from such Post-Closing Buyer Facility, (B) packaging and loading such Excluded Assets for transporting to and any reinstallation of such Excluded Assets at such location(s) as Seller may determine, and (C) repairing any damage that is caused by such removal, the parties agreeing that the Seller shall leave the applicable premises in broom clean condition and in no worse condition than the remainder of the premises generally.

(b) All risk of loss as to the Acquired Assets will [***].

(c) All Software and materials capable of being transferred in electronic form will be transferred by remote electronic means including by giving Buyer access to such materials via an FTP site.

(d) Within fifteen (15) calendar days of the date hereof, Seller shall provide to Buyer a schedule of all Business Tangible Property located at any Excluded Seller Facility that must be removed and relocated in accordance with the terms of this Section 1.8.

1.9 Seller Excluded Technology. Seller shall not be required to deliver or disclose to Buyer any Technology that is Seller Excluded Technology or that is embodied in or by the A38 Technology and not in any other Acquired Assets or Business Products; provided, however, Seller shall deliver the A38 Products in accordance with this Agreement.

1.10 Intercompany Liabilities. Immediately prior to the Closing, Seller will cancel, settle or otherwise repay, and will cause its Affiliates to cancel, settle or otherwise repay, all of its or their Liabilities to the Business arising prior to the Closing. Immediately prior to the Closing, Seller will cause the Business to cancel, settle or otherwise repay all of its Liabilities owed to Seller and its Affiliates, and the Buyer Group shall not have any responsibility for such Liabilities.

ARTICAL II

CLOSING

2.1 Closing. The closing hereunder (the “Closing”) shall take place at 10:00 a.m., local time, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, in Palo Alto, California, on the third business day after satisfaction or waiver of all of the conditions set forth in Article IX (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions), or at such other date or at such other place or time as the parties may mutually agree upon (such date of the Closing, the “Closing Date”). The Closing will be deemed effective at 5:00 p.m. Pacific Time on the Closing Date.

2.2 Payment of Purchase Price; Instruments of Conveyance and Transfer.

(a) At the Closing, Buyer shall deposit or cause to be deposited with Seller, a cash payment in an amount equal to the Purchase Price, minus the Escrow Amount, by wire transfer of immediately available funds to a bank account designated in writing by Seller (for its own account and as agent for the other members of the Seller Group), and Buyer shall execute and deliver, or cause to be executed and delivered, to Seller:

- (i) the Assignment and Assumption Agreement,
 - (ii) the Bill of Sale,
 - (iii) the Escrow Agreement,
 - (iv) the Lease Assignment,
 - (v) the IP Assignment Agreements in the forms attached hereto as Exhibit E (the “IP Assignment Agreements”),
 - (vi) the Local Asset Transfer Agreements,
 - (vii) the Transition Services Agreement, and
-

(viii) such other instruments, documents and officer's and secretary's certificates (A) referred to in Section 9.3 or (B) as shall be reasonably requested by Seller in connection with the consummation of the Transactions.

(b) At the Closing, Seller shall execute and deliver, or cause to be executed and delivered, to Buyer:

(i) the Assignment and Assumption Agreement,

(ii) the Bill of Sale,

(iii) the Escrow Agreement,

(iv) the Lease Assignment (together with the written consent of any landlord under the Transferred Lease Agreement, in form and substance satisfactory to Buyer),

(v) the Local Asset Transfer Agreements,

(vi) the Transition Services Agreement,

(vii) the Lien Releases, and

(viii) such other instruments, documents and officer's and secretary's certificates (A) referred to in Section 9.2 or (B) as shall be reasonably requested by Buyer in connection with the consummation of the Transactions.

2.3 Buyer Group. Buyer shall be entitled to designate, by providing written notice to Seller at least five (5) days prior to the Closing Date, one or more members of the Buyer Group to (i) purchase the Acquired Assets (including the Transferred Contracts), (ii) assume the Assumed Liabilities, and/or (iii) employ the Business Employees.

ARTICAL III

PURCAHSE PRICE

3.1 Purchase Price. The purchase price for the Acquired Assets is (i) the assumption of the Assumed Liabilities; and (ii) \$85,000,000 (the amount payable in cash, the "Purchase Price").

3.2 Allocations; Transfer Taxes.

(a) The parties shall allocate the Purchase Price to be paid (and any adjustments thereto) pursuant to this Agreement and the amount of any Assumed Liabilities (to the extent properly taken into account for income Tax purposes) among the Acquired Assets and the covenants set forth in Sections 8.1(c), 8.2 and 8.3 (and, consistent with this allocation, among the members of the Seller Group) in accordance with Section 1060 of the Code. Buyer shall deliver to Seller an initial allocation within ninety (90) calendar days after the Closing Date (the "Allocation Schedule"). Seller shall review such Allocation Schedule and provide any proposed revisions to Buyer within thirty (30) calendar days after receipt of such Allocation Schedule. Buyer and Seller agree to negotiate in good faith to resolve any disputed items in the Allocation Schedule within thirty (30) calendar days after receipt of Seller's proposed revisions. Any disputed items not resolved after such time shall be submitted to the Accounting Firm for resolution in accordance with this Section 3.2(a). If any such disputed items are submitted to the Accounting Firm for resolution, (i) Seller and

Buyer shall furnish or cause to be furnished to the Accounting Firm such work papers and other documents and information relating to the disputed items as the Accounting Firm may request and are available to that party or its agents and shall be afforded the opportunity to present to the Accounting Firm any material relating to the disputed items and to discuss the disputed items with the Accounting Firm; (ii) the determination by the Accounting Firm of such disputed items, as set forth in a written report to be delivered to both Buyer and Seller within thirty (30) calendar days of the submission to the Accounting Firm of such disputed items, shall be final, binding and conclusive on the parties; and (iii) the fees and costs of the Accounting Firm shall be borne by Seller, on the one hand, and Buyer, on the other hand in inverse proportion as they may prevail on the disputed items resolved by the Accounting Firm, which proportionate allocation shall also be determined by the Accounting Firm and be included in the Accounting Firm's written report. If a Tax Return is required by applicable Law to be filed before the Accounting Firm has resolved the disputed items (taking into account valid extensions of time within which to file, which shall be sought as necessary to permit such resolution), the Tax Return shall be filed as determined by Buyer, and shall be amended if necessary to reflect the resolution of the Accounting Firm.

(b) Each of the parties hereto shall not, and shall not permit any of its Affiliates to, take a position (except as required pursuant to a final determination within the meaning of Section 1313(a) of the Code) on any Tax Return, or before any Taxing Authority or in any judicial proceeding to the extent Tax issues are raised, that is inconsistent with the Allocation Schedule (as agreed by Seller and Buyer or finalized by the Accounting Firm pursuant to Section 3.2(a)). The parties shall reasonably cooperate in preparing, executing and timely filing all Tax Returns and reports relating to the purchase and sale of the Acquired Assets.

(c) Seller and Buyer each shall be responsible for, and to the extent permitted by Law shall pay, fifty (50) percent of any and all sales, transfer, VAT, goods and service, gross receipts, documentary, stamp, use, excise, recording and similar transfer Taxes incurred in connection with the purchase and sale of the Acquired Assets or the Business ("Transfer Taxes"). Each party shall reimburse the other for any Transfer Taxes paid by the other in excess of such party's fifty (50) percent share within fourteen (14) calendar days of such other party's written request (including any background documentation reasonably requested by the reimbursing party). Buyer and Seller agree to cooperate and use commercially reasonable efforts in order to obtain any available reduction or exemption of any Transfer Taxes, including, to the extent commercially practicable, delivery of the Acquired Assets through electronic means or in another manner if such method of delivery does not adversely affect the condition, operability or usefulness of any Acquired Asset.

3.3 Withholding. Buyer and its Affiliates and Seller and its Affiliates shall be entitled to deduct and withhold from any consideration or other amounts payable or otherwise deliverable pursuant to this Agreement such amounts as are required to be deducted or withheld therefrom under any provision of federal, state, local, or foreign Tax Law or under any other applicable Law and shall timely and properly remit any such deducted and withheld amounts to the appropriate Governmental Entity. To the extent such amounts are so deducted or withheld and properly remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

ARTICAL IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer, except as set forth in the disclosure letter delivered by Seller to Buyer on the date hereof and attached hereto (the "Disclosure Letter"), *provided*, that any disclosure made

in any section of the Disclosure Letter shall only apply to the section of the Agreement that corresponds to the section of the Disclosure Letter, except to the extent that it is reasonably apparent on the face of such disclosure that such disclosure is applicable to another section of this Agreement, as follows:

4.1 Organization, Power. Each member of the Seller Group is duly organized and validly existing and in good standing under the Laws of its jurisdiction of organization, and has all requisite corporate or organizational (as applicable) power and authority to own, operate or lease the Acquired Assets and to conduct the Business as presently conducted. Each member of the Seller Group is duly authorized to conduct business and is in good standing in each jurisdiction where such authorization is required to conduct the Business as presently conducted by it, except where the failure to be in good standing would not have a Business Material Adverse Effect.

4.2 Due Authorization. This Agreement, the Transaction Documents and the other agreements, instruments and documents to be executed and delivered in connection herewith to which Seller or any other member of the Seller Group is (or becomes) a party and the consummation of the Transactions have been duly authorized by Seller and will be authorized by each other applicable member of the Seller Group by all requisite corporate, partnership or other action prior to Closing and no other proceedings on the part of Seller or its stockholders are (and no other proceedings on the part of any other member of the Seller Group or any of its equity holders will be) necessary for Seller or any other member of the Seller Group to authorize the execution or delivery of this Agreement or any of the other Transaction Documents or to perform any of their obligations hereunder or thereunder. Seller has, and each other member of the Seller Group will have at Closing, all requisite corporate or other organizational (as applicable) power and authority to execute and deliver the other Transaction Documents to which it is a party and to perform its obligations hereunder or thereunder. This Agreement has been duly executed and delivered by Seller, and the other Transaction Documents to which Seller will be a party will be duly executed and delivered by Seller and any other member of the Seller Group party thereto, and this Agreement constitutes, and the other Transaction Documents when so executed and delivered will constitute, a valid and legally binding obligation of Seller and/or any other member of the Seller Group, as the case may be, enforceable against it or them, as the case may be, in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally, and general equitable principles (whether considered in a proceeding in equity or at Law) (collectively, the “Enforceability Limitations”).

4.3 No Conflict. Except for required filings under the HSR Act, and any other applicable Laws or regulations relating to antitrust or competition, including in the United States, any state thereof, any non-U.S. country or the European Union (collectively, “Antitrust Regulations”), the execution and delivery of this Agreement does not, the execution of the other Transaction Documents will not, and the consummation of the Transactions will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to, any payment obligation, or a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (any such event, a “Conflict”) (a) any provision of the Governing Documents or similar organizational documents of any member of the Seller Group, (b) any Contract to which any member of the Seller Group is a party or is bound, or (c) any Law or Order applicable to Seller or any other member of the Seller Group, the Business or the Acquired Assets, except in the case of each of clauses (b) and (c) above, for such violations, defaults, payment obligations, rights of termination, cancellations, modifications or accelerations of any obligation, or losses of any benefit which would not reasonably be expected to be material to the Business. Section 4.3 of the Disclosure Letter sets forth all necessary notices, consents, waivers and approvals of parties to any Transferred Contracts that are required thereunder in connection with the Transactions, or for any such Transferred Contract to remain in full force and effect without limitation, modification or alteration after the

Closing so as to preserve all rights of, and benefits to, Buyer under such Transferred Contracts from and after the Closing.

4.4 Consents and Approvals. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity or any third party, including a party to any Transferred Contracts (so as not to trigger any Conflict), is required by, or with respect to, Seller or any other member of the Seller Group in connection with the execution and delivery of this Agreement, the other Transaction Documents or any other Ancillary Agreement to which Seller or any other member of the Seller Group is a party or the consummation of the Transactions, except for (a) filings under the Antitrust Regulations, (b) such consents, waivers and approvals as are set forth in Section 4.3 of the Disclosure Letter, or (c) such other consents, waivers and approvals, the failure to obtain of which would not reasonably be expected to be material to the Business.

4.5 Financial Information. Section 4.5 of the Disclosure Letter sets forth copies of the unaudited Segment Financial Statements as of and for the (i) years ended December 31, 2015 and December 31, 2016 (the “Unaudited 2015/2016 Financial Statements”) and (ii) months ended January 31, 2017, February 28, 2017, March 31, 2017, April 30, 2017 and May 31, 2017 (the “Unaudited Monthly Financial Statements”) and together with the Unaudited 2015/2016 Financial Statements, the “Unaudited Financial Statements”). Except as set forth in Section 4.5 of the Disclosure Letter, the Unaudited Financial Statements (x) fairly present in all material respects the financial condition and results of operations of the Business at and as of the date and for the period indicated, (y) were prepared from books and records regularly maintained by management of the Seller Group used to prepare the consolidated financial statements of the Seller Group and (z) were prepared in accordance with GAAP, including the accounting methods, standards, policies, practices, estimation methodologies, assumptions, and procedures described therein, consistent with prior periods and with each other.

4.6 Absence of Changes. Except as set forth in Section 4.6 of the Disclosure Letter, since December 31, 2016, Seller and the other members of the Seller Group have carried on the Business in the ordinary course of business consistent with past practice and there has not been any Business Material Adverse Effect. Without limiting the foregoing, since December 31, 2016 to the date hereof:

(a) No member of the Seller Group has sold, leased, transferred, licensed, sublicensed, or assigned, or entered into a Contract to do any of the foregoing with respect to, any of the properties, rights or assets of the Business, other than (i) in the ordinary course of business consistent with past practices or (ii) with respect to properties, rights or assets which individually have a value less than [***] and in the aggregate have a value less than [***];

(b) No member of the Seller Group has (i) agreed to or suffered any termination of a Contract that would have been, had it not been terminated, a Material Contract or (ii) agreed to any modification, amendment or extension of or waiver of any rights under any Material Contract, in each case other than in the ordinary course of business consistent with past practice;

(c) No member of the Seller Group has, except in the ordinary course of business consistent with past practice, entered into or amended any agreement with any Business Employee or consultant relating to the Business, which Business Employee or consultant has an annual compensation of [***] or above, including any Contract relating to employment, compensation, benefits, termination, retention, or severance, nor, except as and to the extent required by Law, entered into, materially amended, or terminated any material Employee Benefit Arrangement or Employee Plan;

- (d) No member of the Seller Group has created or permitted the creation of any Lien on any of the Acquired Assets other than Permitted Liens or Liens that will be released at or prior to Closing;
- (e) There has not been any material change in accounting methods or practices or the revaluation of any Acquired Assets, in each case other than as required by GAAP, and each member of the Seller Group has managed the Inventory of the Business in the ordinary course of business consistent with past practice;
- (f) No Top Customer or Top Supplier of the Business has cancelled or requested a material change in an existing Contract other than in the ordinary course of business consistent with past practice;
- (g) There has not been any commencement, or written notice of or written threat of commencement of, any Proceeding against any member of the Seller Group affecting or relating to the Business or the Acquired Assets;
- (h) There has not been (i) any product recalls or epidemic failures with respect to any Business Products, or (ii) warranty claims or indemnification claims in respect of the Business Products that individually or in the aggregate, has been or would reasonably be expected to be material to the Business; and
- (i) No member of the Seller Group has committed to do any of the foregoing actions.

4.7 Business Inventory and Orders.

- (a) All Business Inventory (i) consists of items of a quantity and quality usable or saleable in the ordinary course of business consistent with past practice, except for obsolete items that have been written down to estimated net realizable value in accordance with GAAP, (ii) is located at facilities of the Business or with third party logistics providers with whom the Company has a Contract providing for the holding of such Inventory, and (iii) has not been consigned to any Person not a part of the Seller Group. Since December 31, 2015, Seller and the other members of the Seller Group have sold and continued to replenish Business Inventory in a normal and customary manner consistent with past practice.
- (b) The Business Inventory as of June 28, 2017 is set forth in Section 4.7(b) of the Disclosure Letter.
- (c) As of June 28, 2017, the value of the Business Inventory (as determined consistent with accounting methods, standards, policies, practices, estimation methodologies, assumptions, and procedures stated in the consolidated financial statements of the Seller Group and the Unaudited Financial Statements) other than Business Inventory which is not forecasted to be sellable within the six (6) month period post-Closing or which has no forecast of commercial sales was [***]. As of June 28, 2017, the value of the Business Inventory which is not forecasted to be sellable within the six (6) month period post-Closing or which has no forecast of commercial sales was [***].
- (d) (i) There are no claims against any member of the Seller Group to return any merchandise related to the Business by reason of alleged over-shipments, defective merchandise or otherwise, or of merchandise in the hands of customers under a written agreement that such merchandise would be returnable, and the Business Products are not subject to any product liability claims in respect of design or manufacturing defects or otherwise, and there is no basis therefore; (ii) there are no outstanding purchase commitments of any member of the Seller Group with respect to the Business in excess of the normal, ordinary and usual requirements of the Business or were made at any price in excess of the now
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current market price or contain terms or conditions more onerous than those usual and customary in the Business; and (iii) there is no outstanding bid, proposal, contract or unfulfilled order of any member of the Seller Group which will or would, if accepted, result in a net loss to the Business.

4.8 Contracts.

(a) Section 4.8(a) of the Disclosure Letter sets forth a list (referencing the applicable subsection of this Section 4.8(a)), as of the date of this Agreement, of each of the following Contracts related to the Business, together with a list of any amendments thereto (collectively, with any Contracts required to be set forth in Section 4.8(a) of the Disclosure Letter, the “Material Contracts”), as in effect on the date hereof:

(i) All Contracts for the future acquisition or sale of any assets involving [***] individually (or in the aggregate, in the case of any related series of Contracts);

(ii) All Contracts providing for future aggregate purchase prices or payments to or from the Seller Group in any one year of more than [***] in any one case (or in the aggregate, in the case of any related series of Contracts);

(iii) Any continuing Contract for the future purchase by any member of the Seller Group of materials, supplies, equipment or services (other than purchase orders for inventory (including raw materials, work in process and finished goods) in the ordinary course of business consistent with past practice) providing for payments in any one year of more than [***] in any one case (or in the aggregate, in the case of any related series of Contracts);

(iv) All Contracts for the sale of Business Products or the provision of services to a Top Customer and all forms of contract used by Seller in connection with the sale or provision of Business Products;

(v) (A) All Contracts for the purchase of materials, supplies or equipment entered into by a member of the Seller Group, on the one hand, and any Top Supplier, on the other hand, (B) all Contracts for the purchase of materials, supplies, services or equipment relating to the Business with respect to which alternative sources of supply are not readily available on comparable terms and conditions to the terms and conditions of such Contracts (including with respect to all materials, suppliers, services and equipment for which there is only one reasonably available source) and (C) all Contracts with a material contract manufacturer, package and test, or logistics provider for the Business Products;

(vi) All Contracts relating to joint ventures, partnerships or teaming arrangements, or involving a sharing of profits, losses, costs or Liabilities of any member of the Seller Group with another Person;

(vii) All Contracts containing covenants (A) prohibiting or limiting the right to compete or engage in any line of business, (B) prohibiting or restricting the Seller Group’s ability to conduct business with any Person or in any geographical area, (C) granting exclusive rights to any third Person, (D) limiting the Seller Group’s ability to make generally available any versions of any of the Business Products; or (E) otherwise restricting the operation of the Business or would reasonably be expected to restrict the operation of the Business following the Closing;

(viii) All Contracts that grant the other party or any third person “most favored nation” or similar status, or any type of special discount rights;

(ix) All Contracts containing minimum purchase commitments (including guarantees or similar obligations) of any member of the Seller Group;

(x) All Contracts that grant the other party any right of first refusal or first negotiation or similar right;

(xi) All Contracts that contain “non-solicitation,” “no hire” or similar provisions that prevent any member of the Seller Group from soliciting, hiring, engaging, retaining or employing any other Person’s current or former employees;

(xii) All collective bargaining agreements and all Contracts relating to employment, consulting, compensation, benefits, termination, retention, severance and other conditions of employment (other than standard employee manuals and the like);

(xiii) All IP Licenses;

(xiv) All Contracts relating to the creation of Liens (other than the Permitted Liens) on the Acquired Assets or the guarantee of the payment of Assumed Liabilities or performance of obligations of any other Person by any member of the Seller Group;

(xv) All Contracts relating to the purchase, sale, leasing of, title to, or ownership, use or maintenance of Real Property;

(xvi) All Government Contracts;

(xvii) All Contracts between any member of the Seller Group, on the one hand, and any other member of the Seller Group, on the other hand;

(xviii) All Contracts entered into by Seller or any of its Affiliates in settlement of any Proceeding or other dispute relating to the Business;

(xix) All Contracts for the development of the Business Products or Transferred Technology, other than Contracts with employees of a member of the Seller Group;

(xx) All written warranty, guaranty and/or other similar undertaking with respect to contractual performance extended by a member of the Seller Group other than in the ordinary course of business consistent with past practice;

(xxi) The Transferred Lease Agreement;

(xxii) All Contracts under which the consequences of a default or termination could have a Business Material Adverse Effect; and

(xxiii) All other Transferred Contracts not otherwise set forth in Sections 4.8(a)(i) - (xxii) of the Disclosure Letter.

(b) Seller has made available to Buyer true and correct copies of all Material Contracts as in effect on the date hereof. All of the Material Contracts are valid, binding and in full force and effect and have not been amended or modified in any material respect except as set forth therein. Each of Seller and the other members of the Seller Group have performed all material obligations required to be performed by it under the Material Contracts, and neither Seller nor any other member of the Seller Group (with or without

the lapse of time or the giving of notice, or both) is in material breach or default thereunder and, to the Knowledge of Seller, no other party to any Material Contract is (with or without the lapse of time or the giving of notice, or both) in material breach or default thereunder.

(c) During the eighteen-month period preceding the date of this Agreement, neither Seller nor any other member of the Seller Group has given to or received from any other Person any written notice or other written communication regarding any actual, alleged, possible or potential material violation or breach of, or default under, any Material Contract.

4.9 Properties.

(a) No member of the Seller Group owns or has ever owned any Real Property for use in, or necessary for the operation of, the Business, nor is any member of the Seller Group party to any agreement to purchase or sell any such Real Property.

(b) Schedule 4.9(b) of the Disclosure Letter sets forth the Real Property currently leased, subleased or licensed by or from any member of the Seller Group or otherwise used or occupied by any member of the Seller Group for the operation of the Business, as of the date hereof (the “Business Leasehold Property”), which schedule contains a description (including street address and use) of all of the leases, subleases and other occupancy agreements with respect to the Business Leasehold Property.

(c) There are no parties other than Seller and the other members of the Seller Group in possession of any of the Business Leasehold Property or any portion thereof, and there are no leases, subleases, licenses, concessions or other agreements, written or oral, granting to any party or parties (other than a member of the Seller Group) the right of use or occupancy of any portion of the Business Leasehold Property or any portion thereof. No personnel of the Seller Group that are not Business Employees occupy the Real Property under the Transferred Lease Agreement and no Business Employees occupy any Real Property other than under the Transferred Lease Agreement.

