

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended **March 31, 2016**
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____
Commission File Number: **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.
Apples, 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Registered Shares par value CHF 0.25 per share

Name of each exchange on which registered

The NASDAQ Global Select Market; SIX Swiss Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

The aggregate market value of the voting shares held by non-affiliates of the registrant, based upon the closing sale price of the shares on September 25, 2015, the last business day of the registrant's second fiscal quarter on the NASDAQ Global Select Market, was \$1,665,196,761. For purposes of this disclosure, voting shares held by persons known to the Registrant to beneficially own more than 5% of the Registrant's shares and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

As of May 6, 2016 , there were 161,748,881 shares of the Registrant's share capital outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended March 31, 2016.

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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 thirteen-week periods, each ending on a Friday of each quarter. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on beliefs of our management as of the filing date of this Annual Form 10-K. These forward-looking statements include, among other things, statements related to:

- Our strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position;
- Our business strategy and investment priorities in relation to competitive offerings and evolving consumer demand trends affecting our products and markets, worldwide economic and capital market conditions, fluctuations in currency exchange rates, and current and future general regional economic conditions for fiscal year 2017 and beyond;
- The scope, nature or impact of acquisition, strategic alliance and divestiture activities;
- Our business and product plans and development and product innovation and their impact on future operating results and anticipated operating costs for fiscal year 2017 and beyond;
- Market opportunities and our ability to take advantage of them;
- Capital investments and research and development;
- Our expectations regarding our share buyback and dividend programs;
- The sufficiency of our cash and cash equivalents, cash generated from operations, and available borrowings under our bank lines of credit to fund capital expenditures and working capital needs; and
- The effects of changes in tax, environmental and other laws and regulations in the United States and other countries in which we operate.

Forward-looking statements also include, among others, those statements including the words "anticipate", "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "project", "predict", "should", "will" and similar language. These statements reflect our views and assumptions as of the date of this Annual Report on Form 10-K. All forward-looking statements involve risks and uncertainties that could cause our actual performance to differ materially from those anticipated in the forward-looking statements depending on a variety of factors. Important information as to these factors can be found in this Annual Report on Form 10-K under the headings of "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Overview", "Critical Accounting Estimates" and "Liquidity and Capital Resources", among others. Factors that might cause or contribute to such differences include, but are not limited to, those discussed under Item 1A, Risk Factors, as well as elsewhere in this Annual Report on Form 10-K and in our other filings with the U.S. Securities and Exchange Commission, or "SEC." You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. 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.

PART I

ITEM 1. BUSINESS

Company Overview

Logitech is a world leader in designing products that have an everyday place in people's lives, connecting them to the digital experiences they care about. Over 30 years ago Logitech started connecting people through computers, and now it's designing products that bring people together through music, gaming, video and computing.

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, which conducts its business through subsidiaries in Americas (including North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (including, among other countries, China, Taiwan, Japan and Australia). 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. References in this Annual Report on Form 10-K to the "Company," "Logitech," "we," "our," and "us" refer to Logitech International S.A. and its consolidated subsidiaries.

Logitech designs, manufactures and markets products that allow people to connect through music, gaming, video, computing, and other digital platforms. Our products participate in five large markets that all have growth potential:

- **Music:** This market is comprised of both wired and wireless devices that capitalize on the rapid growth of streaming music. Products in this category include mobile speakers, wearables, and headsets connecting to all music services used on both PCs and mobile devices.
- **Gaming:** The Gaming market includes products designed for the PCs and consoles as well as gaming devices designed to deliver experiences such as virtual and augmented reality. The rapid rise of eSports, and the promise of new implementations in virtual and augmented reality present growth opportunities in this market. Our products in Gaming include gaming mice and keyboards, gaming headsets, gamepads and steering wheels.
- **Video Collaboration:** Video Collaboration is focused on delivering solutions that enable real-time video, audio and content sharing capability to businesses and individuals. With the rapid adoption of cloud-based solutions that can lower the cost of adoption, our devices and solutions enable the rapid deployment of these cloud-based services through our platform agnostic, and easy to use end points and peripherals.
- **Home:** The connected home is a market in its early stages of formation and growth. The push to realize the vision of the internet-of-things is delivering more and more connected devices that populate our homes, from the more traditionally connected devices like set-top boxes and digital entertainment devices to things like appliances, lighting, door locks and thermostats. We have a foundation for growth in this market through our entertainment control capabilities in devices such as our Harmony products.
- **Creativity and Productivity:** This market is defined by products that enhance the users' experiences associated with computing platforms. With ever increasing connectivity globally and the consistent growth in time spent by people on these computing platforms, we believe there are meaningful growth opportunities for our products. Our continued innovation in navigation, input and content creation on these platforms can drive growth in this market despite the secular decline of new PC sales. Pointing Devices, Keyboards & Combos, Tablet & Other Accessories, and PC Webcams comprise our product categories that address this market.

We sell our products to a broad network of domestic and international customers, including direct sales to retailers, e-tailers, and indirect sales through distributors. Our worldwide retail network includes consumer electronics distributors, retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants.

In fiscal years prior to fiscal year 2016, we had two segments: Peripherals, including retail and OEM products; and Lifesize Video Conferencing. During fiscal year 2016, we divested the Lifesize Video Conferencing segment, and exited the OEM business. Our financial results treat the Lifesize segment as discontinued operations for all the periods presented in this Annual Report on Form 10-K. As a result, sales of products through our retail channels represented 96% , 94% and 93% of our net sales for the fiscal years 2016 , 2015 and 2014 , respectively.

Recent Developments

On April 20, 2016, we acquired Jaybird LLC of Salt Lake City, Utah, ("Jaybird") for approximately \$50 million in cash, with an additional earn-out of up to \$45 million based on achievement of growth targets over two years. Jaybird is a leader in wireless audio wearables for sports and active lifestyles, and the acquisition of Jaybird expands our long-term growth potential in our Music market.

On December 28, 2015, we and Lifesize, Inc., a wholly owned subsidiary of Logitech that held the assets of our Lifesize video conferencing reportable segment ("Lifesize"), entered into a stock purchase agreement with entities associated with three venture capital firms, or the Venture Investors. Immediately following the December 28, 2015 closing of the transaction, the Venture Investors held 62.5% of the outstanding shares of Lifesize, which resulted in a divestiture of the Lifesize video conferencing business by us. The historical results of operations and the financial position of Lifesize are included in the consolidated financial statements of Logitech and are reported as discontinued operations within this Annual Report on Form 10-K.

We exited our OEM business during our fiscal quarter ended December 31, 2015. The results of our OEM business are included in our financial statements as part of continuing operations for the nine months ended December 31, 2015 and prior periods. There is no revenue or cost associated with our OEM business in the three months ended March 31, 2016 and we do not expect any such revenue or cost in future periods.

Industry Overview

Historically, Logitech's business has been driven by the same trends that drove the adoption of desktop and laptop PCs for consumers, businesses and institutional applications, including the growth in affordable processing power, communications bandwidth, the increased accessibility of digital content, and the growing and pervasive use of the Internet for productivity, communication and entertainment. These trends have created opportunities for new applications, new users and dramatically richer interaction between people and digital content.

In the last several years, the PC market has changed dramatically and there continues to be weakness in the global market for new PCs. Traditionally, the trends in the PC market have dictated sales in our PC-related categories however the aging installed base is creating new opportunities for users to refresh their computing experience with new peripherals. The gaming platform continues to show strong growth as online gaming and multi-platform experiences gain greater popularity. Our Video Collaboration business shows growth with the proliferation of meeting rooms yet to be enabled with HD videoconferencing capabilities.

The decline in shipments of new desktop PCs, combined with the increased interest in smaller, touch-interfaced mobile computing devices (such as smartphones and tablets) has rapidly changed the market for PC peripherals. The installed base of PC users is large in our traditional mature markets (the United States, Canada, Western and Nordic Europe, Japan and Australia), but we believe consumer demand for new PCs will continue to decline in future years. We do see nonetheless, some opportunities created by consumer desire to refresh their old PC with new peripherals and in new trends developing within the PC and mobile computing markets.