(d) Prior to the date hereof, Seller has delivered to Buyer true, complete and correct copies of each Lease Agreement and all material correspondence related to the Business Leasehold Property. Each of the Lease Agreements is in full force and effect without modification or amendment from the form delivered, or made available, to Buyer and are valid, binding and enforceable in accordance with their respective terms except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors’ rights generally, and general equitable principles (whether considered in a proceeding in equity or at Law). Each member of the Seller Group has performed all material obligations required to be performed by it to date under each Lease Agreement to which it is a party, and is not (with or without the lapse of time or the giving of notice, or both) in breach or default thereunder and, to the Knowledge of Seller, no other party to any Lease Agreement is (with or without the lapse of time or the giving of notice, or both) in material breach or material default thereunder. Except pursuant to documentation made available to Buyer, neither Seller nor any other member of the Seller Group has assigned any of its interests under any Lease Agreement to which it is a party. No Lease Agreement is subject or subordinate to any Lien. All material construction work and alterations required to be performed by the tenant under the Lease Agreements have been completed. The Business Leasehold Property is in a condition suitable for return to the lessor under the terms of the applicable Lease Agreement without payment of any penalty or forfeiture of a security deposit or any portion thereof. Neither the operation of the Seller Group on the Business Leasehold Property nor, to the Knowledge of Seller, such Business Leasehold Property, violates any Law relating to such property or operations thereon. The Seller Group is not party to any agreement or subject to any claim that may require the payment of any real estate brokerage commissions with respect to the Business Leasehold Property.

(e) The plants, buildings and other structures included in the Acquired Assets (i) have no material defects, (ii) are in good operating condition and repair (giving due account to the age and length of use of same), ordinary wear and tear excepted, (iii) are suitable for use in connection with the Business, and (iv) are structurally sound, except where failure of any of the representations in the foregoing clauses (i) through (iv) could not be reasonably expected to materially adversely affect the conduct of the Business at the applicable Real Property or result in material Liability or expense.

(f) The plants, buildings and structures included in the Acquired Assets have access to (i) public roads or valid easements over private streets or private property for such ingress to and egress from all such plants, buildings and structures and (ii) water supply, storm and sanitary sewer facilities, telephone, gas and electrical connections, fire protection, drainage and other public utilities, in each case as is necessary for the conduct of the Business, except where failure of any of the representations in clauses (i) and (ii) hereof could not be reasonably expected to materially adversely affect the conduct of the Business at the applicable Real Property. None of the structures on the Real Property substantially encroaches upon real property of another Person, and no structure of any other Person substantially encroaches upon any Real Property, except where any such encroachment could not reasonably be expected to have a Business Material Adverse Effect.

4.10 Intellectual Property.

(a) Business Products. Section 4.10(a)(i) of the Disclosure Letter contains a complete and accurate list of all Business Products (by name and SKU): (i) that are being or have been sold in any material quantities by the Seller Group in the three (3) years preceding the date hereof, (ii) which are currently under warranty or for which the Seller Group currently provides support, or (iii) that are or were in development and have been assigned a SKU. Section 4.10(a)(ii) of the Disclosure Letter lists third party trademarks or brands in-licensed for or co-branded with the Business Products. Other than such third party trademarks or brands, or the Trademarks listed in Section 4.10(a) of the Disclosure Letter, the Transferred Trademarks are all of the Trademarks owned by Seller that are both (x) Registered IPR and (y) used in connection with the marketing or selling of the Business Products.

(b) Registered IP. Section 4.10(b)(i) of the Disclosure Letter sets forth a complete and accurate list of all Transferred Intellectual Property Rights that are Registered IPR (the “Transferred Registered IPR”), and in respect of each such item of Transferred Registered IPR: (i) the registered owner thereof, the jurisdiction in which each item has been registered or filed, and the applicable registration, application or serial number or similar identifier and applicable issuance, registration or grant date; (ii) the status of such item; and (iii) any action that must be taken within one hundred twenty (120) days following the date hereof (including the payment of any registration, maintenance or renewal fees or the filing of any responses to office actions of the United States Patent and Trademark Office or any equivalent authority anywhere in the world) for the purposes of obtaining, maintaining, perfecting or preserving or renewing such Transferred Registered IPR. With respect to each item of Transferred Registered IPR all necessary registration, maintenance and renewal fees and taxes due have been paid, and all necessary documents and certificates have been filed with the U.S. Patent and Trademark Office, Copyright Office or other relevant Governmental Entity, as the case may be, for the purposes of registering, maintaining and renewing, as applicable, such Registered IPR. To the Knowledge of Seller, no item of Transferred Registered Intellectual Property is invalid or unenforceable. As of the date hereof, except as set forth in Section 4.10(b)(ii) of the Disclosure Letter, there is no pending, and there has not been, any Proceeding as to which any member of the Seller Group received written notice, challenging the use, ownership, validity, enforceability or registrability of any Transferred Registered IPR, excluding office actions received in the ordinary course of prosecution.

(c) Transfers. In the past 3 years there have been no Patents of the Seller Group that were practiced by the Business that have (i) except as set forth in Section 4.10(c)(i) of the Disclosure Letter, expired, lapsed or been abandoned or deemed withdrawn according to the applicable patent offices or (ii) transferred to any third party or Affiliate other than a member of the Seller Group. Except as set forth in Schedule 4.10(c)(ii), Seller has not claimed small entity status with respect to Transferred Patents.

(d) Sufficiency. The Business Products constitute all of the products made, sold, designed or otherwise constituting part of the Business of Seller and the other members of the Seller Group other than discontinued products listed in Section 4.10(d)(i) of the Disclosure Letter and other than promotional products. The Transferred Technology, the Acquired Assets and the A38 Technology constitutes all of the Technology, and the Seller Excluded Technology does not include any Technology, owned by Seller Group that is used in the Business, including with respect to the design, development, manufacture, marketing, selling, leasing, licensing, and distribution of Business Products as of the Closing Date, except (i) as listed in Section 4.10(d)(ii) of the Disclosure Letter, (ii) the Infrastructure Assets, and (iii) the Technology provided and licensed to Buyer Group by Seller Group under the Transition Services Agreement.

(e) Right to Assign and Grant Licenses. Except as listed in Section 4.10(e) of the Disclosure Letter, Seller, and/or another member of the Seller Group, as applicable, exclusively owns or has a valid right to assign to the Buyer Group all right, title and interest of Seller or another member of the Seller Group in and to the Transferred Intellectual Property Rights and to transfer and deliver to the Buyer Group the Transferred Technology.

(f) Title. Seller and/or another member of the Seller Group exclusively owns all right, title, and interest in, or has the right to grant Buyer the rights granted hereunder in, the Transferred Intellectual Property Rights and Transferred Technology, sufficient in all material respects to manufacture, market, sell, lease, license, and distribute Business Products as existing as of the Closing Date, free and clear of all Liens other than Permitted Liens, except as listed in Section 4.10(f)(i) of the Disclosure Letter. Upon consummation of the Transactions, all Transferred Intellectual Property Rights shall be fully transferable and alienable by the Buyer Group, and none of the Seller Group, any prior owner, or any Inventor will retain any right or interest in or to the Transferred Intellectual Property Rights except as expressly set forth herein. There are no Proceedings pending or, to the Knowledge of Seller, threatened in writing, before any Governmental Entity related to any Transferred Intellectual Property Rights, excluding office actions received in the course of prosecution, and no Transferred Intellectual Property Rights are subject to any Order either (i) restricting the use, ownership, transfer, or licensing thereof by any member of the Seller Group, or (ii) that affect the validity, use, or enforceability of such Transferred Intellectual Property Rights.

(g) Ownership and Transfer. To the extent that any Transferred Intellectual Property Rights or item of Transferred Technology was originally owned or created by or for any third party, Seller or another member of the Seller Group has a written agreement with such third party or parties with respect thereto, pursuant to which Seller (or such other member of the Seller Group) has obtained sole and exclusive ownership of, any material item of all such Technology and Intellectual Property Rights, free and clear of all Liens, by valid assignment or otherwise, including fully executed Inventor Assignment Agreements, or Third Party Assignment Agreements, as applicable, for each Transferred Patent, except as listed in Section 4.10(g)(i) of the Disclosure Letter. All Inventor Assignment Agreements and Third Party Assignment Agreements for the Transferred Patents have been properly recorded as necessary to fully perfect all rights, title and interest therein in favor of Seller in accordance in all material respects with governing laws and regulations in each respective jurisdiction, except as listed in Section 4.10(g)(ii) of the Disclosure Letter. No third party who has licensed any Transferred Intellectual Property Rights from, or material Intellectual Property Rights used in the Business to, any member of the Seller Group, as applicable, has ownership rights or license rights

to modifications or improvements made by any member of the Seller Group in the technology embodying such Intellectual Property Rights, except as listed in Section 4.10(g)(iii) of the Disclosure Letter.

(h) Confidential Information and Trade Secrets. Each member of the Seller Group, as applicable, has taken all reasonable steps to protect the confidentiality of confidential information and Trade Secrets of the Seller Group, or of any third party that has provided any confidential information or Trade Secrets to any member of the Seller Group, in each case to the extent included in the Acquired Assets, and the members of the Seller Group have executed and required appropriate nondisclosure agreements and made appropriate filings and registrations, if necessary, in connection with the foregoing. To the Knowledge of Seller, there has been no unauthorized disclosure or use of any material item of Technology that is a Trade Secret included within the Acquired Assets.

(i) Employee and Consultant Agreements. Copies of Seller's (and, if different, the other members of the Seller Group's) standard form(s) of proprietary information, confidentiality and assignment agreement for employees (the "Employee Proprietary Information Agreement") and of Seller's (and, if different, the other members of the Seller Group's) standard form(s) of consulting or independent contractor agreement containing proprietary information, confidentiality and assignment provisions (the "Consultant Proprietary Information Agreement"), in each case, as used in the Business, are attached to Sections 4.10(i)(i) and (ii), respectively, of the Disclosure Letter. Seller has and enforces a policy requiring that all current and former employees, and all current and former consultants and independent contractors, who have contributed to, or been involved in the creation or development of Technology for the Business, including any Transferred Intellectual Property Rights, do execute, and all such employees, consultants, and independent contractors, have executed, the applicable form of agreement with substantially similar protections, except as listed in Section 4.10(i)(iii) of the Disclosure Letter. There is no obligation to pay any royalties or other compensation to any employees or other inventors of Transferred Intellectual Property Rights, except for, in the case of employees, salaries or bonuses, and, in the case of other inventors, consulting or development or similar fees.

(j) No Government Funding. No government funding, facilities or resources of a Governmental Entity, university, college, or other educational institution or research center was used in the development of any Business Product and no Governmental Entity, university, college, or other educational institution or research center has any claim or right in or to any Business Product, Transferred Intellectual Property Rights, or Transferred Technology.

(k) Open Source.

(i) Section 4.10(k)(i) of the Disclosure Letter lists all Open Source Materials that have been used by or incorporated into any Business Product by Seller.

(ii) The Seller Group has not used Open Source Materials in or with any non-open source Business Products in a manner that creates, or purport to create, obligations for any component of any Business Product to be (x) disclosed or distributed in source code form, (y) licensed for the purpose of making derivative works, or (z) redistributable at no charge or with any restriction on the consideration charged therefor. With respect to any Open Source Materials that are or have been used by Seller in any way, each member of the Seller Group has been and is in material compliance with all applicable licenses with respect thereto.

(l) No Additional Rights or Payments. Neither this Agreement nor the Transaction, including the assignment to the Buyer Group, by operation of Law or otherwise, of any Transferred Contracts, will result in (i) Buyer or any of its Affiliates granting to any third party any right to any

Technology or Intellectual Property Rights owned by or licensed to the Buyer Group, (ii) Buyer or any of its Affiliates (other than the member of the Buyer Group assuming such contract) being bound by, or subject to, any non-compete or other restriction, on the operation or scope of its businesses, properties or assets, including any restriction on providing services to customers or potential customers in any geographic area during any period time or in any segment of the market. Upon consummation of the Transactions, Buyer will be permitted to exercise all of its rights under the Transferred Contracts to the extent assumed hereunder without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Seller Group would otherwise be required to pay pursuant to the terms of such Transferred Contracts had the Transactions not occurred.

(m) Licenses. Copies of the Seller's (and, if different, the other members of the Seller Group's) standard form(s) of non-disclosure agreement and the Seller's (and, if different, the other members of the Seller Group's) standard form(s), including attachments, of sales or non-exclusive licenses of the Business Products to end-users (collectively, the "Standard Form Agreements") have been made available to Buyer. Section 4.10(n) of the Disclosure Letter contains a complete list as of the date hereof of (A) any Contract pursuant to which any member of the Seller Group has licensed or is obligated to license any material item of Transferred Intellectual Property Rights to a third Person other than pursuant to the Standard Form Agreements (the "Out-Licenses"), or (B) any Contract pursuant to which a third Person has licensed any material item of Intellectual Property Rights to any member of the Seller Group for use in the operation of the Business other than licenses to Infrastructure Assets or other commercially available Software or other Technology entered into in the ordinary course of business consistent with past practice (the "In-Licenses", together with the Out-Licenses, the "IP Licenses"). Except as set forth in Section 4.10(n) of the Disclosure Letter, no material licenses, covenants not to sue, or other similar rights to the Transferred Patents have been granted by any member of the Seller Group to any Person.

(n) Source Code. No member of the Seller Group has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any Source Code for any Transferred Technology that is Software except for disclosures to employees, contractors or consultants under agreements that prohibit use or disclosure except in the performances of services to the Seller Group.

(o) Standards Bodies. Except as listed on Section 4.10(p) of the Disclosure Letter: (i) no member of the Seller Group is a member of, or has actively participated in, any organization, body or group which is engaged in or which has, or is in the process of, setting, establishing or promulgating any industry or product standards or the terms under which Intellectual Property Rights will be, or are required to be, licensed; (ii) no member of the Seller Group is committed to, or is it obligated or bound to license any current or future Transferred Intellectual Property Rights under any "RAND", "FRAND", or similar terms; and (iii) none of the Business Products practice, or require a license from any other Person with respect to any industry standards.

(p) Non-Infringement. The operation of the Business (i) as now conducted and as conducted in the past and (ii) to the Knowledge of Seller, as currently proposed to be conducted, has not, does not, and will not, when conducted by Buyer and its Affiliates in substantially the same manner following the Closing, (i) infringe or misappropriate the Intellectual Property Rights of any other Person, (ii) violate the rights of any other Person (including rights to privacy or publicity), (iii) constitute unfair competition or trade practices under the Laws of any jurisdiction, or (iv) constitute a misuse or misappropriation of any Intellectual Property Rights of any Person. Except as listed in Section 4.10(p) of the Disclosure Letter, no member of the Seller Group has received any written notice from any Person claiming any such infringement, misappropriation, violation or practice, or any offer to license with respect to such alleged infringement, misappropriation or violation.

(q) No Pending Claims. Except as listed on Section 4.10(q) of the Disclosure Letter, to the Knowledge of Seller, no third party has infringed or misappropriated or is infringing or misappropriating any Transferred Intellectual Property Rights. No Proceeding has been brought or threatened in writing by any member of the Seller Group with respect to any Transferred Intellectual Property Rights, and no member of the Seller Group has sent in writing any notices alleging any of the foregoing, or offers to license any Transferred Intellectual Property Rights.

(r) No Material Non-Conformities or Claims. Seller has disclosed in writing to Buyer all information relating to any material bugs, non-conformities or other problems or issues with respect to any of the Business Products, other than the Business Products currently in development and listed on Schedule 4.10(r)(ii). There have been, and are, no claims asserted in writing against any member of the Seller Group related to the Business Products. Each member of the Seller Group, as applicable, has taken reasonable steps and implemented reasonable procedures (based on standard industry practices) to scan the Business Products comprised of Software for viruses and other disabling codes.

4.11 Privacy and Security. Each member of the Seller Group has complied in all material respects with all applicable Laws, contractual and fiduciary obligations, and its internal privacy policies relating to (i) the privacy of end users and customers and (ii) the collection, storage, transfer and any other processing of any Personally Identifiable Information collected or used by the Seller Group in any manner or maintained or by third parties having authorized access to such information, in each case as is related to the Business. The execution, delivery and performance of this Agreement complies with all applicable Laws relating to privacy and with Seller's (and, if different, the other members of the Seller Group's) privacy policies. Seller has made available to Buyer copies of all current and prior privacy policies of Seller (and, if different, of the other members of the Seller Group). Each such privacy policy has, and all materials distributed or marketed by the Seller Group have, at all times made all disclosures to users or customers of the Business required by applicable Laws, and none of such disclosures made or contained in any such privacy policy or in any such materials has been inaccurate, misleading or deceptive or in violation of any applicable Laws. Each member of the Seller Group has at all times taken all steps reasonably necessary (including, without limitation, implementing and monitoring compliance with adequate measures with respect to technical and physical security) to ensure that the Personally Identifiable Information collected or used in connection with the Business is protected against loss and against unauthorized access, use, modification, disclosure or other misuse. There has been no unauthorized access to or other misuse of such Personally Identifiable Information.

4.12 Tax Matters.

(a) To the extent that failure to have done so would adversely impact the Acquired Assets or the Buyer's and its Affiliates' use or ownership of the Acquired Assets or operation of the Business, each member of the Seller Group (i) has paid all Taxes it was required to pay by applicable Law, (ii) has filed all Tax Returns relating to any and all Taxes attributable to the Acquired Assets or the Business, and such Tax Returns are true, correct and complete in all material respects in accordance with applicable Law, and (iii) has withheld and paid over to the appropriate Taxing Authority all Taxes required to have been withheld and paid over in connection with amounts paid or owing to any employee or independent contractors.

(b) There are no Liens with respect to any Taxes upon any of the Acquired Assets, other than Permitted Liens, and there are no unpaid Taxes of Seller or any of its Affiliates for which Buyer or any of its Affiliates would become liable as successor.

(c) To the extent related to the ownership by Buyer of the Acquired Assets after the Closing or the operation of the Business by Buyer after the Closing, no member of the Seller Group has

executed any outstanding waiver of any statute of limitations on or extension of the period for the assessment or collection of any Tax.

(d) To the extent related to the Acquired Assets or the Business, (i) no audit or other examination of any Tax Return of a member of the Seller Group is presently in progress, nor has any member of the Seller Group been notified in writing of any request for such an audit or other examination; (ii) no adjustment relating to any Tax Return filed by any member of the Seller Group has been proposed in writing by any Taxing Authority to any member of the Seller Group, which proposed adjustment has not been resolved; and (iii) no claim has ever been made by a Governmental Entity in a jurisdiction where a member of the Seller Group does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(e) None of the Acquired Assets acquired from any member of the Seller Group that is not for U.S. federal income tax purposes a "United States person" within the meaning of Section 7701(a)(30) of the Code is a "United States real property interest" within the meaning of Section 897 of the Code.

4.13 Litigation.

(a) There are no Proceedings pending, or, to the Knowledge of Seller, threatened against any member of the Seller Group materially affecting or primarily relating to the Business, the Business Products or the other Acquired Assets, except for any such pending or threatened Proceeding that (i) seeks less than \$25,000 in damages (excluding any class or similar representative actions or any instance in which a Proceeding involving the same or similar allegations represent aggregate damages in excess of such amount) and (ii) does not seek injunctive or other similar relief.

(b) There is no material Order to which any member of the Seller Group is subject relating to or affecting the Business, Acquired Assets or the Assumed Liabilities.

(c) No member of the Seller Group is subject to any Order which would reasonably be expected to prevent or materially interfere with or delay the consummation of any of the Transactions or that would reasonably be expected to have a Business Material Adverse Effect. No Proceeding is pending, or, to the Knowledge of Seller, threatened, against any member of the Seller Group which would reasonably be expected to prevent or materially interfere with or delay the consummation of any of the Transactions.

4.14 Employees; Contractors.

(a) Section 4.14(a) of the Disclosure Letter sets forth a correct and complete list, as of a recent date not earlier than three (3) Business Days prior to the date hereof, of the names, dates of birth, departments and titles of each Business Employee and, for each such Business Employee, the following information: current compensation paid or payable (including, for the avoidance of doubt but not limited to, details of any bonus or commission schemes and entitlements and compensatory equity awards) and any change in compensation since September 30, 2016 together with the terms on which such compensation is payable; date of commencement of employment (including continuous employment) or engagement; sick and vacation leave accrued but unused; notice periods and any other terms with respect to severance (including any formal or informal policy, including social plans, in respect of redundancy payments or payments in lieu of notice); details of all benefits (including, for the avoidance of doubt, long term disability / permanent health insurance) provided or which Seller is bound to provide now or in the future; service credited for purposes of vesting and eligibility to participate under any Employee Plan and Employee Benefit Arrangement, and any other material terms and conditions of employment or engagement. Section 4.14(a) of the Disclosure Letter sets forth a true, correct and complete list of the number of Business Employees terminated by Seller or any other member of the Seller Group or who have resigned since

September 30, 2016. No Business Employee with a job title higher than Vice President has given or, to the Knowledge of Seller, intends to give, notice of terminating his or her employment. There are no ongoing negotiations, representations, offers or proposals concerning the terms and conditions of employment or engagement of any Business Employees, nor is there any obligation to make any material variations to the existing terms of employment of any Business Employees.

(b) Section 4.14(b) of the Disclosure Letter set forth a true, correct and complete list of all Persons who, as of the date hereof, are consultants or independent contractors to the Business, together with their material terms and conditions of engagement, including but not limited to provisions as to notice, remuneration and emoluments. There are no ongoing negotiations, representations, offers or proposals concerning the terms and conditions of engagement of any such Persons, nor is there any obligation to make any material variations to the existing terms of engagement of any such Persons.

4.15 Employee and Labor Relations. For the purpose of this Section 4.15, "Seller" shall include each Affiliate of Seller, and any sub-contractor of Seller or any of Seller's Affiliates, which employs any Business Employees. With respect to Business Employees and independent contractors and consultants with respect to the Business:

(a) Seller has complied in all material respects with respect to the Business with all Laws relating to employment and employment practices, terms and conditions of employment and wages and hours, including any such Laws respecting employment discrimination, employee classification, workers' compensation, family and medical leave, the Immigration Reform and Control Act and other applicable immigration legislation, the protection of individuals with regard to the processing of personal data and on the free movement of such data (including the Directive of the European Parliament and of the Council 95/46/EC), and occupational safety and health requirements and employment agreements, and no material claims, controversies, investigation or suits are pending or, to the Knowledge of Seller, threatened with respect to such Laws, agreements or contracts, either by private individuals or by governmental agencies.

(b) There has not been in the last thirty-six (36) months, and nor is there pending or, to the Knowledge of Seller, threatened in writing, any strike, slowdown, work stoppage, lockout, trade dispute or other industrial action involving the Business. There are no facts known to Seller which might indicate that there may be such a strike, slowdown, work stoppage, lockout, trade dispute or other industrial action (including, without limitation, in connection with the sale of the Business pursuant to this Agreement).

(c) Seller is not engaged in any unfair labor practice with respect to the Business; there is no material unfair labor practice charge or complaint against Seller pending before the National Labor Relations Board or similar domestic or non-U.S. governmental agency outside of the United States involving the Business, and no such charge or complaint has been made against Seller during the last thirty-six (36) months.

(d) No labor or trade union, or Works Council or other employee representative body, represents or has ever represented any of Seller's employees with respect to the Business, and no collective bargaining agreement or arrangement, or agreement or arrangement with respect to collective negotiation, information or consultation (whether oral or in writing and whether or not legally binding), is or has been in place between the Seller and any labor or trade union with respect to the Business. No application or petition for an election of or for certification of a collective bargaining agent relating to the Business, or for formal or informal recognition of any labor or trade union or for the establishment of a Works Council or any other employee representative body for any purpose with respect to the Business, is pending. No grievance or arbitration proceeding arising out of or under collective bargaining agreements or employment relationships

is pending with respect to the Business, and no claims therefore exist or have, to the Knowledge of Seller, been threatened.

(e) There has been no material charge of discrimination relating to the Business filed against Seller with the Equal Employment Opportunity Commission or similar governmental agency during the last thirty-six (36) months with respect to the Business. Seller does not operate any practices or policies which are discriminatory whether directly or indirectly on the grounds of sex, age, religion or belief, marital status, race, national origin, color, sexual orientation or disability, or any other ground which is protected under applicable, or which breach any applicable equal pay Laws.

(f) All persons who have performed services for Seller in connection with the Business and have been classified as independent contractors have satisfied the requirements of Law relating to employee benefits to be so classified.

(g) Seller is and has been in compliance with all applicable non-U.S. Laws concerning employer contributions to any trade union, housing, unemployment, retirement, bonus, and welfare funds and all other funds to which an employer is required by Law to contribute with respect to any Business Employee.

(h) Within the past twenty-four (24) months, Seller has not effectuated, in each case in a manner that involved any Business Employees, (i) a plant closing as defined in the WARN Act affecting any site of employment or one or more operating units within any site of employment of Seller or (ii) a mass layoff as defined in the WARN Act, nor has Seller been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law; in particular, Seller has not within the last six (6) months communicated to any Governmental Entity in any jurisdiction or to any trade union, Works Council or employee representative body any proposal to make any Business Employees redundant, and there is no ongoing individual or collective redundancy consultation with or in respect of any Business Employee.

(i) No Business Employee is currently in receipt of long term disability benefits or, to the Knowledge of Seller, likely to pursue a claim under a long term disability or permanent health insurance scheme or policy within the next twelve (12) months.

(j) Seller has not dismissed any Business Employee who holds a position of Vice President or higher during the last two (2) years. There are no pending Proceedings with any dismissed Employees challenging the validity of such Person's termination pursuant to which such Person could potentially claim to have transferred into the employment of Buyer or another member of the Buyer Group under the Transfer Regulations.

(k) No person other than the Business Employees shall transfer into the employment of Buyer pursuant to the Transfer Regulations by reason of the arrangements contemplated by this Agreement.

(l) No Business Employee has instituted any internal grievance procedure, corporate information disclosure procedure or malpractice notification procedure nor has any Business Employee been the subject of disciplinary proceedings in the last twelve (12) months by reason of misconduct or suspected misconduct.

(m) All current and former employees of Seller involved in the Business have entered into confidentiality agreements in favor of Seller that remain in effect.

4.16 Employee Plans.

(a) For the purpose of this Section 4.16, “Seller” shall include each Affiliate of Seller, and any sub-contractor of Seller or any of Seller’s Affiliates, which employs any Business Employees. Section 4.16(a) of the Disclosure Letter identifies each material Employee Plan and material Employee Benefit Arrangement. Seller has furnished or made available to Buyer copies of such Employee Plans and all amendments thereto together with, where applicable, each Employee Plan’s summary plan description and any summaries of material modifications thereto, and any other documents regarding plan reporting or administration as Buyer has requested.

(b) Neither Seller, nor any other Person or entity that, together with Seller is treated as a single employer under Section 414(b) or (c) of the Code or Section 4001 of ERISA (collectively “ERISA Affiliates”), has (i) (A) any Pension Plan which is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code, (B) any multiple employer plan or any plan described in Section 413 of the Code, (C) any employee welfare benefit plan under Section 3(1) of ERISA that is funded by a trust or is subject to Section 419 or 419A of the Code, or (D) any Liability as a result of the failure to comply with the continuation of coverage requirements of Section 601 et. seq. of ERISA and Section 4980B of the Code, that in any such case would become a Liability of Buyer after the Closing Date.

(c) No Business Employee (or beneficiary of any of the foregoing) of Seller is entitled to receive any benefits beyond retirement or other termination of employment pursuant to any Employee Plan or Employee Benefit Arrangement, other than as required by applicable Law or the applicable Employee Plan.

(d) No Employee Plan covering any Business Employee is a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA (“Multiemployer Plan”); and neither Seller, nor any other Person or entity that, together with Seller is treated as a single employer under Section 414(b) or (c) of the Code or Section 4001 of ERISA, has at any time during the six (6) year period preceding the Closing Date, contributed to or been obligated to contribute to any Multiemployer Plan.

(e) Each Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the IRS that it is so qualified, and each trust established in connection with any Employee Plan that is intended to be exempt from federal income taxation under Section 501(a) of the Code has received a determination letter from the IRS that it is so exempt, and no fact or event has occurred since the date of such determination or opinion letter from the IRS to adversely affect the qualified status of any such Employee Plan or the exempt status of any such trust. Each Employee Plan and Employee Benefit Arrangement has been maintained in accordance in all material respects with its constituent documents and applicable Law. No current or former asset of an Employee Plan has been any security issued by Seller or any ERISA Affiliate.

(f) There are no pending claims (other than routine benefit claims) or lawsuits that have been asserted or instituted by, against, or relating to, any Employee Benefit Arrangements or Employee Plans, nor is there any basis for any such claim or lawsuit, in all cases, that potentially could become a Liability of Buyer after the Closing Date. No Employee Benefit Arrangements or Employee Plans are under audit or examination (nor has notice been received of a potential audit or examination) by any domestic or non-U.S. governmental agency or entity; and no matters are pending under the IRS’s Employee Plans Compliance Resolutions System or any successor or predecessor program that potentially could result in a Liability of Buyer after the Closing.

(g) Neither the execution and delivery of this Agreement, nor the consummation of the Transactions, nor any termination of employment or service in connection therewith (contingent or otherwise) will (i) result in any payment (including, but not limited to, any severance, golden parachute,

change of control bonus or otherwise), becoming due to any Business Employee, (ii) result in any forgiveness of Indebtedness to any Business Employee, (iii) increase any benefits otherwise payable to a Business Employee, or (iv) result in the acceleration of the time of payment or vesting of any such benefits for any Business Employee, except as required under Section 411(d)(3) of the Code. No payments under any Employee Benefit Arrangements or Employee Plans would, individually or collectively, be nondeductible under Code Section 280G.

(h) Each International Employee Plan has been established, maintained and administered in all material respects in compliance with its terms and conditions and with the requirements prescribed by any and all applicable Laws. Furthermore, no International Employee Plan has unfunded Liabilities, that as of the Closing Date, will not be offset by insurance or fully accrued. To the extent applicable, each International Employee Plan has been approved by the relevant taxation and other Governmental Entity so as to enable: (i) Seller and the participants and beneficiaries under the relevant International Employee Plan and (ii) in the case of any International Employee Plan under which resources are set aside in advance of the benefits being paid (a “Funded International Employee Plan”), the assets to be held for the purposes of the Funded International Employee Plans, and the Seller is not aware of any ground on which such approval may cease to apply. No condition or term under any relevant International Employee Plan exists which would prevent Seller from terminating or amending any International Employee Plan at any time for any reason without material Liability to the Buyer.

(i) Section 4.16(i) of the Disclosure Letter contains an accurate and complete list of all Employees who are M&A Qualified Beneficiaries.

4.17 Environmental Matters.

(a) Except in a manner that would not reasonably be likely to subject Seller or any Seller Group member to material Liability, no Hazardous Materials are present on any Real Property (including in the soil and groundwater of any Real Property) currently owned, operated or leased by any member of the Seller Group, in connection with the Business, or, to the Knowledge of Seller, were present on any other Real Property (including in the soil and groundwater) at the time it ceased to be owned, operated or leased by any member of the Seller Group or any of their predecessors in connection with the Business.

(b) No member of the Seller Group has received any Environmental Claim with respect to the Business or any Business Property that remains outstanding and unresolved, and no material Environmental Claim with respect to the Business is now pending or, to the Knowledge of Seller, threatened in writing against any member of the Seller Group (or against any other Person whose Liability a member of the Seller Group has retained or assumed either contractually or by operation of Law). Except as would not reasonably be expected to result in material Liability, each member of the Seller Group has complied and is in compliance in all material respects with all applicable Environmental Laws with respect to the Business. The Hazardous Materials Activities of each member of the Seller Group, or their predecessors, in connection with the Business prior to the Closing have not resulted in the exposure of any Person to a Hazardous Material in a manner which has caused or could reasonably be expected to cause a material adverse health effect.

(c) Section 4.17(c) of the Disclosure Letter accurately describes all of the material Governmental Authorizations required under Environmental Law that are currently held by Seller or any member of the Seller Group in connection with the Business. All such Governmental Authorizations are valid and in full force and effect. Except as would not reasonably be expected to result in material Liability, each member of the Seller Group has complied in all material respects with all covenants and conditions of any such Governmental Authorizations.

(d) To the Knowledge of Seller, there are no past or present actions, activities, circumstances, conditions, events or incidents that could form the basis for material Liability against any member of the Seller Group (or against any other Person whose Liability Seller has retained or assumed either contractually or by operation of Law) pursuant to the Environmental Law with respect to the Business or the Business Properties.

(e) No member of the Seller Group has entered into any Contract that would require any member to guarantee, reimburse, pledge, defend, hold harmless or indemnify any other Person with respect to Liabilities arising in connection with the Business under Environmental Law or as a result of the Hazardous Materials Activities of any member of the Seller Group or any predecessor, which would reasonably be expected to result in material Liability.

(f) The Seller Group has delivered to Buyer all material records in their possession or control concerning their Hazardous Materials Activities in connection with the Business or any Business Property, all material Governmental Authorizations issued pursuant to Environmental Law in connection with the Business or any Business Property, any material Environmental Claims relating to the Business or any Business Property, and all environmental audits and environmental assessments with respect to the Business or any Business Property.

4.18 Title; Entire Business; Sufficiency.

(a) The Seller Group has good, valid and marketable title to, a valid leasehold interest in, or a valid license or right to use, the Acquired Assets, free and clear of all Liens except Permitted Liens, and upon consummation of the Transactions, the Buyer Group will acquire good, valid and marketable title to, a valid leasehold interest in, or a valid license or right to use, the Acquired Assets, free and clear of all Liens (other than Liens on the Acquired Assets that are created by Buyer Group).

(b) The Acquired Assets together with the covenants granted to the Buyer Group pursuant to Article VI of this Agreement, the A38 Technology and the Excluded Assets set forth in Section 4.18(b) of the Disclosure Letter, and the benefits provided to the Buyer Group pursuant to the Transition Services Agreement, constitute all of the properties, assets, rights and facilities (i) owned, used, held for use, intended for use, leased or licensed by Seller and its Affiliates in connection with the Business; and (ii) necessary and sufficient to enable the Buyer Group, following the Closing, to continue to conduct the Business in substantially the same manner as currently conducted by Seller and its Affiliates. Buyer and Seller agree that an inaccuracy of the representation in the first sentence of this Section 4.18(b) may be cured by Seller, subject to the written consent of Buyer, by transfer and assignment to the Buyer Group, at no additional cost to the Buyer Group, of the properties, assets, rights or facilities the non-transfer of which resulted in the inaccuracy of this Section 4.18(b).

(c) No Person (other than the members of the Seller Group) owns any rights to or under, or holds any other interest in, any Acquired Assets (other than non-exclusive end user licenses in connection with the sale of Business Products).

4.19 Compliance with Law.

(a) Each member of the Seller Group is and has been in compliance in all material respects with all Laws or Orders to which the Business, any of the Acquired Assets or the Assumed Liabilities are subject.

(b) The Governmental Authorizations set forth on Schedule 1.1(d) constitute all of the material Governmental Authorizations related to the Business, as of the date hereof. With respect to the Business and the Acquired Assets, the Seller Group possesses all material Governmental Authorizations necessary to carry on the Business. Each such Governmental Authorization is validly and presently in effect and the continuing validity and Seller is not in default (with or without notice or lapse of time, or both) under any such Governmental Authorization in any material respect. There are no Proceedings pending, nor to the Knowledge of Seller, threatened, that seek the revocation, cancellation, suspension, failure to renew or adverse modification of any such Governmental Authorization.

4.20 Customers and Suppliers .

(a) Customers . Section 4.20(a) of the Disclosure Letter sets forth the ten (10) largest customers or distributors by revenue of the Business for the fiscal year ended December 31, 2016 (the “Top Customers”), together with the revenue derived from each such customer for such fiscal year. As of the date hereof neither Seller, nor any other member of the Seller Group, has received written notice that any Top Customer has cancelled, terminated or materially and adversely modified or intends to cancel or otherwise terminate or materially and adversely modify its relationship with respect to the Business.

(b) Suppliers . Section 4.20(b) of the Disclosure Letter sets forth the twenty (20) largest suppliers of goods and services to the Business for the fiscal year ended December 31, 2016 (the “Top Suppliers”), together with the amounts paid by the Business to each such supplier for such fiscal year. As of the date hereof, neither Seller, nor any other member of the Seller Group, has received written notice that any Top Supplier has cancelled, terminated or materially and adversely modified or intends to cancel or otherwise terminate or materially and adversely modify its relationship with respect to the Business.

4.21 Brokers . No member of the Seller Group has employed any broker, investment banker or finder in connection with the Transactions who would have a valid claim for a finder’s fee, brokerage commission or similar payment from any member of the Buyer Group in connection with the negotiation, execution or delivery of the Transaction Documents or the Transactions.

4.22 Affiliate Transactions . Section 4.22 of the Disclosure Letter sets forth a true, complete and correct list of all written agreements that constitute Transferred Contracts between any member of the Seller Group, on the one hand, and any other member of the Seller Group, on the other hand, all of which will terminate as of the Closing Date except as provided in the Transition Services Agreement.

4.23 Business Practices . Neither Seller, any other member of the Seller Group, nor, to the Knowledge of Seller, any of their respective officers, directors, employees, agents or representatives, or any Affiliate of or any Person associated with or acting for or on behalf of any member of the Seller Group, have directly or indirectly, in any manner related to the Business:

(a) in violation of any requirement of applicable Law, corruptly made or attempted to make any improper contribution or gift, bribe, rebate, payoff, influence payment, kickback, or other improper payment to any Person, private or public, regardless of what form, whether in money, property, or services to (i) obtain or pay for favorable treatment for business or Contracts secured, or (ii) obtain special concessions or for special concessions already obtained;

(b) made or attempted to make any such improper contribution or gift, bribe, rebate, payoff, influence payment, kickback, or other improper payment in violation of any applicable written policy of any member of the Seller Group; or

(c) established or maintained any fund or asset for the purpose of making any such improper contribution or gift, bribe, rebate, payoff, influence payment, kickback, or other improper payment in violation of any applicable Law or applicable written policy of any member of the Seller Group and which any member of the Seller Group or any of its officers, directors or employees has willfully failed to record in the Books and Records. To the extent required by applicable Law, each member of the Seller Group has established and maintains a compliance program and reasonable internal controls and procedures that, for all periods prior to the Closing Date, were appropriate in all material respects to the requirements of anti-corruption and anti-bribery Laws.

4.24 Export Control Laws. Each member of the Seller Group has at all times conducted its export transactions related to the Business in accordance in all material respects with (i) all applicable U.S. export control and economic sanctions Laws and regulations, including the International Emergency Economic Powers Act, the United States Export Administration Regulations, and Office of Foreign Assets Control trade and economic sanctions regulations, and (ii) all other applicable import/export controls in other countries in which Seller conducts the Business. Without limiting the foregoing:

(a) Each member of the Seller Group has obtained all export, reexport and import licenses, license exceptions and other consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings with any Governmental Entity required for (i) the export, import and reexport of products, services, software and technologies related to the Business and (ii) releases of technologies and software to non-U.S. nationals located in the United States and abroad related to the Business (“Export Approvals”);

(b) Each member of the Seller Group is in compliance in all material respects with the terms of all applicable Export Approvals and the applicable U.S. export control and economic sanctions Laws and regulations related to the Business;

(c) There are no pending or, to the Knowledge of Seller, threatened, claims against any member of the Seller Group related to the Business with respect to such Export Approvals or non-compliance with applicable U.S. export control and economic sanctions Laws and regulations;

(d) To the Knowledge of Seller, there are no presently existing facts or circumstances pertaining to Seller’s export transactions related to the Business that would constitute a reasonable basis for any future claims with respect to such Export Approvals or the applicable U.S. export control and economic sanctions Laws and regulations;

(e) No Export Approvals for the transfer of export licenses related to the Business to Buyer are required, or such Export Approvals can be obtained expeditiously without material cost; and

(f) Section 4.24(f) of the Disclosure Letter sets forth the true, complete and accurate export control classifications applicable to the products, services, software and technologies of the Business.

4.25 Insurance. Section 4.25 of the Disclosure Letter sets forth a list, as of the date hereof, of all insurance policies maintained by or at the expense of or for the direct or indirect benefit of the Seller Group in connection with the Business. All such policies are valid, enforceable, and in full force and effect. All premiums payable under all such policies have been paid and each member of the Seller Group is otherwise in compliance in all material respects with the terms of such policies. No member of the Seller Group has received written notice regarding any (a) cancellation or invalidation of any such insurance policy, (b) refusal of any coverage or rejection of any material claim under any such insurance policy related to the Business or (c) future adjustment in the amount of the premiums payable with respect to any such insurance policy.

There is no pending claim under or based upon any insurance policy of any member of the Seller Group that covers the Business, the Acquired Assets or the Facilities.

4.26 Warranties.

(a) Seller has made available to Buyer copies of the standard forms of warranty and return offered by the members of the Seller Group to third parties with respect to each of the Business Products marketed, sold, licensed or sublicensed by the Seller Group at any time since May 1, 2014. Since such date, the Business Products have been sold by the Seller Group in all material respects in accordance with the standard terms and conditions of sale, warranty and return set forth in Section 4.26(a) of the Disclosure Letter, and the Seller has conducted its customer service with respect to the Business Products in all material respects in accordance with the Seller's customer service policies forth on Section 4.26(a) of the Disclosure Letter.

(b) The aggregate amount of accrued Liabilities of the Seller Group for Warranty Obligations as of May 31, 2017 is set forth on Section 4.26(b) of the Disclosure Letter.

(c) The aggregate amount of accrued Liabilities of the Seller Group for Return Obligations as of May 31, 2017 is set forth on Section 4.26(c) of the Disclosure Letter.

(d) The aggregate amount of accrued Liabilities of the Seller Group for Service Obligations as of May 31, 2017 is set forth on Section 4.26(d) of the Disclosure Letter.

(e) There are no warranty or return claims pending or, to the Knowledge of Seller, threatened against any member of the Seller Group under any Contracts which would reasonably be expected, individually to exceed \$5,000 or that, in the aggregate, would be material to the Business.

(f) None of the Business Products have, in the five (5) years prior to the date hereof, been the subject of any epidemic failure, recall, safety complaint or claim, or other similar liability or Proceeding and, to the Knowledge of Seller, no event has occurred, and no condition or circumstance exists, that is reasonably likely to (with or without notice or lapse of time) give rise to or serve as a basis for any such liability or Proceeding relating to any Business Product.

(g) No member of the Seller Group has any Liability arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by the Business.

(h) No product Liability claims relating to the Business involving amounts in excess of \$5,000 (or the equivalent value in the applicable currency) have occurred within the past three (3) years.

4.27 Books and Records. The Books and Records have been maintained in accordance with commercially reasonable business practices, including the maintenance of an adequate system of internal controls.

4.28 Solvency; Fair Consideration; No Fraudulent Conveyance. No insolvency proceeding of any character including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting any member of the Seller Group (other than as a creditor) or any of the Acquired Assets are pending or are being contemplated by any of the Seller Group, or are being threatened in writing against any member of the Seller Group by any other Person, and no member of the Seller Group has made any assignment for the benefit of creditors or taken any action that would ordinarily result in the institution of such insolvency proceedings. Immediately after giving effect to the consummation of the

Transactions, (a) the Seller Group will be able to pay the Excluded Liabilities as they become due; (b) the value of the remaining assets of the Seller Group (calculated at fair market value) will exceed the Excluded Liabilities; and (c) taking into account all pending and threatened in writing litigation to the Knowledge of Seller, final judgments against any of the members of the Seller Group in actions for money damages are not reasonably anticipated to be rendered at a time when, or in amounts such that, the Seller Group will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered) as well as all other obligations of the Seller Group. The sale of the Acquired Assets pursuant to this Agreement is made in exchange for fair and equivalent consideration. The Seller Group is not entering into this Agreement or any of the other Transaction Documents with the intent to defraud, delay or hinder their respective creditors and the consummation of the Transactions, and the other Transaction Documents will not have any such effect. The Transactions or any Transaction Documents will not constitute a fraudulent conveyance, or otherwise give rise to any right of any creditor of the Seller Group to any of the Acquired Assets after the Closing.

4.29 Disclaimer of Other Representations or Warranties. Except as specifically set forth in Article IV of this Agreement, Seller makes no warranty, express or implied, as to any matter whatsoever relating to the Business, the Acquired Assets or the Assumed Liabilities; *provided that* the foregoing shall not be deemed to waive or limit any rights of Buyer or any other member of the Buyer Group in respect of Fraud or Intentional Misrepresentation.

ARTICAL V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

5.1 Organization, Power, Standing. Buyer, and each other member of the Buyer Group is, a corporation or other organization duly organized and validly existing and in good standing (to the extent such concept exists under the Laws of its jurisdiction its organization) under the Laws of its jurisdiction of organization, with all requisite corporate power and authority to own and operate its properties and assets and to carry on its business as currently conducted and to enter into the Transaction Documents and to consummate the Transactions. Buyer and each other member of the Buyer Group is duly authorized to conduct business and in good standing in each jurisdiction where such authorization is required to conduct the Business as presently conducted.

5.2 Due Authorization. This Agreement, the Transaction Documents and the other agreements, instruments and documents to be executed and delivered in connection herewith to which Buyer or any other member of the Buyer Group is (or becomes) a party and the consummation of the transactions contemplated hereby and thereby involving such Persons have been duly authorized by Buyer and will be authorized by each other applicable member of the Buyer Group by all requisite corporate, partnership or other action prior to Closing and no other proceedings on the part of Buyer or its stockholders are (and no other proceedings on the part of any other member of the Buyer Group or any of its equity holders will be) necessary for Buyer or any other member of the Buyer Group to authorize the execution or delivery of this Agreement or any of the other Transaction Documents or to perform any of their obligations hereunder or thereunder. Buyer has, and each other member of the Buyer Group will have at Closing, full corporate or other organizational (as applicable) power and authority to execute and deliver the other Transaction Documents to which it is a party and to perform its obligations hereunder or thereunder. This Agreement has been duly executed and delivered by Buyer, and the other Transaction Documents will be duly executed and delivered by Buyer and any other member of the Buyer Group party thereto, and this Agreement constitutes, and the other

Transaction Documents when so executed and delivered will constitute, a valid and legally binding obligation of Buyer and/or any other member of the Buyer Group, enforceable against it or them, as the case may be, in accordance with its terms, subject to the Enforceability Limitations.

5.3 No Conflict. Except for required filings under the Antitrust Regulations, the execution and delivery of this Agreement does not, the execution of the other Transaction Documents will not, and the consummation of the Transactions will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to, any payment obligation, or a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (a) any provision of the organizational documents of Buyer or any other member of the Buyer Group, or (b) any Law or Order applicable to Buyer or any other member of the Buyer Group or any of their respective properties or assets (whether tangible or intangible).

5.4 Consents; Approvals. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity or any third party is required by, or with respect to, Buyer or any other member of the Buyer Group in connection with the execution and delivery of this Agreement, the other Transaction Documents or any other Ancillary Agreement to which Buyer or any other member of the Buyer Group is a party or the consummation of the transactions contemplated hereby and thereby, except for (a) filings under the Antitrust Regulations and (b) such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws, which, if not obtained or made, would not adversely affect or restrict the ability of the Buyer Group to consummate the Transactions.

5.5 Litigation. There is no Proceeding pending and, to the Knowledge of Buyer, there is no Proceeding or investigation threatened in writing, against any member of the Buyer Group which, if adversely determined, would reasonably be expected to adversely affect or restrict the ability of the Buyer Group to consummate the Transactions. There is no Order to which any member of the Buyer Group is subject that would reasonably be expected to adversely affect or restrict the ability of the Buyer Group to consummate the Transactions.