As the PC market declined, there has been growth in the popularity of smaller, mobile computing devices, such as tablets and smartphones with touch interfaces, which have created new markets and usage models for mobile peripherals and accessories. Logitech offers peripherals and accessories to enhance the use of such digital platforms. For today's consumers, listening to music is a popular entertainment activity, fueled by the growth in smartphones, tablets, music services and internet radio. Consumers are optimizing their audio experiences on their tablets and smartphones with wireless mobile speakers that pair easily with their mobile devices and with in-ear and other headphones. Our mobile speakers and in-ear headphone products target a large and growing market that reflects the increasing popularity of mobile devices for accessing digital music. Additionally, within the music market, consumers are increasingly listening to wireless earphones while they undertake other activities such as athletics. Consumers are also enhancing their tablet experience with a range of keyboards and cases that enable them to create, consume and do more with their tablets conveniently and comfortably.

The use of video across multiple platforms—PCs, laptops and mobile devices such as tablets and smartphones—is a continuing trend. The video communication industry continues to make progress towards a vision in which people can conduct a video call from any of these platforms to any other platform. The market opportunity to provide innovative, affordable, and easy to use video collaboration products to the millions of small to medium sized meeting rooms lacking video is substantial, and we are well-positioned to take advantage of it.

The trend among businesses and institutions to embrace cloud video conferencing is driving our Video Collaboration category, and offers a long-term growth opportunity for Logitech. For businesses and institutions, video conferencing is increasingly substituted for travel, because of high travel costs as well as the productivity gain that can be achieved by a high-quality face-to-face meeting that does not require travel away from the office. Further, with the increased availability of higher Internet bandwidth, video conferencing is becoming a key component of Unified Communications, which is the integration of communications solutions such as voicemail, e-mail, chat, presentation sharing and live video meetings.

The home is also an important place for technological development, particularly as increasing amounts of objects become connected smart home devices such as light bulbs, security locks, thermostats etc. Logitech's line of universal remote controls control electronic devices around the home as well as these other smart devices.

Finally, we believe that trends established in consumer technology, such as brand identity, affordability, ease of installation and use, customer support, and design, have become important aspects of the purchase decision when buying a consumer electronics product. These are strengths that we believe Logitech offers in both consumer and enterprise markets.

Business Strategy

Logitech's foundation for future growth is built on:

- Powerful design - design experiences that transcend their functional value and are loved by people;
- Revitalized product creation for existing and new categories;
- Augment a winning, talented and passionate global team;
- Outstanding execution and operational excellence; and
- Delivering operating leverage to improve profitability and to create the capacity to invest in growth.

We are focusing our investments in product categories with growth opportunities in which we can leverage our areas of expertise, competitive advantages and technology.

Our product development process and responsiveness to consumers have become faster. We laid the foundation in fiscal year 2014 for building a design company that leverages technology, innovation and consumer insights. We are continuing to build on this foundation by making design a more integral part of our product development with the goals of creating fewer but more impactful products while increasing consumer satisfaction.

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. We continue to evaluate and phase out products as part of our ongoing efforts to strengthen our overall portfolio.

Our turnaround strategy, which we originally outlined in May 2013, has been a success to date and we continue to transform Logitech into a simpler, faster, growing company. We are focused on design and innovation driving a diverse portfolio of brands and product categories that will deliver both growth and profitability. In addition to exiting our OEM business and divesting our Lifesize video conferencing business, we continue to streamline our overall cost structure through product, overhead and infrastructure cost reductions. The savings from all these actions will be used to offset currency headwinds and invest in future growth.

Product Strategy

To take advantage of the opportunities we anticipate in the growing digital marketplace, Logitech's product strategy focuses on enabling and enhancing the multiple interfaces for input, navigation, audio and video across the many digital devices used by today's consumers and enterprises in our five large market opportunities.