5.6 Sufficient Funds. Buyer possesses sufficient funds to pay the Purchase Price to Seller and affirms that it is not a condition to Closing or any of its other obligations under this Agreement that Buyer obtain financing for or related to payment thereof.

5.7 Brokers. No member of Buyer Group has employed any broker, investment banker or finder in connection with the Transactions who would have a valid claim for a finder's fee, brokerage commission or similar payment from any member of the Seller Group in connection with the negotiation, execution or delivery of the Transaction Documents or the Transactions.

5.8 Disclaimer of Reliance on Other Representations and Warranties. The Buyer acknowledges that (i) except for the representations and warranties in Article IV, neither the Seller nor any of the other member of the Seller Group, nor any of their respective Affiliates, makes, or has made, any representation or warranty relating to itself or the Business or otherwise in connection with the Transactions, and the Buyer is not relying on any representation or warranty except for those expressly set forth in Article V of this Agreement, and (ii) it has conducted, to its satisfaction, its own independent investigation of the condition, operations and business of the Business, the Acquired Assets and the Acquired Liabilities, in making its determination to proceed with the Transactions and has relied on the results of its own independent investigation; provided that the foregoing clauses (i) and (ii) shall not be deemed to waive or limit any rights of Buyer or any other member of the Buyer Group in respect of Fraud or Intentional Misrepresentation.

ARTICAL VI

CENTAIN IP MATTERS

6.1 Covenant from Seller. Seller hereby covenants and agrees for itself, the Seller Group, and their respective successors to, or assigns of, ownership to the Covered Intellectual Property, that neither it nor they will directly or indirectly assert, or bring any claim for, infringement or misappropriation of any Covered Intellectual Property against Buyer, its Affiliates, their successors, or any successors to, or assigns of, the Acquired Assets, or the suppliers, manufacturers, licensees or users of any of their respective products. Seller covenants and agrees that any transfer or assignment of Covered Intellectual Property to a third party will be made subject to such third party's agreement to the foregoing covenant.

6.2 Covenant from Buyer. Buyer hereby covenants and agrees for itself, Buyer Group, and its and their respective successors and assigns of ownership to any of the Transferred Intellectual Property Rights (other than the Transferred Trademarks and Transferred Internet Properties), that neither it nor they will directly or indirectly assert or bring any claim for infringement or misappropriation of any Transferred Intellectual Property Rights (other than the Transferred Trademarks or Transferred Internet Properties), against the Seller Group, any successors to or assigns of the Seller Group's assets of businesses or the suppliers, manufacturers, licensees or users of their respective products ("Seller Entities"); provided that the foregoing shall not in any way limit the restrictions on the Seller Group set forth in Section 8.2 or the enforceability of such Section 8.2, and provided that, following the Closing no member of the Seller Group retains or uses any Transferred Technology that is exclusive to the Business and is not being used by any member of the Seller Group in its business or operations other than the Business as of, or prior to, the date hereof. Buyer covenants and agrees that any transfer or assignment of Transferred Intellectual Property Rights to a third party will be made subject to such third party's agreement to the foregoing covenant.

6.3 Excluded Patents. Notwithstanding the inclusion of a Patent on Schedule A8 (Excluded Patents), to the extent the making, using, selling or importing of a Business Product, as of or prior to the Closing Date, or the operation of the Business as of, or prior to, the Closing Date (other than historical research and development activities that are no longer active), would, absent a license to, or ownership of, such Patent, infringe such Patent, such Patent shall be deemed to be Covered Intellectual Property for the purposes of Section 6.1.

6.4 A38 Technology. [***].

ARTICAL VII

COVENANTS

7.1 Access to Information. From the date hereof through the Closing Date, Seller and the Seller Group shall provide to Buyer, through its employees and representatives, reasonable access during Seller's (or the applicable member of the Seller Group's) normal business hours and with reasonable advance notice, to the assets, properties, books and records, contracts and governmental authorizations of Seller and the other members of the Seller Group related to the Business to a member of the Buyer Group that Buyer reasonably requests (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege, protect any party or confidential information unrelated to the Business or to comply with any applicable Laws or third party confidentiality obligations): *provided, however*, that such investigation shall not unreasonably interfere with the business operations of the Seller Group, is subject to Seller's reasonable

security measures; *provided, further*, that any such requests by Buyer or other members of the Buyer Group shall be submitted to Seller and the Seller Group through [***]. No information or knowledge obtained in any investigation pursuant to this Section 7.1 shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the Transactions.

7.2 Conduct of Business.

(a) Except as disclosed in Section 7.2 of the Disclosure Letter, Seller covenants that, in respect of the Business, until the Closing it will, and it will cause the other members of the Seller Group to:

(i) conduct the Business in the ordinary course of business consistent with past practice;

(ii) comply in all material respects with all Laws, Orders and Contractual obligations applicable to the operation of the Business;

(iii) use commercially reasonable efforts to preserve and protect the Acquired Assets in good working order and condition, ordinary wear and tear excepted, and to preserve intact the Business, keep available the services of the Business' officers, employees and agents and maintain the Business' relations and goodwill with suppliers, customers, landlords, creditors, employees, agents and others having business relationships with the Business, including by promptly paying all amounts owing to such Persons as and when such amounts are due;

(iv) confer with Buyer prior to implementing material operational decisions with respect to the Business and otherwise report periodically to Buyer concerning the status of the Business; and

(v) cooperate with Buyer and assist Buyer in identifying the Governmental Authorizations required by Buyer to operate the Business from and after the Closing Date and use commercially reasonable efforts to assist Buyer either (i) in effecting the transfer of such Governmental Authorizations (if in existence) to Buyer, where permissible, or (ii) in obtaining new Governmental Authorizations for Buyer as may be necessary or desirable for Buyer to conduct the Business after the Closing Date in substantially the manner in which the Business is conducted by Seller on the Closing Date.

(b) Except as disclosed in Section 7.2(b) of the Disclosure Letter, from the date hereof until the Closing, Seller shall not and shall cause the other members of the Seller Group not to, without the prior written approval of Buyer, with respect to the Acquired Assets or the Business:

(i) except in the ordinary course of business consistent with past practice, make any material changes to any written agreement with any Business Employee relating to the Business, including any Contract relating to employment, compensation, benefits, termination, retention, or severance, or, except as and to the extent required by Law, to any Employee Plan or Employee Benefit Arrangement;

(ii) (A) hire any employee who would constitute a Business Employee or consultant, other than, with respect to employees with an annual compensation of less than [***], to replace departed employees in the ordinary course of business consistent with past practices, or (B) terminate any Business Employees, other than for cause;

(iii) increase in any manner the compensation of any of the Business Employees;

(iv) sell, lease, encumber, license, sublicense, transfer or dispose of any Acquired Assets, including any Transferred Intellectual Property Rights, other than the sale of Inventory and Business Products in the ordinary course of business consistent with past practice;

(v) permit any Transferred Intellectual Property Rights to lapse or enter into the public domain;

(vi) permit any Acquired Asset to suffer any Lien thereon other than Permitted Liens and Liens that will be released at or prior to Closing;

(vii) grant any exclusive license to any Transferred Intellectual Property Rights;

(viii) settle any Proceeding against any member of the Seller Group to the extent relating to the Acquired Assets or the Business;

(ix) commence any Proceeding relating to the Business or the Acquired Assets other than (A) for the routine collection of amounts owed or (B) in such cases where the failure to commence litigation could have a Business Material Adverse Effect; provided that Seller will consult with Buyer prior to filing such litigation;

(x) compromise, settle or waive any material claims or rights of the Business, other than (A) in the ordinary course of business consistent with past practices or (B) with respect to such rights or claims which would have constituted Excluded Assets;

(xi) enter into any Contract that would constitute a Material Contract, or modify or amend in any material respect or terminate any Material Contract, other than in the ordinary course of business consistent with past practices;

(xii) directly or indirectly engage in, enter into or amend any Contract, transaction, Indebtedness or other arrangement with any of the directors, officers, stockholders or other Affiliates of Seller to the extent relating to the Business, other than such Contract, transaction, Indebtedness or other arrangement which would be released at Closing pursuant to Section 1.9 ;

(xiii) fail to make any material capital expenditures or commitment therefor as set forth in Section 7.2(b)(xiii) of the Disclosure Letter, or make any capital expenditures or commitments other than as set forth in Section 7.2(b)(xiii) of the Disclosure Letter;

(xiv) materially modify practices with respect to the collection of Accounts Receivable, the payment of Accounts Payable or the maintenance of Inventory;

(xv) locate any personnel of the Seller Group who are not Business Employees into the Real Property under the Transferred Lease Agreement or locate any Business Employees to any Real Property other than under the Transferred Lease Agreement; or

(xvi) agree or commit to take or refrain from taking any action that is inconsistent with the foregoing.

7.3 No Negotiation or Solicitation. Prior to the earlier to occur of (i) the Closing Date or (ii) the termination of this Agreement in accordance with its terms, no member of the Seller Group shall (and Seller will cause each of its employees, officers, directors, representative and agents not to) (a) solicit, initiate, consider, entertain, knowingly encourage, or accept the submission of, any proposal or offer from any third

party relating to the direct or indirect acquisition of the Business or any portion of the Acquired Assets (other than Inventory in the ordinary course of business consistent with past practice), or (b) participate in any discussions or negotiations (and as of the date hereof, Seller shall cease any discussions or negotiations that are ongoing) regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any third party to do or seek any of the foregoing. Seller will promptly notify Buyer if any third party makes any proposal, offer, inquiry or contact with respect to any of the foregoing (including the terms thereof and the identity of such third party subject to any confidentiality agreement existing as of the date hereof or applicable Law) within two (2) calendar days after receipt of any such offer or proposal.

7.4 Regulatory Filings; Reasonable Best Efforts.

(a) Regulatory Filings. Buyer and Seller shall timely and promptly make all filings which may be required for the satisfaction of the condition set forth in Section 9.1(b) by each of them in connection with the consummation of the transactions contemplated hereby. In furtherance and not in limitation of the foregoing, each of Seller and Buyer shall file Notification and Report Forms under the HSR Act, as well as any notification required by Antitrust Regulations of any other jurisdiction as promptly as practicable following the date of this Agreement and in any event no later than (i) ten (10) calendar days following the date of this Agreement, in the case of Notification and Report Forms under the HSR Act, and (ii) the time prescribed by applicable Law in the case of requirements under other applicable Antitrust Regulations to the extent a time is prescribed and, if no time is prescribed, as promptly as reasonably practicable.

(b) Exchange of Information. Each of Buyer and Seller shall furnish to the other party such necessary information and assistance as the other party may reasonably request in connection with the preparation of any necessary filings or submissions by it to any Governmental Entity. Except as prohibited or restricted by Law or any Antitrust Regulations, each of Buyer, Seller and their respective attorneys shall provide the other party and its attorneys the opportunity to make copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between such party or its representatives, on the one hand, and any Governmental Entity, on the other hand, with respect to this Agreement, the Transaction Documents or the Transactions. Without in any way limiting the foregoing, Buyer and Seller will consult and reasonably cooperate with one another, and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of Buyer or Seller in connection with proceedings under or relating to the HSR Act or any other Antitrust Regulation.

(c) Notification. Each party hereto shall promptly inform the other party of any material communication from any Governmental Entity regarding any of the Transactions. The parties will not, nor will they permit any of their respective representatives to make any material communications with, or proposals relating to, or enter into, any material understanding, undertaking or agreement with, any Governmental Entity relating to the Transactions without the other parties' prior review and, solely with respect to Seller, Buyer's approval.

(d) Commercially Reasonable Efforts. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use its commercially reasonable efforts to take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly, and to assist and cooperate with the other party hereto in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective, in the most expeditious manner practicable, the Transactions and the other Transaction Documents, including using commercially reasonable efforts to: (i) cause the conditions to Closing in Article IX to be satisfied as promptly as practicable following the date hereof, (ii) obtain all necessary actions or nonactions, waivers, consents and approvals from Governmental

Entities and the making of all necessary registrations and filings (including filings with Governmental Entities, if any) and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by any Governmental Entity, (iii) the obtaining of all necessary consents, approvals or waivers from all Persons not party to this Agreement, and (iv) the execution and delivery of any additional instruments necessary to consummate, and to fully carry out the purposes of, the Transactions and the other Transaction Documents.

(e) Nothing set forth in this Agreement, any other Transaction Document, or in any schedule, certificate, instrument, agreement or other document delivered by Buyer in connection with the transactions contemplated hereby, shall be deemed to require Buyer or any of its Affiliates to (i) pay any consideration or agree to any modifications of existing Contracts or entry into new Contracts (other than the payment of customary filing and application fees) in connection with obtaining any waivers, consents, approvals from Governmental Entities or other Persons in connection with this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby, (ii) to litigate with any Governmental Entity, or (iii) agree to any divestiture (including through a licensing arrangement or otherwise), by itself or through any of its Affiliates, of all or any portion of the Acquired Assets, the Business, or any other businesses, operations, assets or properties of Buyer or any of its Affiliates, or any limitation, restriction or other imposition on the ability of Buyer or any of its Affiliates to conduct the Business or any of their other businesses, or to own the Acquired Assets or any of their other assets and properties, in each case from and after the Closing.

7.5 Notification of Certain Events. Seller shall promptly notify Buyer in writing of (i) the occurrence or failure to occur of any event, which occurrence or failure causes or is reasonably likely to cause any of the representations or warranties of Seller set forth in Article IV to be untrue or inaccurate in any material respect, (ii) any material failure of Seller to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by Seller hereunder, and (iii) the occurrence or failure to occur of any event, that or, individually or in the aggregate, results in or is reasonably likely to result in, a Business Material Adverse Effect. No notice delivered pursuant this subsection shall be deemed to (x) modify any representation, warranty or covenant set forth herein, or any Schedule, (y) cure or prevent any such inaccuracy or failure, or (z) limit or otherwise affect the remedies available hereunder to Buyer.

7.6 Employees.

(a) Continued Employment; Compensation and Benefits. Seller shall use commercially reasonable efforts to ensure that the Business Employees that are employed or providing services to any member of the Seller Group on the date hereof remain employed by or in service to that member of the Seller Group as of immediately prior to the Closing Date. Prior to Closing, Buyer shall, or shall cause a member of the Buyer Group to, provide a written offer of employment to each Business Employee to become an employee of the Buyer Group immediately upon the Closing Date. Buyer shall, or shall cause a member of the Buyer Group to, immediately following the Closing (but for no set period of time), provide each Business Employee who accepts an offer of employment extended to such individual by a member of the Buyer Group and is actively employed by a member of the Seller Group immediately prior to the Closing Date (each, a “Transferred Employee”) with base salary (or wage rate), position, compensation plans and employee benefits that are substantially similar to the base salary (or wage rate), position, compensation plans (excluding severance, change in control, equity awards, and retention bonus plans and arrangements) and employee benefits provided to similarly situated employees of Buyer or the member of the Buyer Group employing the Transferred Employee (after taking into account all relevant factors, including duties, geographic location, tenure, qualifications and abilities). For the avoidance of doubt, and as specified in Section 7.6(h), Buyer may increase, reduce or adjust base salaries, position, compensation plans, and employee benefits at any time in its sole discretion. To the extent required by applicable Law, for Business

Employees based outside of the United States, the Buyer shall assume and shall continue such employees' existing written employment agreements. Except as otherwise provided in this Section 7.6, for the avoidance of doubt, with respect to the Business Employees, Seller shall retain sponsorship of, and retain all Excluded Liabilities under, the Employee Plans and Employee Benefit Arrangements. Except as provided on Section 7.6 of the Disclosure Letter, neither Buyer nor any member of the Buyer Group shall have rights or Liabilities with respect to the Employee Plans or Employee Benefit Arrangements, and Seller shall cause each Employee Plan and Employee Benefit Arrangements to be amended as necessary to ensure that neither Buyer nor any member of the Buyer Group has any Liabilities with respect to the Employee Plans and Employee Benefit Arrangements following the Closing Date. Notwithstanding the foregoing, Buyer shall be obligated to provide Seller prompt notice (and in any event within five (5) calendar days) if a Transferred Employee's employment with Buyer terminates within six months of the Closing and the circumstances thereof.

(b) Service Credit. For purposes of determining eligibility to participate, vesting and entitlement to vacation or severance benefits (if length of service is relevant under any severance policy or benefit plan) of Buyer or a member of the Buyer Group, Buyer shall, or shall cause a member of the Buyer Group to, provide that the Transferred Employees shall receive service credit under the vacation policies, benefit policies or plans or arrangements sponsored by the applicable member of the Buyer Group (other than any defined benefit pension plan or retiree welfare benefit plan) equal to the service credit given or recognized by Seller and its Affiliates prior to the Closing; *provided, however*, that such service need not be recognized to the extent that such recognition would result in any duplication of benefits or coverage. Buyer shall, or shall cause a member of the Buyer Group to, waive all limitations as to preexisting conditions, exclusions, actively-at-work requirements, and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees under any medical, dental and other health and welfare plans that such employees may be eligible to participate in after the Closing Date to the same extent as waived under similar types of Seller's plans and arrangements, to the extent permitted by applicable Law. Buyer also shall, or shall cause a member of the Buyer Group to, recognize the dollar amount of all co-payments, deductible and similar expenses incurred by each Transferred Employee and his or her eligible dependents under Seller's medical, dental and vision plans for the year in which the Closing occurs under the medical, dental and other health and welfare plans sponsored by the applicable member of the Buyer Group for the purposes of satisfying any applicable co-payments and deductibles in the year in which the Closing occurs, to the extent permitted by applicable Law.

(c) COBRA. Buyer shall, or shall cause a member of the Buyer Group to, provide, at its sole cost, healthcare continuation coverage under COBRA, or similar state statute, if applicable, to Transferred Employees and their qualified beneficiaries (as defined in Section 4980B(g)(1) of the Code) with respect to qualifying events that occur after the Closing Date. Seller shall provide, at its sole cost, healthcare continuation coverage under COBRA, or similar state statute, if applicable, to Business Employees and their qualified beneficiaries (as defined in Section 4980B(g)(1) of the Code) with respect to qualifying events that occur on or before the Closing Date.

(d) Termination of Employment. On the Closing Date, Transferred Employees shall resign their employment with Seller and shall provide Seller with written notice of resignation in a form approved by Seller. Seller shall provide Buyer with reasonable notice of the nature and content of any such written resignation notice. Buyer shall provide, or otherwise bear, any applicable severance obligations for any Transferred Employee arising after the Closing Date. Seller shall provide, or otherwise assume and bear, any applicable severance obligations for any Business Employee who is not a Transferred Employee or, with respect to any Transferred Employee, any applicable severance obligations arising on or prior to the Closing Date.

(e) Workers' Compensation. Responsibility for workers' compensation claims relating to Transferred Employees arising out of conditions having a date of injury (or, in the case of a claim relating to occupational illness or disease, the last significant exposure) prior to the Closing Date and that are outstanding as of the Closing, shall remain with Seller and be deemed to be an Excluded Liability. Buyer shall have responsibility for workers' compensation claims relating to Transferred Employees and arising out of conditions having a date of injury (or, in the case of a claim relating to occupational illness or disease, the last significant exposure) on or after the Closing Date.

(f) Paid Time-Off; Personal Leave. As of the Closing Date, Seller shall cause to be paid in full all vacation days and paid time off days of the Business Employees that accrued prior to the Closing Date and shall not take any action that results in a forfeiture of any such time off in violation of any applicable Law.

(g) WARN. Seller shall be solely responsible for and agrees to indemnify, hold harmless and, at the option of Buyer to defend, Buyer from and against any Liability under the WARN Act or any similar state Law, to any Business Employee who is found to have suffered an "employment loss" under the WARN Act prior to the Closing. Buyer shall be solely responsible for and agrees to indemnify, hold harmless and, at the option of Seller to defend, Seller from and against any Liability under the WARN Act or any similar state Law, to any Business Employee who is found to have suffered an "employment law" under the WARN Act (or similar state Law) after the Closing.

(h) No Modification of Employee Plans or Employee Benefit Arrangements. The provisions of this Section 7.6 are for the sole benefit of the parties and nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person (including for the avoidance of doubt any current or former employees, directors, or independent contractors of any of Seller, Buyer or any of their respective subsidiaries), other than the parties and their respective successors and permitted assigns, any legal or equitable or other rights or remedies with respect to the matters provided for in this Section 7.6. Nothing contained herein shall be construed as requiring, and Seller shall take no action that would have the effect of requiring, Buyer to continue any specific employee benefit plans or to continue the employment of any specific person. No provision in this Agreement shall modify or amend any Employee Plan or Employee Benefit Arrangement. This shall not prevent the parties entitled to enforce this Agreement from enforcing any provision in this Agreement, but no other party shall be entitled to enforce any provision in this Agreement on the grounds that it is an amendment to such Employee Plan or Employee Benefit Arrangement. If a party not entitled to enforce this Agreement brings a lawsuit or other action to enforce any provision in this Agreement as an amendment to such Employee Plan or Employee Benefit Arrangement and that provision is construed to be such an amendment despite not being explicitly designated as one in this Agreement, that provision shall lapse retroactively as of its inception, thereby precluding it from having any amendatory effect. Buyer acknowledges that the Transferred Employees may elect to receive a distribution of each such employee's assets in the Seller Group's 401(k) plan and roll such assets over into the Buyer Group's 401(k) plan.

(i) Employee Materials and Knowledge. Seller has the right to remove from any materials available to the Transferred Employees, including any laptops, any materials exclusive to the businesses or operations of the Seller Group other than the Business; *provided that* the Transferred Employees may freely use and exploit Residuals for any purpose, without breach of Buyer's confidentiality obligations hereunder and without other liability to Seller or its Affiliates. As used herein, "Residuals" means ideas, know-how, techniques, information and understandings of a general nature retained in the unaided memory of the Transferred Employees without access to any notes, documents, emails or other writings containing or reflecting any such ideas, know-how, techniques, information or understandings retained by Seller after the Closing as exclusive to its retained businesses. For the purpose of clarity, such

general knowledge shall not include Confidential Information retained by Seller that the Transferred Employee knows is specific to members of the Seller Group or their other business lines and unrelated to the Business or Seller Group's industry generally.

7.7 Tax Matters.

(a) In the case of any real or personal property taxes (or other similar Taxes) levied with respect to the Acquired Assets that are reported on a Tax Return covering a period commencing on or before the Closing Date and ending thereafter (a "Straddle Period Taxes"), any such Straddle Period Taxes shall be prorated between Buyer and Seller on a per diem basis, with Buyer responsible for any Straddle Period Taxes attributable to the portion of any such period beginning after the Closing Date and Seller being responsible for any Straddle Period Taxes attributable to the portion of any such period ending on and including the Closing Date. The party required by Law to pay any such Straddle Period Tax (the "Paying Party") shall file the Tax Return related to such Straddle Period Taxes (and if the Person required to file is an Affiliate of Buyer or Seller, Buyer or Seller, as applicable, shall cause their Affiliate to file) within the time period prescribed by Law and shall timely pay (or cause the applicable Affiliate to pay) such Straddle Period Taxes. To the extent any such payment exceeds the obligation of the Paying Party hereunder, the Paying Party shall provide either Buyer or Seller, as applicable (the "Non-Paying Party") with notice of payment, and within ten (10) calendar days of receipt of such notice of payment (including any background documentation reasonably requested by the Non-Paying Party), the Non-Paying Party shall reimburse the Paying Party (or the applicable Affiliate designated by the Paying Party) for the Non-Paying Party's share of such Straddle Period Taxes.

(b) Seller shall prepare and timely file or shall cause to be prepared and timely filed all Straddle Period Tax Returns that are due on or before the Closing Date. Seller shall make or cause to be made all Tax payments required with respect to any such Tax Returns. If the Closing occurs, as promptly as reasonably practicable, Buyer, for itself or on behalf of its Affiliates, shall reimburse Seller, for itself or as the agent of any Seller Affiliate, for the amount of any such Taxes paid by Seller or any Affiliate thereof to the extent such Straddle Period Taxes are the responsibility of Buyer (as determined under Section 7.7(a)).

(c) Buyer shall prepare and timely file or shall cause to be prepared and timely filed all Straddle Period Tax Returns that are due after the Closing Date. Buyer shall make or cause to be made all Tax payments required with respect to any such Tax Returns. As promptly as reasonably practicable, Seller, for itself or on behalf of its Affiliates, shall reimburse Buyer, for itself or as the agent of any Buyer Affiliate, for the amount of any such Taxes paid by Buyer or any Affiliate thereof to the extent such Straddle Period Taxes are the responsibility of Seller (as determined under Section 7.7(a)).

(d) Seller and Buyer will each provide, and will cause their respective Affiliates, officers, employees, agents, auditors and other representatives to provide, the other party with such assistance as may reasonably be requested in connection with the preparation of any Tax Return relating to the Business or Acquired Assets, or the audit or other examination by any Taxing Authority or judicial or administrative proceeding relating, in whole or in part, to Liability for Taxes arising out of the operations of the Business or ownership of the Acquired Assets, including by retaining, maintaining and making available to each other all records reasonably necessary in connection with such Taxes or Tax Returns and making employees reasonably available on a mutually convenient basis to provide additional information or explanation relating to such Taxes or Tax Returns.

(e) To the extent mutually agreed by Buyer and Seller, Buyer and Seller shall utilize the alternate procedure set forth in Revenue Procedure 2004-53 with respect to wage withholding for Business Employees.

7.8 Preparation and Delivery of Financial Statements.

(a) Seller shall prepare and deliver to Buyer as soon as practicable and in any event prior to the Closing unaudited Segment Financial Statements as of and for the interim periods as determined by Buyer in its reasonable discretion within five (5) calendar days following the date hereof (the “Unaudited Interim Segment Financial Statements”). The Unaudited Interim Segment Financial Statements shall be prepared in accordance with GAAP and on the same basis as the Unaudited Financial Statements.

(b) Seller shall use its commercially reasonable efforts to, and to cause Seller’s independent auditor to, cooperate for a period of two (2) years following the Closing Date in preparing and auditing, as applicable, at Buyer’s expense, any financial statements that Buyer may request in connection with its future financing or any applicable securities laws.

7.9 Record Retention. Each party agrees, on behalf of itself and its controlled Affiliates, that for a period of not less than six (6) years following the Closing Date, it shall not destroy or otherwise dispose of records relating to the Acquired Assets or the Assumed Liabilities in its possession with respect to periods prior to the Closing. Each party shall have the right to destroy all or part of such records after the sixth anniversary of the Closing Date or, at an earlier time by giving each other party hereto twenty (20) calendar days’ prior written notice of such intended disposition and by offering to deliver to the other party, at the other party’s expense, custody of such records as such first party may intend to destroy.

7.10 Destruction of Materials. Following the Closing, the Seller Group shall promptly delete and not retain or use for any purpose any copies of any Copyable Technology exclusively related to or used exclusively in the Business. Notwithstanding the foregoing, no member of the Seller Group will be required to erase electronically stored copies of such Copyable Technology that have been saved to a back-up file in accordance with any such member of the Seller Group’s ordinary electronic backup practices or in connection with any such member of the Seller Group’s legal or internal record-keeping policies.

7.11 Bulk Sales. Buyer hereby waives compliance with the procedures of the Uniform Commercial Code or other bulk sales Laws or similar Laws of the jurisdiction in which the Acquired Assets to be conveyed hereby are situated or of any other any jurisdictions, if any, which may be asserted to be applicable to the Transaction contemplated hereunder and the parties believe that it is not clear that any such Laws are applicable to such transaction.

7.12 Publicity.

The parties agree that, from the date hereof through the Closing Date, no public release or announcement concerning the Transactions shall be issued without the prior consent of each party, except as such release or announcement may be required by any Law or Order. The parties shall cooperate with each other to issue a joint press release concerning the Transactions following date hereof and the Closing Date.

7.13 Payments.

(a) After the Closing, Seller shall, and shall cause the other members of the Seller Group to, as promptly as practicable, deliver, and if necessary endorse over to Buyer (or another member of the Buyer Group, as applicable), any cash, checks or other instruments of payment Seller or another member of the Seller Group receives to which the Buyer Group is entitled pursuant to the terms of this Agreement and shall hold such cash, checks or other instruments of payment in trust for the Buyer Group until such delivery.

(b) After the Closing, Buyer shall, and shall cause the other members of the Buyer Group to, as promptly as practicable, deliver, and if necessary endorse over to Seller (or another member of the

Seller Group, as applicable), any cash, checks or other instruments of payment Buyer or another member of the Buyer Group receives to which the Seller Group is entitled pursuant to the terms of this Agreement and shall hold such cash, checks or other instruments of payment in trust for the Seller Group until such delivery.

7.14 Additional Transferred Contracts. Seller shall promptly notify Buyer in writing upon the entry by Seller or any of its Affiliates after the date hereof into any Material Contract, including any Material Contract which would be a Shared Contract, in order to permit Buyer to determine whether to consent to such Material Contract being included as a Transferred Contract.

7.15 Asset Schedule Updates. Seller will update any Schedules of Acquired Assets prior to Closing to add any assets that are Acquired Assets but that were omitted from the Schedules as of the date hereof, including, for example, updating Schedule A-5 (Internet Properties) to reflect social media account information (and providing Buyer with the necessary passwords and login credentials for such accounts) that was not readily available as of the date hereof.

7.16 Parent Guarantees. Each of Seller Parent and Buyer Parent (each, a “Guarantor”) irrevocably guarantees the timely performance of each and every agreement and obligation of each other member of the Seller Group and the Buyer Group, respectively, under the provisions of the Transaction Documents. This is a guarantee of payment and performance, and not of collection, and each Guarantor acknowledges and agrees that this guarantee is full and unconditional, and no release or extinguishment of each Guarantor’s Liabilities (other than in accordance with the terms of this Agreement), whether by decree in any bankruptcy proceeding or otherwise, will affect the continuing validity and enforceability of this guarantee. Each Guarantor hereby waives, for the benefit of the other party, (a) any right to require the other party as a condition of payment or performance of the Guarantor to proceed against the other members of the Seller Group or the Buyer Group, as applicable, or pursue any other remedies whatsoever and (b) to the fullest extent permitted by Law, any defenses or benefits that may be derived from or afforded by Law that limit the Liability of or exonerate guarantors or sureties, except to the extent that any such defense is available to the other members of the Seller Group or the Buyer Group, as applicable. Each Guarantor understands that the other party is relying on this guarantee in entering into the Transaction Documents.

ARTICAL VIII

CONFIDENTIALITY AND NON-COMPETITION

8.1 Confidentiality.

(a) Seller and Buyer expressly acknowledge and agree that this Agreement, each of the other Transaction Documents and their respective terms and all information, whether written or oral, furnished by either party to the other party or any Affiliate of such other party in connection with the negotiation of this Agreement, the other Transaction Documents or pursuant to Section 7.1 shall be subject to the terms of the Confidentiality Agreement.

(b) Seller will not at any time, directly or indirectly, disclose or publish, or permit other members of the Seller Group and its and their respective directors, officers, employees, and Affiliates to disclose or publish, any Business Confidential Information, except any Business Confidential Information may be disclosed to the extent such disclosure is (i) required by applicable Law or order of any Governmental Entity of competent jurisdiction (as advised in writing by counsel that such disclosure is required) or (ii) in performance of its or another member of the Seller Group’s obligations to Buyer Group, or in exercising its or another member of the Seller Group’s rights under this Agreement; *provided* that prior to disclosing any such information in the case of (i), Seller shall give prior written notice thereof to Buyer

and use commercially reasonable efforts to preserve the confidentiality of such Business Confidential Information, including by, at Buyer's request and sole expense, reasonably cooperating with Buyer to obtain an appropriate protective order or other reliable assurances that confidential treatment will be accorded such Business Confidential Information; *provided*, further, that Seller Group may disclose Business Confidential Information to actual or potential equity or debt financing sources and acquirors and any of their respective representatives in connection with a possible transaction with such sources or acquirors so long as such sources, acquirors and representatives are bound by obligations of confidentiality with respect to such Business Confidential Information.

(c) Seller Group, and its successors and assigns, may use and continue to use any Business Confidential Information, subject to: (A) Seller Group using reasonable efforts to protect the confidentiality of such Business Confidential Information and treating such Business Confidential Information with the same degree of care as it treats its own like confidential information; and (B) Seller not disclosing any such Business Confidential Information that is a Transferred Trade Secret, except as necessary to the operation of Seller's and its Affiliates' respective businesses (other than the Business) after the Closing and not in violation of Section 8.2, and *provided* that such disclosure is part of the disclosure of Seller's or its Affiliates' own like confidential information on industry standard confidentiality terms. Notwithstanding the foregoing, employees of the Seller Group who are not the Transferred Employees may freely use and exploit for any purpose any ideas, know-how, techniques, information and understandings of a general nature retained in the unaided memory of such employees without access to any notes, documents, emails or other writings containing or reflecting any such ideas, know-how, techniques, information or understandings. For the purpose of clarity, such general knowledge shall not include Confidential Information that any employee of the Seller Group that is not a Transferred Employee knows is specific to the Business as opposed to the industry generally.

(d) Buyer will not at any time, directly or indirectly, disclose or publish, or permit other members of the Buyer Group and its and their respective directors, officers, employees, and Affiliates to disclose or publish, any Shared Business Confidential Information except any Shared Business Confidential Information may be disclosed to the extent such disclosure is (i) required by applicable Law or order of any Governmental Entity of competent jurisdiction (as advised in writing by counsel that such disclosure is required) or (ii) in performance of its or another member of the Buyer Group's obligations to Seller Group, or in exercising its or another member of the Buyer Group's rights under this Agreement, including with respect to the Transferred Technology; *provided* that prior to disclosing any such information in the case of (i), Buyer shall give prior written notice thereof to Seller and use commercially reasonable efforts to preserve the confidentiality of such Shared Business Confidential Information, including by, at Seller's request and sole expense, reasonably cooperating with Seller to obtain an appropriate protective order or other reliable assurances that confidential treatment will be accorded such Shared Business Confidential Information; and *provided*, further, that Buyer Group may disclose Shared Business Confidential Information to actual or potential equity or debt financing sources and acquirors and any of their respective representatives in connection with a possible transaction with such sources or acquirors so long as such sources, acquirors and representatives are bound by obligations of confidentiality with respect to such Shared Business Confidential Information.

(e) Buyer Group, and its successors and assigns, may use and continue to use any Shared Business Confidential Information subject to: (A) Buyer Group using reasonable efforts to protect the confidentiality of such Shared Business Confidential Information and treating such Shared Business Confidential Information with the same degree of care as it treats its own like confidential information; and (B) Buyer not disclosing any Shared Business Confidential Information that is a Trade Secret except as necessary to the operation of Buyer's and its Affiliates' respective businesses after the Closing and *provided*

that such disclosure is part of the disclosure of Buyer's or its Affiliates' own like confidential information on industry standard confidentiality terms.

(f) Nothing in this Agreement prohibits, or is intended in any manner to prohibit, a report of a possible violation of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General, or making other disclosures that are protected under whistleblower provisions of applicable Law. No authorization of any other party is needed to make such disclosure; provided that the party making such disclosure provides the other party with notice thereof, to the extent legally permissible, and assists the other party in limiting the scope of such disclosure or obtaining a protective order or other confidential treatment for any confidential information disclosed in connection therewith.

8.2 Non-Competition.

(a) For a period of [***] from the Closing, neither Seller nor any member of the Seller Group shall, either directly or indirectly, as a stockholder, investor, partner, advisor, consultant or otherwise, anywhere in the Restricted Territory, engage in the Restricted Business. The "Restricted Territory" means anywhere in the world where the Buyer Group operates as of the date hereof. The "Restricted Business" means [***].

(b) Notwithstanding anything to the contrary set forth in this Section 8.2, nothing set forth herein shall prohibit or restrict any member of the Seller Group or any of their respective Subsidiaries from (i) marketing or selling Inventory of the Seller Group existing as of the Closing consisting of products marketed and sold by Seller or any of its Subsidiaries as of the date of this Agreement under the "SLYR", "PLYR 1" or "PLYR 2" brands; or (ii) engage in any activity required under the Transition Services Agreement during the term thereof. For the avoidance of doubt, [***].

(c) In the event that any member of the Seller Group undergoes a Change of Control that is consummated later than [***] following the Closing (the "Fall Away Date") by a Person (other than an Affiliate of Seller, or any other member of the Seller Group, or [***]) that has business operations immediately prior to such Change of Control that would be a Restricted Business (such Person, the "Acquirer"), the restrictions set forth in this Section 8.2 shall not apply to such member of the Seller Group, any of their respective Subsidiaries, the Acquirer or any of the Acquirer's Affiliates; *provided*, however, if a member of the Seller Group undergoes a Change of Control that is consummated prior to the Fall Away Date, the restrictions set forth in this Section 8.2 shall only apply to any such member of the Seller Group and not to the Acquirer in such Change of Control; *provided*, further, that, notwithstanding the foregoing proviso, following the Fall Away Date, the restrictions set forth in this Section 8.2 shall no longer apply to any such member of the Seller Group that undergoes a Change of Control that is consummated prior to the Fall Away Date. Nothing in this Section 8.2(c) shall be deemed to limit or waive any rights or remedies of Buyer (or another member of the Buyer Group) in the event that a member of the Seller Group breaches the restrictions set forth in this Section 8.2 prior to the Fall Away Date.

(d) For purposes of this Section 8.2, "Change of Control" means, with respect to any member of the Seller Group, (i) acquisition of such member of the Seller Group by another Person by means of any transaction or series of related transactions to which such member of the Seller Group is a party (including any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of related transactions in which the holders, directly or indirectly, of the voting securities of such member of the Seller Group outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, directly or indirectly, at least a majority of the total voting power represented by the

outstanding voting securities of such member of the Seller Group or such other surviving or resulting entity (or if such member of the Seller Group or such other surviving or resulting entity is a wholly-owned Subsidiary immediately following such acquisition, its parent), or (ii) a sale, lease or other disposition of all or substantially all of the assets of such member of the Seller Group and its Subsidiaries taken as a whole by means of any transaction or series of related transactions, except, where such sale, lease or other disposition is to an Affiliate of such member of the Seller Group or [***].

8.3 Non-Solicit. For a period of [***] from the Closing, Seller shall not, and shall cause the other members of the Seller Group (and each of their respective Subsidiaries) not to, without the prior written consent of the Buyer, hire, employ, solicit to employ, or solicit to provide services to Seller or any of the other members of the Seller Group (or any of their respective Subsidiaries), any Transferred Employee, other than such employees whose employment or service provider relationship with Buyer or its Affiliates was terminated for any reason at least six (6) months prior to any solicitation or hiring, *provided* that this Section 8.3 shall not prohibit generalized searches for employees through media advertisements or employment firms that are not focused on or directed to any Transferred Employees.

8.4 Reasonable Restraint. The parties agree that the foregoing covenants in this Article VIII impose a reasonable restraint on Seller in light of the activities and operations of the Business and Buyer and its Affiliates on the date of the execution of this Agreement and the current plans of the Business and Buyer and its Affiliates.

8.5 Severability; Reformation. The covenants in this Article VIII are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

8.6 Independent Covenant. The parties expressly acknowledge that the terms and conditions of this Article VIII are independent of the terms and conditions of any other agreements entered into in connection with this Agreement. It is specifically agreed that the periods set forth in this Article VIII during which the agreements and covenants made in this Article VIII shall be effective, shall be computed by excluding from such computation any time during which the Person bound by such agreement or covenant is found by a court of competent jurisdiction to have been in violation of any provision of this Article VIII. The covenants contained in this Article VIII shall not be affected by any breach of any other provision hereof by any party hereto.

8.7 Materiality. Each of the parties hereto hereby agrees that the covenants set forth in this Article VIII are a material and substantial part of the Transactions, supported by adequate consideration.

ARTICAL IX

CONDITIONS PRECEDENT TO CLOSING

9.1 Conditions Precedent to Obligations of Buyer and Seller. The respective obligations of the parties to consummate and cause the consummation of the Transactions shall be subject to the satisfaction (or waiver by the party for whose benefit such condition exists) on or prior to the Closing Date of each of the following conditions:

(a) No Order. No Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law or Order which is in effect on the Closing Date which has

or would have the effect of prohibiting, enjoining or restraining the consummation of the Transactions to occur on the Closing Date or otherwise making such transactions illegal; and

(b) Antitrust Approvals. The waiting period (and any extension thereof) under the HSR Act relating to the transactions contemplated hereby shall have expired or terminated early and all non-U.S. antitrust approvals, if any such approvals are required, shall have been obtained (or the waiting periods thereunder shall have expired or terminated early).

9.2 Conditions Precedent to the Obligations of Buyer. The obligations of Buyer to purchase and pay for the Acquired Assets and assume the Assumed Liabilities are subject to the fulfillment at or prior to the Closing of the following conditions, any one or more of which may be waived in writing by Buyer:

(a) Representations and Warranties. (x) The representations and warranties of Seller contained in this Agreement (other than the Fundamental Representations and the representations and warranties set forth in Section 4.18(b)), which representations and warranties shall be deemed for purposes of this Section 9.2(a) not to include any qualifications or limitations with respect to materiality or Business Material Adverse Effect set forth therein, shall be true and correct in all respects on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all respects as of such other date), except as would not, individually or in the aggregate, have a Business Material Adverse Effect, and (y) the Fundamental Representations and the representations and warranties set forth in Section 4.18(b), which representations and warranties shall be deemed for purposes of this Section 9.2(a) not to include any qualifications or limitations with respect to materiality or Business Material Adverse Effect set forth therein, shall be true and correct in all material respects on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all material respects as of such other date). Seller shall have delivered to Buyer a certificate, dated the Closing Date, signed by an authorized officer of Seller, confirming the matters set forth in the foregoing;

(b) Litigation. There shall be no action, suit, claim, order, injunction or proceeding of any nature pending or threatened, against Buyer or Seller, any of their respective officers, directors or Affiliates, the Acquired Assets or Assumed Liabilities by any Person arising out of, or related to, the Transactions;

(c) Covenants. Seller shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Seller at or prior to the Closing. Seller shall have delivered to Buyer a certificate, dated the Closing Date, signed by an authorized officer of Seller, confirming the matters set forth in the foregoing;

(d) Required Consents. Each of the consents, waivers, approvals, authorizations and notices identified on Schedule 9.2(c) shall have been obtained and shall be in full force and effect;

(e) No Business Material Adverse Effect. Since the date of this Agreement, there shall not have occurred a Business Material Adverse Effect;

(f) Corporate Approvals. Seller shall have delivered a certificate executed by the Secretary of Seller certifying that attached thereto is (A) a true and complete copy of the Governing Documents, and (B) true and complete copies of resolutions of Seller's directors, authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the Transactions, which resolutions have not been modified, rescinded or revoked;

(g) Business Employees. No more than 10% of the Business Employees employed by the Seller Group as of the date hereof shall have (i) ceased to be Business Employees as of immediately prior to the Closing or (ii) notified (whether formally or informally) Seller (or any of Seller's Affiliates) of their intention to not commence employment with Buyer (or another member of the Buyer Group) following the Closing Date;

(h) Key Employees. None of the Key Employees who have accepted offer letters for employment with Buyer (or one of its Affiliates), to be effective as of the Closing, shall have notified (whether formally or informally) Buyer or Seller (or any of their respective Affiliates) of his or her intention to not commence employment with Buyer (or another member of the Buyer Group) following the Closing Date;

(i) Ancillary Agreements. Each of Seller and the other members of the Seller Group shall have executed and delivered each of the Ancillary Agreements to which it is to be a party and the certificates requested by Buyer pursuant to Section 2.2(b) and each such Ancillary Agreement shall be in full force and effect; and

(j) Seller's Closing Deliverables. The Seller Group shall have made all the deliveries required to be made by Seller and the other members of the Seller Group pursuant to Section 2.2 (other than as contemplated by Section 2.2(b)(viii)(B)).

9.3 Conditions Precedent to the Obligations of Seller. The obligations of Seller to sell and deliver the Acquired Assets to Buyer are subject to the fulfillment at or prior to the Closing of the following conditions, any one or more of which may be waived in writing by Seller:

(a) Representations and Warranties. (x) The representations and warranties of Buyer contained in this Agreement (other than the representations and warranties contained in Sections 5.1, 5.2 and 5.7) which representations and warranties shall be deemed for purposes of this Section 9.3(a) not to include any qualifications or limitations with respect to materiality or material adverse effect set forth therein, shall be true and correct in all respects on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all respects as of such other date), except as would not, individually or in the aggregate, have a material adverse effect on the ability of the Buyer Group to perform their respective obligations under this Agreement or the Transaction Documents or to consummate the Transactions, and (y) the representations and warranties of Buyer contained in Sections 5.1, 5.2 and 5.7 of this Agreement, which representations and warranties shall be deemed for purposes of this Section 9.3(a) not to include any qualifications or limitations with respect to materiality or material adverse effect set forth therein, shall be true and correct in all material respects on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all respects as of such other date). Buyer shall have delivered to Seller a certificate, dated the Closing Date, signed by an authorized officer of Buyer, confirming the matters set forth in the foregoing.;

(b) Covenants. Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Buyer at or prior to the Closing. Buyer shall have delivered to Seller a certificate, dated the Closing Date, signed by an authorized officer of Buyer, confirming the matters set forth in the foregoing;

(c) Ancillary Agreements. Each of Buyer and the other members of the Buyer Group shall have executed and delivered each of the Ancillary Agreements to which it is to be a party and the

certificates requested by Seller pursuant to Section 2.2(a) and each such Ancillary Agreement shall be in full force and effect; and

(d) Buyer's Closing Deliveries. The Buyer Group shall have made all the deliveries required to be made by the Buyer Group pursuant to Section 2.2 (other than the payment of the Purchase Price and other than as contemplated by Section 2.2(a)(viii)(B)).

ARTICAL X

INDEMNIFICATION; SURVIVAL

10.1 Survival and Expiration of Representations, Warranties, Covenants and Agreements. All representations and warranties contained in this Agreement shall survive the Closing and remain in full force and effect for a period of [***] following the Closing Date (the "Survival Date"); *provided* that the representations and warranties set forth in [***] shall survive until the expiration of all applicable statutes of limitations with respect to the matters addressed therein (including any extensions or tolling thereof); *provided further* that (A) any representation or warranty set forth in this Agreement that would otherwise terminate in accordance with this Section 10.1 will continue to survive if a written notice of a breach thereof shall have been timely given to the breaching party by the other party prior to 5:00 pm (Pacific Time) on such termination date, until the related claim for indemnification has been finally satisfied or otherwise resolved as provided in this Article X and (B) any covenant and agreement set forth in this Agreement shall survive indefinitely. The parties acknowledge that the time periods set forth in this Section 10.1 are the result of arms-length negotiation among the parties and that they intend for the time periods to be enforced as agreed by the parties and to supersede any statutes of limitations otherwise applicable.

10.2 Indemnification by Seller. Subject to the terms and conditions of this Article X, following the Closing, Seller shall for itself (where it is acting as Seller), and otherwise as agent for the Seller Group, indemnify Buyer, each of its Affiliates, and their respective successors, assigns, officers, directors, employees (each, a "Buyer Indemnified Person") and agents against, and hold them harmless from, any Loss suffered or incurred by any such Indemnified Person, whether such Loss exists or accrues prior or subsequent to the Closing Date resulting from or in connection with:

- (a) any breach or inaccuracy of any representation or warranty of Seller contained in this Agreement;
- (b) any breach of any covenant or agreement of Seller contained in this Agreement;
- (c) any Liabilities in respect of the Warranty Obligations and the Return Obligations that, in the aggregate, exceed [***]; and
- (d) any of the Excluded Liabilities.

10.3 Indemnification by Buyer. Subject to the terms and conditions of this Article X, following the Closing, Buyer shall for itself (where it is acting as Buyer), and otherwise as agent for the Buyer Group, indemnify Seller, each of its Affiliates, and their respective successors, assigns, officers, directors, employees and agents (each, a "Seller Indemnified Person") against, and hold them harmless from, any Loss suffered or incurred by any such Indemnified Person, whether such Loss exists or accrues prior or subsequent to the Closing Date resulting from or in connection with:

- (a) any breach or inaccuracy of any representation or warranty of Buyer contained in this Agreement;
-

- (b) any breach of any covenant or agreement of Buyer contained in this Agreement; and
- (c) any of the Assumed Liabilities.

10.4 Limitation on Indemnification. Notwithstanding the foregoing (i) other than in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency) or in the case of Fraud or Intentional Misrepresentation, (A) Seller shall have no Liability under Section 10.2(a), and (B) Buyer shall have no Liability under Section 10.3(a), until in each case the aggregate of all Losses of the Indemnified Persons thereunder exceeds [***] (the “Deductible”), at which point the Indemnifying Person will be obligated to indemnify the Indemnified Persons against all Losses that exceed [***] without regard to the Deductible, (ii) other than in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency) or in the case of Fraud or Intentional Misrepresentation, the aggregate Liability for Seller under Section 10.2(a) for all Losses shall in no event exceed [***], (iii) except in the case of Fraud or Intentional Misrepresentation (A) the aggregate Liability for Seller under Section 10.2(a) (in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency)), 10.2(b), 10.2(c), and 10.2(d) and (B) the aggregate Liability for Buyer under Sections 10.3(a) and 10.3(b), in each case for all Losses, shall in no event exceed [***], and (iv) (A) the aggregate Liability for Seller under Section 10.2(e) and (B) the aggregate Liability for Buyer under Sections 10.3(c), shall in each case be unlimited.

10.5 Losses. Subject to the terms and conditions of this Article X following the Closing:

- (a) When determining the amount of Losses suffered by an Indemnified Person as a result of any breach, inaccuracy or failure of any representation, warranty, covenant or agreement given or made by Seller or Buyer that is qualified or limited in scope as to materiality, Business Material Adverse Effect or Knowledge, such representation, warranty, covenant or agreement shall be deemed to be made or given without such qualification or limitation;
 - (b) Losses shall be limited to the amount of any Liability that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or similar payment actually received by the Indemnified Person in respect of any such claim (net of any fees, expenses or similar costs incurred by the Indemnified Person in connection with such collection or recovery, including, without limitation, any increase of insurance premiums), and the Indemnified Person shall use its commercially reasonable efforts to recover under its insurance policies or indemnity, contribution or similar agreements for any such Losses;
 - (c) Each Indemnified Person shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss provided, that neither Buyer nor any of its Affiliates shall be required to seek payment or reimbursement of any Taxes from another Person if Buyer determines in good faith that it would adversely affect any ongoing business or customer relationships;
 - (d) In no event shall any Indemnifying Party be liable to any Indemnified Person for any punitive damages, except to the extent paid to a third party;
 - (e) The indemnities herein are intended solely for the benefit of the Persons expressly identified in this Article X (and their permitted successors and assigns), including, without limitation, those members of the Seller Group and Buyer Group, as the case may be, who are not parties to this Agreement, and are in no way intended to, nor shall they, constitute an agreement for the benefit of, or be enforceable by, any other Person; and
-

(f) If an Indemnified Person's claim under this Article X may be brought under multiple subsections of Section 10.2, then such Indemnified Person shall have the right to bring such claim under any one or more applicable section it chooses in accordance with this Article X.

10.6 Termination of Indemnification.

The obligations to indemnify and hold harmless an Indemnified Person pursuant to Section 10.2 shall survive indefinitely, except to the extent an applicable representation, warranty, covenant or agreement terminates pursuant to Section 10.1, *provided*, *however*, that such obligations to indemnify and hold harmless shall not terminate with respect to any specific matter as to which the Person to be indemnified shall have, before the expiration of the applicable period, previously made a claim by delivering a Claim Certificate to the Indemnifying Person.

10.7 Procedures Relating to Indemnification.

(a) Claims for Indemnification. Whenever any claim shall arise for indemnification hereunder, the Indemnified Person shall promptly provide a Claim Certificate to the Indemnifying Party. If the Indemnifying Person does not object in writing within the thirty (30) calendar day period after delivery by Buyer of the Claim Certificate to the Indemnifying Person (the "Objection Period"), such failure to so object shall be an irrevocable acknowledgment by the Indemnifying Person that the Indemnified Person is entitled to the full amount of the claim for Losses set forth in such Claim Certificate (such amount, the "Claim Amount"), and, (x) in the case of a claim against the Escrow Fund, the parties agree to promptly, and in no event later than three (3) business days after the expiration of the Objection Period, execute and deliver to the Escrow Agent a joint written direction to cause the Escrow Agent to release, from the Escrow Fund, the Claim Amount to the Indemnified Party, and (y) in the case that an Indemnified Person pursues a claim directly against an Indemnifying Person, the Indemnifying Person shall promptly, and in no event later than three (3) business days after the expiration of the Objection Period, deliver by wire transfer of immediately available funds to an account designated in writing by the Indemnified Person an amount in cash equal to the Claim Amount.

(b) Objections to Claims.

(i) If such Indemnifying Person shall deliver to the Indemnified Person a written objection (an "Objection Notice") to any claim or claims made in any Claim Certificate (which such Objection Notice shall specify, in reasonable detail, the Indemnifying Person's basis for objecting to the claim or claims made in such Claim Certificate and the amount of Losses stated therein) prior to the expiration of the Objection Period, the Indemnifying Person and the Indemnified Person shall attempt in good faith to agree upon the rights and obligations of the respective parties with respect to each of such claims. If the Indemnifying Person and the Indemnified Person should so agree, a memorandum setting forth such agreement shall be promptly prepared and signed by both parties and, (x) in the case of a claim against the Escrow Fund, shall be furnished to the Escrow Agent together with a joint written instruction to cause the Escrow Agent to release cash from the Escrow Fund in accordance with the agreement set forth in such memorandum (y) and, in the case of a claim directly against an Indemnifying Person, to such Indemnifying Person, and such Indemnifying Person shall promptly deliver by wire transfer of immediately available funds to an account designated in writing by the Indemnified Person the cash amount set forth in such memorandum.

(ii) If no such agreement can be reached after good faith negotiation and prior to thirty (30) calendar days after delivery of an Objection Notice, either the Indemnifying Person or the Indemnified Person may take such legal action as is permitted in accordance with the terms of this

Agreement and, in the case of a claim against the Escrow Fund, upon a final resolution of such legal action, the Indemnifying Person and the Indemnified Person shall promptly (and in no event later than three (3) business days following such final resolution) cause the Escrow Agent, to release cash from the Escrow Fund in accordance with the terms of such award, judgment, decree or order as applicable.

(c) Third-Party Claims.

(i) In order for an Indemnified Person to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim made by any third party against the Indemnified Person (a “Third-Party Claim”), such Indemnified Person must promptly provide the Indemnifying Person with a Claim Certificate regarding the Third-Party Claim; *provided, however*, that failure to give such notification promptly shall not affect the indemnification provided hereunder except to the extent the Indemnifying Person shall have been actually and materially prejudiced as a result of such failure. Thereafter, the Indemnified Person shall deliver to the Indemnifying Person, promptly after the Indemnified Person’s receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Person relating to the Third-Party Claim.

(ii) If a Third-Party Claim is made against an Indemnified Person, the Indemnifying Persons shall be entitled, at the Indemnifying Persons’ expense, to participate in the defense and, if it so chooses, to assume the defense of, such Third Party Claim, with counsel selected by the Indemnifying Persons. Should the Indemnifying Persons so elect to assume the defense of a Third-Party Claim, the Indemnifying Persons will not be liable to the Indemnified Persons for legal fees and expenses subsequently incurred by the Indemnified Persons in connection with the defense thereof. If the Indemnifying Persons assume such defense, the Indemnified Persons shall have the right to participate in the defense of such Third-Party Claim and, at their own expense, to employ counsel reasonably acceptable to the Indemnifying Persons, separate from the counsel employed by the Indemnifying Persons (it being understood that the Indemnifying Persons shall control such defense). The Indemnifying Persons shall be liable for the fees and expenses of counsel employed by the Indemnified Parties for any period during which the Indemnifying Person has not assumed the defense thereof within ten (10) Business Days of being notified in writing by the Indemnified Persons of such Third Party Claim. If the Indemnifying Persons choose to defend or prosecute any Third-Party Claim, all the parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Persons’ request) the provision to the Indemnifying Persons of records and information which are reasonably relevant to such Third-Party Claim, and making officers, directors, employees and agents of the Indemnified Parties available on a mutually convenient basis to provide information, testimony at depositions, hearings or trials, and such other assistance as may be reasonably requested by the Indemnifying Persons. Notwithstanding the foregoing, in the event a Third-Party Claim is made against an Indemnified Person as to which such Indemnified Person is entitled to seek indemnification hereunder and such Third-Party Claim involves a claim (i) that, in the reasonable judgment of the Indemnified Persons, could materially adversely affect the Business or the Buyer Group’s other businesses in any respect, (ii) relating to, or otherwise in connection with, the Transferred Technology or the Transferred Intellectual Property Rights, or (iii) involving criminal Liability of any Indemnified Person or in which equitable relief (including without limitation injunctive relief) is sought against any Indemnified Persons, then in each such case the Indemnifying Person shall not have the right to elect to retain the defense of such Third-Party Claim (or, if such Third-Party Claim was previously assumed by the Indemnifying Persons, the Indemnifying Persons shall immediately relinquish control thereof to the Indemnified Persons), *provided, however*, clauses (i) and (ii) shall not apply in respect of a Third-Party Claims relating to Taxes. Whether or not the Indemnifying Persons shall have assumed the defense of a Third-Party Claim, the Indemnified Persons shall not admit any Liability with respect to, or

settle, compromise or discharge, such Third-Party Claim without the Indemnifying Persons' prior written consent (which consent shall not be unreasonably withheld or delayed).

(iii) The Indemnifying Persons shall not admit any Liability with respect to, or settle, compromise or discharge any Third-Party Claim without the Indemnified Persons' prior written consent (which consent shall not be unreasonably withheld or delayed). In the event that the Indemnifying Persons have consented to any settlement hereunder, the Indemnifying Persons shall have no power or authority to object under any provision of this Article X to the amount of any Third-Party Claim by Buyer against the Escrow Fund, or against the Indemnifying Persons directly, as the case may be, with respect to such settlement. The Escrow Agent shall not disburse any portion of the Escrow Fund to any third party except in accordance with joint written instructions received from Buyer and Seller.

10.8 Escrow.

(a) Escrow Fund. A portion of the Purchase Price equal to the Escrow Amount shall be deposited with the Escrow Agent, and such funds (together with any interest or other earnings on such Escrow Amount) (the "Escrow Fund") shall be available to compensate the Indemnified Persons for any claims by such parties for any Losses suffered or incurred by them and for which they are entitled to recovery under this Article X. Except in the case of Fraud or Intentional Misrepresentation, the parties agree that the Escrow Fund is the sole and exclusive source of recovery for claims made under Section 10.2(a) for monetary damages (other than claims for any breach or inaccuracy of any Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency)) and the first source of recovery for any other claims made under Section 10.2.

(b) Escrow Period; Distribution upon Termination of Escrow Periods. Subject to the following requirements, the Escrow Fund shall be in existence immediately following the Closing and shall terminate at 5:00 p.m. Pacific time on the Survival Date (the "Escrow Period"). On the date that is [***] following the Closing Date (the "Initial Distribution Date"), Buyer and Seller shall deliver a joint written instruction to cause the Escrow Agent to distribute to Seller [***] of the difference between (i) the funds remaining in the Escrow Fund as of such date *minus* (ii) any amount in respect of any unsatisfied claims specified in any Claim Certificate ("Unresolved Claims") delivered to the Escrow Agent and Seller prior to the Initial Distribution Date. On the Survival Date, Buyer and Seller shall deliver a joint written instruction to cause the Escrow Agent to distribute the remaining portion of the Escrow Fund to Seller; *provided, however*, that the Escrow Fund shall not terminate with respect to any amount in respect of any Unresolved Claims delivered to the Escrow Agent and Seller prior to the Survival Date, and any such amount shall not be distributed to Seller at such time. As soon as all such Unresolved Claims have been resolved Buyer and Seller shall deliver a joint written instruction to cause the Escrow Agent to (i) deliver to Buyer the remaining portion of the Escrow Fund required to satisfy such Unresolved Claims and (ii) deliver to Seller the remaining portion of the Escrow Fund, if any, not required to satisfy such Unresolved Claims.

10.9 Exclusive Remedies. Subject to Section 12.3, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for monetary damages under Article X or otherwise relating to the subject matter of this Agreement (other than claims arising from Fraud or Intentional Misrepresentation) shall be pursuant to the indemnification provisions set forth in this Article X.

10.10 Purchase Price Adjustment. Any payments pursuant to this Article X shall be treated for all Tax purposes as an adjustment to the purchase price payable for the Business under this Agreement, except as otherwise required by applicable Law.

ARTICAL XI

TERMINATION OF AGGREMENT

11.1 Termination. This Agreement may be terminated prior to the Closing as follows:

(a) By the mutual written consent of the Buyer and Seller;

(b) By either Buyer on the one hand or Seller on the other hand, if the Closing shall not have occurred on or before [***] (the “Termination Date”); *provided, however*, that the right to terminate this Agreement under this subsection (b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been a primary cause of, or resulted in, the failure of the Closing to occur prior to such date and such failure to fulfill any obligation constitutes a breach of this Agreement; *provided, further*, that (A) if the condition set forth in Section 9.1(b) shall not have been satisfied on or before the Termination Date because of the failure to obtain the approvals described therein but all of the other conditions set forth in Article IX have been satisfied (or are capable of being satisfied at Closing), either Buyer or Seller may extend the Termination Date until [***], by notice delivered to the other party, in which case the Termination Date shall be deemed for all purposes to be such date (the “First Extension”) and (B) if either such party exercises the First Extension and, on the new Termination Date after the First Extension the condition set forth in Section 9.1(b) shall not have been satisfied on or before such new Termination Date because of the failure to obtain the approvals described therein but all of the other conditions set forth in Article IX have been satisfied (or are capable of being satisfied at Closing), either Buyer or Seller may extend the Termination Date until [***], by notice delivered to the other party, in which case the Termination Date shall be deemed for all purposes to be such date;

(c) By either Buyer on the one hand or Seller on the other hand if (i) the consummation of the Transactions shall violate any Order that shall have become final and non-appealable or (ii) there shall be a Law that makes the Transactions illegal or otherwise prohibited; or

(d) By either Buyer on the one hand or Seller on the other hand, by giving written notice to the other party, in the event of a material breach of this Agreement by the non-terminating party if such non-terminating party fails to cure such breach within thirty (30) calendar days following written notification thereof by the terminating party.

11.2 Effect of Termination. In the event of termination of this Agreement as permitted by Section 11.1, this Agreement shall become void and of no further force and effect, except for the following provisions, which shall remain in full force and effect: Section 7.12 (Publicity), Section 8.1(a) (Confidentiality), this Section 11.2 and Article XII. Nothing in this Section 11.2 shall be deemed to release any party from any Liability for any material breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement.

ARTICAL XII

MISCELLANEOUS

12.1 Expenses. Whether or not the Transactions are consummated, and except as otherwise provided in this Agreement, Seller, on the one hand, and Buyer, on the other hand shall bear their respective fees, costs and expenses (including legal and accounting fees) incurred in connection with the preparation, negotiation, execution and performance of this Agreement, the other Transaction Documents and the Transactions. Buyer shall pay one-half and Seller shall pay one-half of: (a) all filing fees required

in connection with the Transaction pursuant to the HSR Act or any other applicable Antitrust Regulations, including those from the European Union, and (b) the fees and expenses of the Escrow Agent (as defined in the Escrow Agreement) under the Escrow Agreement.

12.2 Governing Law. This Agreement will be governed by and construed in accordance with the internal Laws of the State of Delaware applicable to agreements made and to be performed entirely within such State, without regard to the conflicts of Law principles that would require the application of any other Law.

12.3 Enforcement. Each party hereto acknowledges that the other party will be irreparably harmed and that there will be no adequate remedy at Law for any violation by any party of any of the covenants or agreements contained in this Agreement, including the noncompetition and confidentiality obligations set forth in Article X. It is accordingly agreed that, in addition to any other remedies that may be available upon the breach of any such covenants or agreements, each party hereto shall have the right to injunctive relief to restrain a breach or threatened breach of, or otherwise to obtain specific performance of, the other party's covenants and agreements contained in this Agreement.

12.4 Attorneys' Fees. [***]

12.5 Waiver. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the other Transaction Documents will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable Law, (a) no claim or right arising out of this Agreement or any of the other Transaction Documents can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or any of the other Transaction Documents. Any extension or waiver by any party of any provision hereto shall be valid only if set forth in an instrument in writing signed on behalf of such party.

12.6 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed given to a party when (a) delivered by hand or by a nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile with confirmation of transmission by the transmitting equipment, or (c) sent by electronic mail without any mail delivery errors, in each case to the following:

if to Seller, to:

AG Acquisition Corporation
[***]

with a copy (which shall not constitute notice) to:

Foley Hoag LLP
[***]

if to Buyer, to:

Logitech Europe S.A.
[***]

with a copy to (which shall not constitute notice):

Wilson Sonsini Goodrich & Rosati
Professional Corporation
[***]

Either party hereto may change its contact information for notices and other communications hereunder by notice to the other party hereto.

12.7 Assignment. This Agreement and the rights, obligations or liabilities of the parties hereunder shall not be assigned or transferred by either party (including by operation of Law or in connection with a merger or sale of substantially all the assets, stock or membership interests of such party) without the prior written consent of the other party (which shall not be unreasonably withheld); *provided, however*, that (x) Buyer may assign any or all of its rights hereunder, other than the parent guaranty set forth in Section 7.14, to any of its Affiliates and (y) either Buyer or Seller may assign any or all of its rights hereunder in connection with a change of control of such party (including by operation of law, merger, or the sale of all or substantially all of equity interests of such party) or in connection with a sale of all or substantially all of the assets of such party only if the acquirer expressly assumes (in writing) all of the liabilities and obligations of such party set forth in this Agreement and each Ancillary Agreement. Subject to the preceding sentence, this Agreement shall apply to, be binding in all respects upon and inure to the benefit of the permitted assigns of the parties. Any attempted assignment in violation of the provisions hereof shall be null and void and have no effect.

12.8 No Third-Party Beneficiaries. Except for Indemnified Persons as contemplated in Sections 10.2, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such assigns, any legal or equitable rights, remedy or claim hereunder.

12.9 Amendments. This Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of each of Buyer and Seller.

12.10 Interpretation, Exhibits and Schedules.

(a) The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement, are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include”, “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation.” Except when the context otherwise requires, references to Sections, Articles, Exhibits or Schedules contained herein refer to Sections, Articles, Exhibits or Schedules of this Agreement. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

Any capitalized terms used in any Schedule or Exhibit, but not otherwise defined therein, shall have the meaning as defined in this Agreement.

(b) All accounting terms shall have the meaning specified by GAAP unless otherwise specified, and all financial statements and certificates and reports as to financial matters required to be delivered hereunder shall be prepared in accordance with GAAP.

(c) All references to “Dollars” or “\$” means the official currency of the United States.

(d) References to any statute or regulation are to such statute or regulation, as amended, modified, supplemented or replaced from time to time (and, in the case of any statute, include any rules and regulations promulgated under such statute) and to any section of any statute or regulation include any successor to such section.

12.11 Entire Agreement. This Agreement (which includes the Schedules hereto) and the other Transaction Documents contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior oral and written agreements and understandings relating to such subject matter.

12.12 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof. The preceding sentence is in addition to and not in place of the severability provisions in Section 8.5.

12.13 Mutual Drafting. The parties hereto are sophisticated and have been represented by lawyers who have carefully negotiated the provisions hereof. As a consequence, the parties do not intend that the presumptions of any Laws or rules relating to the interpretation of contracts against the drafter of any particular clause should be applied to this Agreement and therefore waive their effects.

12.14 Counterparts. This Agreement may be executed in counterparts, both of which shall be considered one and the same agreement, and shall become effective when both such counterparts have been signed by each of the parties and delivered to the other party. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts. Once this Agreement is signed, any reproduction of this Agreement made by reliable means (for example, photocopy or facsimile) is considered an original, to the extent permissible under applicable Law.

12.15 Attorney-Client Privilege. Each party to this Agreement agrees to permit (and shall take reasonable steps requested by any party hereto at such requesting party’s expense so that) any privilege attaching as a result of the services provided by Foley Hoag LLP as counsel to the Seller Group in connection with the transactions contemplated by this Agreement to survive the Closing and to remain in effect, and such privilege shall continue to be controlled solely by the applicable member of the Seller Group following the Closing. In addition, if the Closing occurs, all of the client files and records in the possession of Foley Hoag LLP related to this Agreement shall continue to be property of (and be controlled by) the Seller Group, and Buyer and its Affiliates shall not have any access to them.

12.16 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR

HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT EITHER OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT BETWEEN THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

[SIGNATURE PAGE FOLLOWS ON NEXT PAGE]

[Signature Page to Asset Purchase Agreement]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Asset Purchase Agreement on the date first above written.

AG Acquisition Corporation

By: /s/ [***]

Name: [***]

Title: [***]

For purposes of Section 7.16 only:

Skullcandy, Inc.

By: /s/ [***]

Name: [***]

Title: [***]

[Signature Page to Asset Purchase Agreement]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Asset Purchase Agreement on the date first above written.

Logitech Europe S.A.

By: /s/ [***]

Name: [***]

Title: [***]

By: /s/ [***]

Name: [***]

Title: [***]

For purposes of Section 7.16 only:

Logitech International S.A.

By: /s/ [***]

Name: [***]

Title: [***]

By: /s/ [***]

Name: [***]

Title: [***]

ANNEX A

Definitions

As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Accounting Firm” means Ernst & Young, or if Ernst & Young is unable or unwilling to provide the services required hereunder, then an independent accounting firm that is mutually acceptable to Buyer and Seller.

“Accounts Payable” means (a) all trade accounts payable and obligations to make payments to suppliers and other service providers of the Business, including all trade accounts payable representing amounts payable in respect of goods shipped or products sold or services rendered to the Business, (b) all other accounts payable by the Seller Group, and (c) any claim, remedy or other right related to any of the foregoing.

“Accounts Receivable” means (a) all trade accounts receivable and other rights to payment from customers of the Seller Group, including all trade accounts receivable representing amounts receivable in respect of goods shipped or products sold or services rendered to customers of the Business, (b) all other accounts or notes receivable of the Seller Group, and (c) any claim, remedy or other right related to any of the foregoing.

“Affiliate” means with respect to any Person, any other Person controlling, controlled by or under common control with such first Person. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Ancillary Agreements” means the Assignment and Assumption Agreement, the Bill of Sale, the Escrow Agreement, the Lease Assignment, the IP Assignment Agreements, the Local Asset Transfer Agreements and the Transition Services Agreement.

“A38 Intellectual Property Rights” means, to the extent owned by any member of the Seller Group, the Intellectual Property Rights embodied by the A38 Technology or A38 Products and not in any other Acquired Assets or Business Products, and/or Patents that would, absent a license thereto or ownership thereof, be infringed by the making, using, selling or importing of the A38 Products and not by any other Acquired Assets or Business Products.

“A38 Products” means the Business Products set forth on Schedule A-9.

“A38 Technology” means any member of the Seller Group’s proprietary Technology for on-ear headset cushion design wherein the volume of the cushion is not acoustically coupled to the front cavity volume, as such design is used or embodied in the A38 Products and not in any other Acquired Assets or Business Products.

“Assignment and Assumption Agreement” means an assignment and assumption agreement in the form of Exhibit A hereto.

“Bill of Sale” means the bill of sale substantially in the form of Exhibit B hereto.

“Books and Records” means all business records, personnel records, financial books and records, sales order files, purchase order files, engineering order files, warranty and repair files, supplier lists, customer lists, dealer, representative and distributor lists, studies, and technical data to the extent related primarily to the Business.

“Business” means the Seller Group’s gaming headset business currently conducted under the “Astro” brand, including the Seller Group’s worldwide business and operations of developing and manufacturing the Business Products, having the Business Products developed and manufactured by third parties, marketing, selling, leasing, licensing, and distributing the Business Products, providing customer and engineering support directly and through third parties (including software support) for the Business Products.

“Business Confidential Information” means all material and information (including confidential Technology, customer and supplier lists, pricing information, marketing plans, market studies, client development plans, and business acquisition plans) that is confidential (whether or not specifically labeled or identified as “confidential”) or a Trade Secret, in any form or medium, to the extent primarily related to, or primarily used in the operation of, the Business or part of the Acquired Assets and known to the Transferred Employees or disclosed to Buyer by Seller in connection with the Transactions, including any Transferred Trade Secrets. Notwithstanding the foregoing, “Business Confidential Information” does not include (a) information that was or has become generally available to the public other than as a result of disclosure by Seller after the date hereof in breach of this Agreement, or (b) is independently developed by Seller or any member of the Seller Group after the Closing without the use of the Business Confidential Information and not in violation of this Agreement.

“Business Employee” means, prior to the Closing, each Employee who is employed in or providing services to the Business and listed on Section 4.14(a) of the Disclosure Letter.

“Business Material Adverse Effect” means any change, fact, circumstance, condition, event or effect (each, an “Effect”) that, individually or in the aggregate with all other Effects, is or would reasonably be expected to be materially adverse to (a) the business, operations, assets, liabilities, condition (financial or otherwise), results of operations or workforce of the Business, (b) the ability of the Buyer Group to operate the Business after the Closing Date as it is presently operated or (c) the ability of the Seller Group to perform their respective obligations under this Agreement and the Ancillary Agreements or to consummate the Transactions; *provided, however*, that “Business Material Adverse Effect” shall not include any Effects, directly or indirectly, arising out of or attributable to: (i) changes generally affecting the industry in which the Business operates, or the United States or worldwide economy (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); (ii) general economic or political conditions (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); (v) any changes in applicable Laws or accounting rules (including GAAP) (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); (vi) the announcement, pendency or completion of the transactions contemplated by this Agreement; (vii) any natural or man-made disaster or acts of God (but only to the extent such Effects do not have an adverse effect on the Business that is disproportionate as compared to other businesses in the industry); or (viii) any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions

(provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

“Business Products” means the gaming headsets, controllers and audio products, accessories and merchandise that are, or are proposed to be, marketed, licensed or sold by the Business, or manufactured by or for the Business, and that are listed in Schedule A-1.

“Business Property” means any Real Property currently owned, occupied, leased, or operated by any member of the Seller Group in connection with the Business.

“Buyer Group” means Buyer Parent and each of its direct or indirect subsidiaries (including Buyer).

“Buyer Parent” means Logitech International S.A., a joint stock company incorporated under the laws of Switzerland.

“China RoHS” means China’s Management Methods on the Control of Pollution Caused by Electronic Information Products, as amended, and all implementing Laws.

“Claim Certificate” means a certificate signed by any officer of an Indemnified Person: (1) stating that an Indemnified Person has paid, sustained, incurred, or properly accrued, or reasonably anticipates that it will have to pay, sustain, incur, or accrue Losses, and (2) specifying in reasonable detail the individual items of Losses included in the amount so stated, the date each such item was paid, sustained, incurred, or properly accrued, or the basis for such anticipated Liability, and, if applicable, the nature of the misrepresentation, breach of warranty or covenant to which such item is related.

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

“Confidentiality Agreement” means that certain mutual non-disclosure agreement, dated as of April 18, 2016, and amended as of February 15, 2017, between Seller Parent, Seller and Buyer Parent.

“Contracts” means all binding contracts, agreements, subcontracts, indentures, notes, bonds, loans, instruments, leases, subleases, mortgages, franchises, licenses, purchase orders, sale orders, proposals, bids, understandings or commitments.

“Copyable Technology” means Technology that is a form that can be copied or replicated without material cost, including documentation, Software, and computer and data files.

“Copyright” means copyrights (whether or not registered in any jurisdiction) and applications for registration of copyright and similar or equivalent rights in works of authorship, including mask work rights, arising anywhere in the world.

“Covered Intellectual Property” means any Intellectual Property Rights (other than Trademarks and Internet Domains) owned or licensable by any member of the Seller Group that (i) absent a license thereto or ownership thereof, would have been infringed or misappropriated by the operation of the Business, including with respect to the design, development, manufacture, marketing, selling, leasing, licensing, and distribution of Business Products, or the Acquired Assets, and/or (ii) in the case of Copyrights and Trade Secrets, are embodied by, or disclosed by, the Acquired Assets, in each case as of or prior to the Closing Date. Notwithstanding the foregoing, except as provided in Section 6.3, the Covered Intellectual Property does not include the Excluded Patents.

“Employee Benefit Arrangements” means deferred compensation, option or other equity-based program, accidental death and dismemberment, life and health insurance and benefits (including medical, dental, vision and hospitalization), short- and long-term disability, fringe benefit, cafeteria plan, flexible spending account programs, bonus or incentive compensation (including such compensation related to the Transactions, whether paid by Seller or others), employment, severance, any plans, arrangements, or agreements providing benefits or payments in the event of a change of control, change in ownership or effective control or sale of a substantial portion (including all or substantially all) of the assets of any business or portion thereof, and any other employee benefit arrangements, plans, contracts, policies or practices providing employee or executive compensation or benefits to any Business Employee, other than the Employee Plans.

“Employee” means any current or former employee, consultant, advisor, independent contractor, agent, officer or director of Seller or any ERISA Affiliate.

“Employee Plans” means each and all “employee benefit plans,” as defined in Section 3(3) of ERISA, maintained or contributed to by any member of the Seller Group or in which any member of the Seller Group participates or participated and which provides benefits to Business Employees or arrangements that would be so defined if they were not (a) otherwise exempt from ERISA by that or another section, (b) maintained outside the United States, or (c) individually negotiated or applicable only to one person and any such previously maintained plan or arrangement as to which any member of the Seller Group retains Liability.

“Environmental Claim” means any notice or claim alleging or asserting Liability for investigatory costs, cleanup costs, Governmental Entity response costs, remedial or corrective action, damages to natural resources or other property, personal injuries, or fines or penalties relating to (a) the presence or Release into the environment, of any Hazardous Material, or (b) circumstances forming the basis of any violation, or alleged violation, of, or any Liability under, any Environmental Law.

“Environmental Law” means any Law intending to protect, regulate or control the environment, pollution, natural resources, human health and safety, any Hazardous Material or any Hazardous Material Activity, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Clean Water Act, as amended, the Clean Air Act, as amended, the OSHA, the WEEE Directive, the RoHS Directive, and the China RoHS.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” means Bank of America, N.A.

“Escrow Agreement” means an Escrow Agreement substantially in the form of Exhibit C hereto.

“Escrow Amount” means [***].

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Excluded Patents” means those Patents of Seller Group, which claim Seller’s “bone-crusher,” haptic inventions, listed on Schedule A-8.

“Facilities” means all buildings and improvements and “Facility” means any of the foregoing.

“Fraud” means fraud with the intent to deceive in connection with the transactions contemplated by this Agreement.

“GAAP” means United States generally accepted accounting principles, consistently applied.

“Governing Documents” means the certificate of incorporation of Seller and the bylaws of Seller, each as amended from time to time.

“Government Contract” means any prime Contract, subcontract, basic ordering agreement, letter Contract, purchase order, delivery order, bid, change order, arrangement or other commitment of any kind relating to the Business entered into between Seller and/or any other member of the Seller Group, on the one hand, and (a) the United States Government or any Non-U.S. Government, (b) any prime contractor to the United States Government or any Non-U.S. Government (in its capacity as such), or (c) any subcontractor with respect to any Contract described in clauses (a) or (b), on the other hand.

“Governmental Authorization” means any consent, approval, license, registration, security clearance, authorization, certificate or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or pursuant to any Law, including, where relevant, any Taxing Authority.

“Governmental Entity” means any court, tribunal, arbitrator or any government or quasi-governmental entity or municipality or political or other subdivision thereof, whether federal, state, city, county, local, provincial, non-U.S. or multinational, or any agency, department, board, authority, bureau, branch, commission, official or instrumentality of any of the foregoing.

“Hazardous Material” means (a) any petroleum, crude oil, natural gas, or any fraction, product or derivative thereof, radioactive materials, asbestos in any form; (b) any material, chemical, emission, substance, or waste that is toxic, hazardous, a pollutant, a contaminant, or otherwise a danger to health, reproduction or the environment; and (c) any other material, chemical, emission, or substance, or waste that is limited or regulated, or for which liability or standards of conduct may be imposed, by any Environmental Law.

“Hazardous Materials Activity” is the transportation, transfer, recycling, storage, use, treatment, disposal of, arrangement for the disposal of, discharge, manufacture, removal, remediation, release, labeling, exposure of others to, sale, or distribution of any Hazardous Material or any product or waste containing a Hazardous Material, including, without limitation, compliance with any recycling, product take-back or product content requirements (including, but not limited to, the RoHS Directive, WEEE Directive, and China RoHS, and their implementing Laws).

“HSR Act” means the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended.

“Indebtedness” of any Person means, without duplication: (a) all Liabilities of such Person for borrowed money, whether current or funded, secured or unsecured, all obligations evidenced by bonds, debentures, notes or similar instruments, and all Liabilities in respect of mandatorily redeemable or purchasable share capital or securities convertible into share capital; (b) all Liabilities of such Person for the deferred purchase price of property or services, which are required to be classified and accounted for under GAAP as Liabilities; (c) all Liabilities of such Person in respect of any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which are, and to the extent, required to be classified and accounted for under GAAP as capital leases; (d) all Liabilities of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction

securing obligations of a type described in clauses (a), (b) or (c) above to the extent of the obligation secured; and (e) all guarantees by such Person of any Liabilities of a third party of a nature similar to the types of Liabilities described in clauses (a), (b), (c) or (d) above, to the extent of the obligation guaranteed.

“ Indemnified Person ” means any Person claiming indemnification under any provision of Article X.

“ Indemnifying Person ” means any Person(s) against whom a claim for indemnification is being asserted pursuant to the provisions of Article X.

“ Infrastructure Assets ” means any assets (including Technology) used by the Seller Group in the general operation of its business regardless of whether such assets are also used in the operation of the Business, including e-mail systems; servers, network, telephone and communication systems and equipment; HR, accounting and payroll systems; IT systems; desktop computer software; database software; and general software development or control systems, tools or environments.

“ Intellectual Property Rights ” means any and all of the rights in or associated with the following throughout, or anywhere in, the world: (a) Patents, (b) Trademarks, (c) Copyrights, (d) Trade Secrets (e) Internet Properties, and (f) any equivalent right to any of the foregoing.

“ Intentional Misrepresentation ” shall mean, with respect to any Person, an actual and intentional misrepresentation with respect to the making of the representations and warranties of such party pursuant to this Agreement or any other Transaction Document to which such Person is a party; *provided* that such actual and intentional misrepresentation of the Seller or the Buyer, as the case may be, shall only be deemed to exist if any of the individuals included in the definition of “Knowledge” with respect to such Person had actual knowledge (as opposed to imputed or constructive knowledge) that the representations and warranties made by such Person pursuant to this Agreement or any other Transaction Document to which such Person is a party were actually breached when made.

“ International Employee Plan ” means each Employee Plan or Employee Benefit Arrangement that provides compensation or benefits to Business Employees who perform employment or other services outside the United States.

“ Internet Properties ” means Uniform Resource Locators, Web site addresses and domain names.

“ Inventor Assignment Agreement ” means an agreement with the respective Inventor assigning all right, title and interest to the Transferred Patents.

“ Inventor ” means each of the named inventors of each of the Transferred Patents as well as any inventor who should be or should have been named on each of the Transferred Patents.

“ Inventory ” means all raw materials, work-in-process, semi-finished goods, finished goods and merchandise, spare parts, packaging and other supplies related thereto.

“ Key Employee ” means [***].

“ Knowledge of Buyer ” means those facts or circumstances actually known by any of the Specified Officers of Buyer after due inquiry of such officer’s direct reports. For purposes of this definition, the term “ Specified Officers of Buyer ” means [***].

“Knowledge of Seller” means those facts or circumstances actually known by any of the Specified Officers of Seller after due inquiry of such officer’s direct reports. For purposes of this definition, the term “Specified Officers of Seller” means each of [***].

“Law” means any law, statute, principle of common law, rule, regulation, ordinance, code, directive, order, and other pronouncement having the effect of law of the United States of America, of any member state of the European Union, of any other country or any domestic or non-U.S. state, or of any Governmental Entity.

“Lease Agreement” means the lease agreement(s) for the Business Leasehold Property, as more specifically described on Schedule 1.1(b).

“Lease Assignment” means the assignments and assumption of Seller’s interest in the Transferred Lease Agreement in the form of Exhibit D hereto.

“Liability” means any direct or indirect liability, indebtedness, guaranty, claim, loss, damage, deficiency, assessment, obligation or responsibility, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, known or unknown, contingent or otherwise.

“Lien” means any mortgage, lien, pledge, hypothecation, charge, preference, security interest, attachment, claim, restriction, including transfer restrictions, put, call, right of first refusal, easement, servitude, right-of-way, option, warrant, conditional sale or installment contract or encumbrance of any kind and any financing lease involving substantially the same effect.

“Lien Releases” means duly executed written instruments, each in a form reasonably acceptable to Buyer, releasing the Liens other than Permitted Liens on the Acquired Assets.

“Loss” or “Losses” means any direct or indirect Liability, claim, loss, damage, Tax, deficiency, settlement, fine, cost, interest, award, judgment, penalty, charge or expense, including reasonable and documented attorneys’ and consultants’ fees and expenses, and including any out-of-pocket expenses incurred in connection with investigating, defending against or settling any of the foregoing.

“M&A Qualified Beneficiaries” shall have the meaning set forth in U.S. Treasury Regulation Section 54.4980B-9, Q&A-4(a).

“Non-Business Employees” means any Employee other than a Business Employee.

“Non-Copyable Technology” means Technology that is not Copyable Technology, including, for example, hardware, equipment, and mask works.

“Non-U.S. Government” means any non-U.S. government and any branches and instrumentalities, including departments, agencies, bureaus, commissions, boards, courts, corporations, offices and other entities or divisions thereof.

“Object Code” means one or more computer instructions in machine readable form (whether or not packaged in directly executable form), including any such instructions that are readable in a virtual machine, whether or not derived from Source Code, together with any partially compiled or intermediate code that may result from the compilation, assembly or interpretation of any Source Code.

“Open Source Materials” mean any Software or other material that is distributed as “free software”, “open source software” or under a similar licensing or distribution model, or which is subject to any license

meeting the definition of “Open Source” promulgated by the Open Source Initiative, available online at <http://www.opensource.org/osd.html> (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License).

“Order” means any writ, judgment, decree, award, ruling, injunction or similar order of any Governmental Entity, in each case whether preliminary or final.

“OSHA” means the Occupational, Safety and Health Act of 1970 and any regulations, decisions or orders promulgated thereunder, including any state or local Law, regulation or ordinance pertaining to worker, employee or occupational safety or health in effect as of the Closing Date or as thereafter may be amended or superseded.

“Patent Application” means an application or filing for a Patent, including, provisional patent applications and regular patent applications, and claims of priority under any treaty or convention, anywhere in the world.

“Patents” means patents, statutory invention registrations, including reissues, divisions, continuations, continuations-in-part, extensions, and reexaminations thereof, and all rights therein provided by international treaties and conventions. Unless the context otherwise requires, the term “Patent” includes any Patent Application.

“Pension Plan” means each Employee Plan which is an “employee pension benefit plan,” within the meaning of Section 3(2) of ERISA.

“Permitted Lien” means: (a) any Lien for Taxes not yet due or payable; (b) any statutory Lien arising in the ordinary course of business by operation of Law for amounts not yet due or payable; (c) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business for amounts not delinquent; (d) easements, rights of way, zoning ordinances and other similar encumbrances affecting Real Property that do not materially affect the use or value of the asset; and (e) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business.

“Person” means any individual, corporation, partnership, limited liability company, firm, joint venture, association, company, trust, unincorporated organization, Governmental Entity or other entity.

“Personally Identifiable Information” means any information that alone or in combination with other information held by any member of the Seller Group can be used to specifically identify a Person.

“Proceeding” means any action, suit, claim, complaint, investigation, litigation, arbitration or other, proceeding by or before any court or Governmental Entity, any arbitrator or other tribunal, but does not include any proceeding brought by a Governmental Entity relating to Taxes.

“Real Property” means real property together with all easements, licenses, interests and all of the rights arising out of the ownership thereof or appurtenant thereto and together with all buildings, structures, facilities, fixtures and other improvements thereon.

“Registered IPR” means any Intellectual Property Right that is subject to an application, filing or registration with any Governmental Entity (including the U.S. Patent and Trademark Office or the U.S.

Copyright Office), including any Patent, registered Trademark, or any registered Copyright, or any application for the registration or issuance of any of the foregoing.

“Release” means any release, spill, emission, leaking, pumping, injection, deposit, pouring, emptying, disposal, dumping, discharge, dispersal, leaching, escaping, emanation or migration in, into, or onto, or through the environment or any natural or man-made structure.

“Retained Technology” means, if any, copies of any Transferred Technology that is Copyable Technology and that is being used by Seller as of the date hereof in its business other than the Business.

“RoHS Directive” means the European Union Directive 2011/65/EU on the Restriction on the Use of Hazardous Substances, as amended, and all implementing Laws.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Segment Financial Statements” means the balance sheets and related statements of income of the Business as of and for the applicable referenced dates and periods.

“Seller Group” means Seller Parent and each of its direct or indirect subsidiaries (including Seller).

“Seller Parent” means Skullcandy, Inc., a Delaware corporation and parent of Seller.

“Seller Retained Environmental Liabilities” means any Liability, obligation, judgment, penalty, fine, cost or expense, of any kind or nature, or the duty to indemnify, defend or reimburse any Person with respect to: (a) the presence on or before the Closing Date of any Hazardous Material in the soil, groundwater, surface water, air or building materials of any Business Property (“Pre-Existing Contamination”); (b) the migration at any time prior to or after the Closing Date of Pre-Existing Contamination to any other real property, or the soil, groundwater, surface water, air or building materials thereof; (c) any Hazardous Material Activity conducted on any Business Property prior to the Closing Date or otherwise occurring prior to the Closing Date in connection with or to benefit the Business (“Pre-Closing Hazardous Materials Activities”); (d) the exposure of any Person to Pre-Existing Contamination or to Hazardous Material in the course of or as a consequence of any Pre-Closing Hazardous Material Activity, without regard to whether any health effect of the exposure has been manifested as of the Closing Date; (e) the violation of any Environmental Law by Seller, a subsidiary of Seller, a member of the Seller Group, their agents, employees, predecessors in interest, contractors, invitees or licensees prior to the Closing Date in connection with the Business or in connection with any Pre-Closing Hazardous Materials Activities prior to the Closing Date; and (f) any actions or proceedings brought or threatened by any third party at any time with respect to any of the foregoing.

“Seller Excluded Technology” means any Technology owned by Seller that is not used in or necessary to the operation of the Business or with respect to the design, development, manufacture, marketing, selling, leasing, licensing, and distribution of Business Products and which is not delivered or disclosed to Buyer Group by Seller Group in accordance with this Agreement.

“Shared Business Confidential Information” means all material and information (including confidential Technology, customer and supplier lists, pricing information, marketing plans, market studies, client development plans, and business acquisition plans) that is confidential (whether or not specifically labeled or identified as “confidential”), or a Trade Secret, in any form or medium, to the extent related (but not exclusively) to, or used (but not exclusively) in the operation of, the Business or the Excluded Assets or Excluded Liabilities and known to the Transferred Employees or disclosed to Buyer by Seller in connection

with the Transactions and that are not Residuals. Notwithstanding the foregoing, “Shared Business Confidential Information” does not include (a) information that was or has become generally available to the public other than as a result of disclosure by Buyer after the date hereof in breach of this Agreement, or (b) is independently developed by Buyer or any member of the Buyer Group after the Closing not in violation of this Agreement.

“Shared Contract” means each Contract of Seller or another member of the Seller Group relating in part to the Business, but not exclusively relating to the Business, and not otherwise listed on Section 1.1(c) of the Disclosure Letter as a Transferred Contract.

“Software” means computer software and code, including assemblers, applets, compilers, routines, modules, Source Code, Object Code, data (including image and sound data), design tools and user interfaces, in any form or format, however fixed, and any related documentation.

“Source Code” means one or more statements in human readable form, including comments, definitions and annotations, which are generally formed and organized to the syntax of a computer or programmable logic programming language.

“Tangible Property” means, other than Technology, all furniture, fixtures, equipment (including motor vehicles), prototypes, masks, computer hardware, office equipment and apparatuses, tools, machinery and supplies, sales literature, catalogues, brochures, promotional literature, customer, supplier and distributor lists, art work, other marketing materials, brand-related assets and collateral and other tangible property (other than Inventory) of every kind owned or leased (wherever located and whether or not carried on the books and records), together with any express or implied warranty by the manufacturers, sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

“Tax Return” means any U.S. federal, state, local, provincial and non-U.S. return, declaration, claim for refund, form, report, information return or similar statement or document, together with any amendments thereof and any schedule or other attachment thereto, filed or required to be filed with any Taxing Authority in connection with the determination, assessment or collection of any Tax.

“Tax”, or, collectively, “Taxes” means (a) any and all taxes, assessments and other similar charges, duties and impositions in the nature of taxes imposed by any Governmental Entity, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, capital, value added (“VAT”), goods and services, ad valorem, transfer (including real estate transfer), franchise, withholding, payroll, recapture, employment (including social security, unemployment, health, unemployment, workers’ compensation and pension insurance), escheat, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts.

“Taxing Authority” means any Governmental Entity having jurisdiction over the assessment, collection or imposition of Taxes.

“Technology” means Software, designs, design and manufacturing documentation (such as bill of materials, build instructions and test reports), schematics, algorithms, databases, lab notebooks, development and lab equipment, devices, know-how, inventions, invention disclosures (whether or not patentable and whether or not reduced to practice), inventor rights, reports, discoveries, developments, research and test data, models, circuit boards, gerber files, blueprints, ideas, compositions, quality records, engineering notebooks, models, processes, procedures, prototypes, patent records, manufacturing and product procedures and techniques, troubleshooting procedures, failure/defect analysis data, drawings, specifications, ingredient or component lists, formulae, plans, proposals, technical data, works of authorship, financial, marketing,

customer and business data, pricing and cost information, business and marketing plans, selling information, marketing information, customer and supplier lists and information, confidential and proprietary information, and all other tangible embodiments, whether in electronic, written or other media, of Intellectual Property Rights and of any of the foregoing.

“Third Party Assignment Agreements” means any agreement with third parties assigning right, title or interest to the Transferred Patents.

“Third Party Expenses” means all fees and expenses incurred by or on behalf of any member of the Seller Group (and whether paid prior to, at or after the Closing Date) in connection with this Agreement and the Transactions, including, without duplication: (a) all legal, accounting, financial advisory, consulting, finders and all other fees and expenses of third parties incurred by any member of the Seller Group in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the Transactions; (b) any termination, pre-payment, balloon or similar fees or payments (including penalties) on account of outstanding Indebtedness of the Seller Group, or resulting from the early termination of Contracts, resulting from, or in connection with, the Transactions; (c) any bonus, severance, change-in-control payments or similar payment obligations (including payments with either “single-trigger” or “double-trigger” provisions) of the Seller Group to employees of the Business resulting from, or in connection with, the Transactions; and (d) any payments in connection with any change in control obligations resulting from or in connection with the Transactions.

“Trade Secrets” means all common law and statutory rights in any jurisdiction commonly known as “trade secrets” or that permit the holder of such right to limit the use or disclosure of its know-how and other confidential or proprietary technical, business, and other information.

“Trademarks” means rights in trademarks, service marks, trade dress, logos, trade names, corporate names, Internet Properties and other indicia of source or origin, and including all common law rights thereto, registrations and applications for registration thereof throughout the world, and all rights therein provided by international treaties and conventions.

“Transaction Documents” means (a) this Agreement, (b) the Ancillary Agreements, and (c) all other agreements, certificates and instruments to be executed by and between Buyer or one or more of its Affiliates, on the one hand, and Seller or one or more of its Affiliates, on the other hand, at or prior to the Closing pursuant to this Agreement or any of the Ancillary Agreements.

“Transactions” means the transactions contemplated by the Transaction Documents.

“Transfer Regulations” means any legislation in any member state of the European Union implementing Council Directive 2001/23/EC on the approximation of the Laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses.

“Transferred Contracts” means all Contracts identified on Schedule A-3, and all Contracts entered into after the date hereof that are used in, held for use in, or necessary for the operation of, the Business and that Buyer agrees in writing to assume as an Acquired Asset pursuant to Section 7.13.

“Transferred Copyrights” means the Copyrights owned by the Seller Group in (i) the Transferred Non-Copyable Technology, (ii) Software or other works of authorship included in the Transferred Technology, that is (a) used exclusively in the Business or (b) primarily related to the Business Products (including Copyrights in the documentation for the Business Products, and the Software, designs, drawings,

and other materials included in, or used in the manufacture of, the Business Products), and (iii) the Software or other works of authorship listed on Schedule A-4 but in the case of each of (i), (ii) and (iii), excludes Copyrights included in the A38 Intellectual Property Rights and that are not included in any other Acquired Assets or Business Products.

“Transferred Employees” means those Business Employees who accept an offer of employment from Buyer as provided in Section 7.6.

“Transferred Intellectual Property Rights” means (i) the Transferred Patents, (ii) the Transferred Copyrights, (iii) the Transferred Trademarks, (iv) the Transferred Trade Secrets, (v) the Transferred Internet Properties, and (vi) the rights to enforce, and retain any damages for, the infringement or misappropriation of any of the foregoing and to register, prosecute, maintain or record any of such Intellectual Property Rights with any Governmental Entity after the Closing.

“Transferred Internet Properties” means those Internet Properties listed on Schedule A-5.

“Transferred Patents” means the Patents set forth on Schedule A-6, and all foreign counterparts, reissues, divisionals, renewals, extensions, continuations or continuations-in-part with respect thereto, and all Patents issuing therefrom, claiming priority thereto, or linked thereto by terminal disclaimer.

“Transferred Technology” means: (i) copies of any Copyable Technology owned by the Seller Group to the extent used in the Business including the development, manufacture, support, testing, sale, servicing, or operation of any Business Product, (ii) information (whether or not a Trade Secret) to the extent used in the Business and known to the Transferred Employees, and (iii) all of the Non-Copyable Technology used exclusively in the Business (“Transferred Non-Copyable Technology”); provided that the Transferred Technology does not include (i) Technology the rights to which are owned by a third party and which is licensed to Seller Group (unless the license thereto is a Transferred Contract), (ii) Technology the benefit of which is provided to Buyer under the Transition Services Agreement, or (iii) Infrastructure Assets that are generally commercially available.

“Transferred Trade Secrets” means all Trade Secrets owned by the Seller Group (i) embodied in or used in the development, manufacture, distribution, or support of the Business Products or Transferred Non-Copyable Technology, (ii) known to the Transferred Employees with respect to the Business, or (iii) otherwise related to the Business but in the case of each of (i), (ii) and (iii), excludes Trade Secrets included in the A38 Intellectual Property Rights and that are not included in any other Acquired Assets or Business Products.

“Transferred Trademarks” means the Trademarks set forth on Schedule A-7, and the goodwill of the Business appurtenant thereto or embodied thereby; *provided, however*, that “Transferred Trademarks” shall exclude the term “Skullcandy”.

“Transition Services Agreement” means a transition services agreement in the form of Exhibit F hereto.

“U.S. Government” means the federal government of the United States of America and any branches and instrumentalities, including departments, agencies, bureaus, commissions, boards, courts, corporations, offices and other entities or divisions thereof.

“WARN Act” means the Workers Adjustment, Retraining and Notification Act, 29 U.S.C. §2101, et. seq.

“WEEE Directive” means the European Union Directive 2012/19/EU on Waste Electrical and Electronic Equipment, as amended, and all implementing Laws.

LIST OF ADDITIONAL DEFINED TERMS

Term	Section
Acquired Assets	1.1
Acquirer	8.2(c)
Agreement	Preamble
Allocation Schedule	3.2(a)
Antitrust Regulations	4.3
Assignable Shared Contracts	1.7(a)
Assumed Liabilities	1.3
Business Governmental Authorizations	1.1(d)
Business Leasehold Property	4.9(b)
Business Tangible Property	1.1(l)
Buyer	Preamble
Buyer Group	2.3(a)
Buyer Relocation Deadline	1.8(a)
Change of Control	8.2(c)
Claim Amount	10.7(a)
Closing	2.1
Closing Date	2.1
Conflict	4.3
Consultant Proprietary Information Agreement	4.10(h)
Disclosure Letter	Article IV
Effect	Annex A
Employee Proprietary Information Agreement	4.10(h)
Enforceability Limitations	4.2
ERISA Affiliates	4.16(b)
Escrow Fund	10.8(a)
Escrow Period	10.8(b)
Excluded Assets	1.2
Excluded Liabilities	1.3(a)
Excluded Seller Facility	1.8(a)
Export Approvals	4.24(a)
Fall Away Date	8.2(c)
First Extension	11.1(b)
Funded International Employee Plan	4.16(g)
Guarantor	7.14
Initial Distribution Date	10.8(b)
In-Licenses	4.10(k)
IP Assignment Agreements	2.2(a)(v)
IP Licenses	4.10(k)
Knowledge	10.4
Licensed Cushion Design	6.1(a)
Local Asset Transfer Agreements	1.5
Material Contracts	4.8(a)
Multiemployer Plan	4.16(d)
Non-Assignable Assets	1.6(b)
Non-Paying Party	7.7(a)
Objection Notice	10.7(b)
Objection Period	10.7(a)

Out-Licenses	4.10(k)
Paying Party	7.7(a)
Post-Closing Buyer Facility	1.8(a)
Pre-Closing Hazardous Materials Activities	Annex A
Pre-Existing Contamination	Annex A
Purchase Price	3.1
Return Obligations	1.3(c)
Restricted Business	8.2
Restricted Territory	8.2
Seller	Preamble
Seller Relocation Deadline	1.8(a)
Seller Excluded Technology	Annex A
Service Obligations	1.3(d)
Specified Officers of Buyer	Annex A
Specified Officers of Seller	Annex A
Spin-Out	6.4(b)
Standard Form Agreements	4.10(k)
Straddle Period Tax	7.7(a)
Survival Date	10.1
Termination Date	11.1(b)
Third-Party Claim	10.7(c)(i)
Top Customers	4.20(a)
Top Suppliers	4.20(b)
Transfer Taxes	3.2(c)
Transferred Lease Agreement	1.1(b)
Transferred Non-Copyable Technology	Annex A
Transferred Registered IPR	4.10(b)
Unaudited Interim Segment Financial Statements	7.8(a)
Unaudited 2015/2016 Financial Statements	4.5
Unaudited Monthly Financial Statements	4.5
Unaudited Financial Statements	4.5
Uninvoiced Obligations	1.3(b)
Unresolved Claims	10.8(b)
VAT	Annex A
Warranty Obligations	1.3(b)

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.**

**Amendment No. 1
to
Asset Purchase Agreement**

This Amendment No. 1 to Asset Purchase Agreement (this “Amendment”) is made as of August 11, 2017, by and between AG Acquisition Corporation, a Delaware corporation (“Seller”), and Logitech Europe S.A., a company incorporated under the laws of Switzerland (“Buyer”).

WHEREAS, Buyer and Seller are parties to an Asset Purchase Agreement, dated July 10, 2017 (the “Asset Purchase Agreement”);

WHEREAS, pursuant to Section 12.9 of the Asset Purchase Agreement, the Asset Purchase Agreement may be amended at any time by execution of an instrument in writing signed on behalf of each of Buyer and Seller;

WHEREAS, Buyer and Seller desire to amend the Asset Purchase Agreement as set forth below; and

WHEREAS, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Amendment of the Asset Purchase Agreement.

A. Section 1.1(a) of the Asset Purchase Agreement shall be amended and restated in its entirety as follows:

“(a) all Inventory of the Business as of the Closing that is factory sealed (A-grade) inventory and any inventory designated for warranty purposes that is also categorized as A-grade (the “Business Inventory”);”

B. Section 4.7(c) shall be amended and restated in its entirety as follows:

“(c) As of June 28, 2017, the value of the Business Inventory (as determined consistent with accounting methods, standards, policies, practices, estimation methodologies, assumptions, and procedures stated in the consolidated financial statements of the Seller Group and the Unaudited Financial Statements) other than Business Inventory which is not forecasted to be sellable within the six (6) month period post-Closing or which has no forecast of commercial sales was [***]. As of June 28, 2017, the value of the Business Inventory which is not forecasted to be sellable within the six (6) month period post-Closing or which has no forecast of commercial sales was [***].”

C. Section 10.4 of the Asset Purchase Agreement shall be amended and restated in its entirety as follows:

“Limitation on Indemnification. Notwithstanding the foregoing (i) other than in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency) or in the case of Fraud or Intentional Misrepresentation, (A) Seller shall have no Liability under Section 10.2(a), and (B) Buyer shall have no Liability under Section 10.3(a), until in each case the aggregate of all Losses of the Indemnified Persons thereunder exceeds [***] (the “Deductible”), at which point the Indemnifying Person will be obligated to indemnify the Indemnified Persons against all Losses that exceed in the aggregate [***] without regard to the Deductible, (ii) other than in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency) or in the case of Fraud or Intentional Misrepresentation, the aggregate Liability for Seller under Section 10.2(a) for all Losses shall in no event exceed [***], (iii) except in the case of Fraud or Intentional Misrepresentation (A) the aggregate Liability for Seller under Section 10.2(a) (in respect of the Fundamental Representations or in respect of the representations and warranties set forth in Section 4.18(b) (Sufficiency)), 10.2(b) and 10.2(c) and (B) the aggregate Liability for Buyer under Sections 10.3(a) and 10.3(b), in each case for all Losses, shall in no event exceed [***], and (iv)(A) the aggregate Liability for Seller under Section 10.2(d) and (B) the aggregate Liability for Buyer under Sections 10.3(c), shall in each case be unlimited.”

D. Schedule A-3 (Transferred Contracts) shall be amended to include the following Contracts:

[***]

E. Schedule 1.7(a)(ii) (Assignable Shared Contracts to be assumed in part by Buyer), shall be amended to include the following Contract:

[***]

F. Schedule 1.7(b) (Non-Assignable Shared Contracts to be assumed in part by Buyer), shall be amended to include the following Contract:

[***]

G. Schedule A-3 (Transferred Contracts) and Schedule 9.2(c) (Required Consents), shall be amended to delete following Contracts:

[***]

H. Schedule 1.7(b) (Non-assignable Contracts to be assumed in party by Buyer) shall be amended to delete following Contracts:

[***]

- I. Schedule 4.7(b) (Business Inventory), is hereby replaced in its entirety with the Schedule 4.7(b) attached hereto.
2. Effect of Amendment. Except as expressly set forth in this Amendment, the terms and conditions of the Asset Purchase Agreement shall remain in full force and effect.
 3. Miscellaneous. The provisions of Article XIII of the Asset Purchase Agreement are incorporated by reference herein *mutatis mutandis* and this Amendment shall be governed by and construed in accordance with such provisions.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Amendment No. 1 to Asset Purchase Agreement on the date first above written.

AG Acquisition Corporation

By: /s/ [***]

Name: [***]

Title: [***]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Amendment No. 1 to Asset Purchase Agreement on the date first above written.

Logitech Europe S.A.

By: /s/ [***]
Name: [***]
Title: [***]

By: /s/ [***]
Name: [***]
Title: [***]

M. Marcel STOLK
 Logitech Europe S.A.
 EPFL - Quartier de l'Innovation
 Daniel Borel Innovation Center
 1015 Lausanne, Switzerland

Lausanne, July 22, 2017

Dear Marcel,

Logitech Europe S.A. (the "**Company**" or "**we**") is pleased to confirm hereafter the main points of your appointment in the Company.

Position

You have been elected as the Executive Chairman of the board of directors of the Company (the "**Board**"). Furthermore, you have been appointed by the board of directors of the Company's parent, Logitech International S.A. ("**Logitech**" or the "**Parent**") (the "**Parent's Board**") as an executive officer with the title of Senior Vice President, C&P and as a member of Logitech's Group Management Team. Nothing in this agreement shall create a right in your favor to remain designated as a member of the Board or as an executive officer or a member of the Logitech's Group Management Team.

Effective Date

This agreement is entered into for an indefinite period of time with effect as from January 1, 2017.

Fixed Compensation

In consideration of your appointment to the Board and your position as an executive officer and a member of the Group Management Team, you shall be entitled to a fixed compensation of CHF 523'510, which shall be payable in monthly installments to the bank account that you shall have designated to the Company for that purpose. In the event of a termination of your appointment as an Executive Chairman of the Company, as an executive officer or as member of the Group Management Team, the fixed compensation shall be due in proportion to the time of your appointment in such capacity during the relevant period. This fixed compensation shall include representation fees, if any.

Variable Compensation

You shall be entitled to participate in Logitech's Leadership Team Bonus Program under the Logitech Management Performance Bonus Plan (the "**Bonus Plan**") as follows:

- Target: 80% of your fixed compensation at 100% of objectives;
- Potential Total Target Cash Compensation (together with the fixed compensation): CHF 942'318.

You acknowledge and agree that the eligibility criteria as well as any payment under the Leadership Team Bonus Program and the Bonus Plan are determined by Logitech in its sole discretion. Logitech may modify or repeal the Leadership Team Bonus Program, the Bonus Plan or both at its discretion at any time. Your rights and obligations under the Leadership Team Bonus Program and the Bonus Plan are governed by the terms of such plans, as may be amended by Logitech at any time.

Logitech Shares

You shall be entitled to receive equity awards relating to shares of the Parent, as determined from time to time by the Parent's Board or the compensation committee of the Parent (the "**Compensation Committee**") in its sole discretion, under the terms of Logitech's then prevailing equity plans. The receipt of any such award shall be conditioned upon your execution of the associated grant agreement.

You are subject to and required to comply with Logitech's stock ownership guidelines.

Compliance with the Minder Regulations

As long as you are designated as a member of the Group Management Team of Logitech, any compensation received from the Company or Logitech shall be subject to the approval of the aggregate compensation of the Group Management Team by the shareholders of the Parent on an annual basis, consistent with the Parent's Articles of Incorporation and the Swiss Ordinance Against Excessive Remuneration by Listed Companies and any successor legislation thereof (the so-called "**Minder Regulations**"). You also acknowledge that (i) the Parent is subject to compliance with the Minder Regulations and (ii) the Minder Regulations do not permit Logitech or any company belonging to the Logitech

group (hereinafter collectively referred to as " **Logitech Companies** ") to have agreements or arrangements with members of Logitech's Group Management Team that contemplated severance payments, payment of compensation in advance, or indemnities in case of a change of control.

Expenses

Expenses, if any, shall be paid or reimbursed according to the Company's policies.

Time Dedicated to Your Functions

You shall devote all the time that is necessary to discharge your obligations to the Company and Logitech. You are not expected to have professional activities in addition to your activities for the Company and Logitech except with the Company's written consent. Such consent is hereby given for activities that you conduct for Adoria Investments BV.

Place of Service

You will exercise your functions at the Company offices in EPFL, Quartier de l'Innovation, Daniel Borel Innovation Center in Lausanne, but your position will require a number of trips in Europe, in Asia and in the U.S. You agree not to provide services to Logitech from the Netherlands.

Financial or Personal Data Transfer

You acknowledge and agree that some financial and personal data related to your relationship with the Company, such as information regarding your compensation, bonus plans, allowances, resume, projects (e.g. product developments), performance, etc., and that has been collected by the Company (the " **Personal Data** "), may be transferred or made available to Logitech Companies outside of Switzerland for the purpose of analyses and processing, for example in connection with your participation in Logitech's bonus or equity plans. Access to your Personal Data shall only be granted to the group CEO and to a few selected employees of Logitech's People and Culture team, who are subject to strict confidentiality obligations. You shall have the right to consult your Personal Data and to have any inaccuracy in such Personal Data corrected.

The Company shall not collect or process any sensitive data as defined by the Swiss legislation on data protection, such as data regarding religious beliefs, political affiliations or health conditions.

Confidentiality Undertaking

You undertake and agree, both before and after Termination, not to disclose to others, except in the performance of your duties to the Company or Logitech or with the Company's prior written consent, any information (including, but not limited to, trade secrets, know-how, technical and commercial data including computer programs, listings of suppliers and of customers, tooling, manufacturing processes, components, financial data, future plans and further information related to Logitech, including information received from third parties under disclosure restrictions), which you have acquired by reason of your position in the Company or Logitech, or which you developed in connection with such positions and which has not been made available to the public generally. You further agree not to use any such information except in the performance of your duties to the Company or Logitech.

You hereby acknowledge the Company's right to possession and title in and to all papers, documents, tapes, drawings, computer programs or other records, prepared by you or provided by the Company or Logitech, or which otherwise come into your possession by reason of your position in the Company or Logitech. You undertake and agree not to make or permit to be made, except in the performance of your duties to the Company or Logitech, any copies of such materials. You further agree to deliver to the Company, upon request, all such materials in your possession.

The provisions of this confidentiality undertaking are without prejudice of the duties that you may have under the Swiss legislation protecting intellectual property or against unfair competition.

Social and Tax Deductions

All compensation paid to you in your capacity as the Company's Executive Chairman, an executive officer or member of the Group Management Team shall be subject to social security and tax deductions under applicable laws.

Insurance

The Company will procure insurance against the risks of professional accidents and illness as well as non-professional accidents with Vaudoise Insurance as communicated to you.

Personnel Welfare Foundation (2nd pilier)

You will continue to be affiliated to the Logitech Swiss Pension Fund subject to the Supervisory Authority's formal approval of the changes in the Rules of the Plan.

Termination

The general meeting of the shareholders of the Company shall be free at its sole discretion not to reelect you at the end of your term of office as an Executive Chairman of the Board. It shall also have the right to revoke you at any time and with immediate effect in accordance with Article 705 of the Swiss Code of Obligations and the Company's articles of association. You may also resign from your position as the Company's Executive Chairman, executive officer and member of the Group Management Team at any time that is not inconvenient to the Company or Logitech. Unless otherwise agreed between you and us, your resignation shall take effect immediately. In this agreement, any instance of non-re-election, revocation or resignation shall be referred to as a "**Termination**".

The payment of variable compensation upon Termination shall be carried out in compliance with the terms of Logitech's applicable equity or bonus plans and the terms of the equity awards that may have been granted to you prior to Termination.

Non-Compete Undertaking

For a period of one year after Termination (the "**Non-Compete Period**"), you undertake and agree to refrain from directly or indirectly engaging in a capacity as owner, major shareholder, partner, board member, officer or employee in any multinational company that has a material portion of its business in peripheral products for digital platforms, including but not limited to peripheral products in the areas of music, gaming, video collaboration and connected home as well as computing products such as pointing devices, keyboards, tablet accessories and webcams (a "**Competing Business**") within the territories of Switzerland and the European Union.

In consideration of your undertaking hereunder, the Company shall pay you an amount equal to 9 (nine) months of your Potential Total Target Cash Compensation (the "**Non-Compete Indemnity**"). The Non-Compete Indemnity shall be paid pro rata on a quarterly basis during the Non-Compete Period.

In case of a breach of your obligations under this non-compete undertaking, you shall forfeit any further payment under the Non Compete Indemnity.

Non Solicitation Undertaking

Since you have obtained and are likely to obtain in the course of your engagement for the Company and Logitech knowledge of, confidence of and influence over employees of Logitech Companies and in recognition that the Logitech Companies have an interest in preserving their connection with such employees, you hereby undertake and agree not to, at any time until Termination and during a period of twelve months thereafter, directly or indirectly, entice away from employment any employee of any Logitech Company or approach such employee for such purpose.

Permitted Modifications to Comply with Laws

You agree that the Company shall have the right to unilaterally amend this contract without compensation solely if an amendment is determined to be reasonably necessary by the Company's or Logitech's legal counsel for the Company or Logitech to comply with existing or adopted ordinances, laws, rules or regulations applicable to Logitech ("**Laws**") (even if such Laws have not yet taken effect), including but not limited to the Minder Regulations and such counsel determines that the amendment reasonably addresses such need. No amendment made to the agreement under this provision shall affect your vested rights.

Applicability of Clawback Policy

To the extent that you remain or are otherwise performing your duties as an Executive Chairman of the Board, as an executive officer or as a member of the Group Management Team, or as otherwise required pursuant to applicable Laws, all compensation payable under this agreement shall be subject to the clawback provisions in Logitech's compensation plans, programs or agreements applicable to you and the clawback policies that Logitech may adopt pursuant to any applicable Laws, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, or that Logitech determines is necessary or appropriate.

Entire Agreement

This agreement represents the entire agreement between you and us and replaces and supersedes as of the effective date all previous agreements, understandings or arrangements between you and us.

Any amendment to this agreement shall be done in writing.

Place of Jurisdiction and Applicable Law

Any dispute arising regarding the interpretation or application of this agreement shall be submitted to the competent courts of the judicial circumscription of Lausanne in the Swiss canton of Vaud. This agreement shall be governed by and construed in accordance with the substantive laws of Switzerland, without regard to the principles of conflict of laws thereof.

Please sign the enclosed copy of this agreement and return it to us. Should you require further information on or explanation on the foregoing, please address your request to the People & Culture Department.

Yours sincerely,

LOGITECH EUROPE S.A.

/s/ Francois Stettler /s/ Russell Hill

.....

François Stettler
Senior Director & General Counsel EMEA

.....

Russell Hill
Deputy General Counsel and Chief Compliance
Officer

For approval:

/s/ Marcel Stolk
.....
Marcel Stolk

CERTIFICATIONS

I, Bracken P. 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.

November 1, 2017

/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.

November 1, 2017

/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 P. 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.

November 1, 2017

/s/ Bracken Darrell

Bracken Darrell

President and

Chief Executive Officer

/s/ Vincent Pilette

Vincent Pilette

Chief Financial Officer