Music

Logitech has a solid foundation of audio solutions designed to satisfy consumers' needs for music consumption sourced from a variety of platforms. Our music solutions are focused primarily on Mobile Speakers, including our UE BOOM family of mobile wireless speakers, our Jaybird wireless audio wearables for sports and active lifestyles, and our custom in-ear headphones. We enhance our mobile speakers with related applications that

allow consumers to control the speakers through their mobile devices, including features such as Double Up and Block Party to combine two or more speakers with double or stereo sound.

Gaming

Our Gaming strategy is to leverage our deep research and development (R&D) expertise in the areas of PC peripherals and gaming devices to build the most advanced gaming gear on the market. We develop our software development kits, intelligent illumination, G-Key Macros and Arx Control application to better integrate our products with games and provide gamers with differentiated experiences that enhance gameplay. In addition, we sponsor and work closely with eSports athletes to enhance our brand and the quality and functionality of our gaming products.

Video Collaboration

The market opportunity to provide innovative, affordable, and easy to use video collaboration products to the millions of meeting rooms lacking video (especially so-called huddle rooms), is substantial, and we are well positioned to take advantage of it. Over the past year, we have built momentum with our award winning ConferenceCam family that provides all-in-one video and audio conferencing solutions, including Logitech GROUP, CONNECT, and the CC3000e.

Home

Logitech's Harmony brand is well recognized as the leader in programmable, performance remote controls for home entertainment, leveraging our proprietary database. We built on this expertise in remote controls and our Harmony brand to develop devices to control the digital home, and Harmony products are now being used by many consumers to control a broad range of their connected home devices. We believe this provides a strong foundation to expand beyond the remote control category and create entirely new product categories dedicated to the smart home.

Creativity and Productivity

PC/Mac Accessories

Logitech continues to provide new, innovative, high-performance PC and Mac computer navigation devices and audio and video products for the large installed base of PC and Mac computers for the consumer and enterprise markets.

Tablet & Other Accessories

We are focusing on innovating new features and products to provide excellent consumer experience, and on reducing product cycle time to address the evolving market demand and frequent introductions of new devices. We have developed a range of products for the tablet market, for both Apple and Android platforms. We believe there will be additional opportunities for complementary peripherals to enhance consumers' experiences with tablets and other mobile devices.

Design and Technological Innovation

Logitech seeks to fulfill the increasing demand for interfaces between people and the expanding digital world across multiple platforms and user environments. The interface evolves as platforms, user models and our target markets evolve. As access to digital information has expanded, we have extended our focus beyond the PC to other entry and control points to the internet and digital world, including mobile devices and the meeting room. All of these platforms require interfaces that are customized according to how the devices are used. We believe this expansion of access points provides additional attractive opportunities for Logitech because the relevance and importance of navigation, interaction, video and audio interfaces and applications remain substantially the same across platforms.

We recognize that continued investment in product research and development is critical to facilitate innovation of new and improved products and technologies. These products have been earning prestigious design awards and enthusiastic reviews in the media - more than 70 design awards over the past three years. This is an important indication that Logitech's strategic aim to become a design company is working. During the fourth quarter of fiscal year 2016 alone, we won five GOOD DESIGN awards, eight iF Design awards and a record for us, nine Red Dot awards. Our research and development expenses for fiscal years 2016, 2015 and 2014 were \$113.6 million, \$108.3

million and \$112.4 million, respectively. We expect to continue to devote significant resources to research and development, including devices for digital platforms, video communications, wireless technologies, power management, user interfaces and device database management to sustain our competitive position.

Logitech is committed to meeting consumer needs for peripheral devices and other kinds of accessories, and believes that design, innovation, value and product quality are important elements in gaining market acceptance and strengthening our market position.

Products

Logitech designs, manufactures and markets products that allow people to connect through music, gaming, video, computing, and other digital platforms. The large majority of our revenues have historically been derived from sales of our products for use by consumers.

Our brand, portfolio management, product definition and engineering teams are responsible for product strategy, technological innovation and development, and for bringing our products to market. Our marketing team is responsible for supporting the Logitech brand, social media, and digital marketing. Our design team provides creative leadership, consumer insights, design direction and management from concept exploration to product and experience execution.

Music

Mobile Speakers: Our Mobile Speakers category comprises of portable wireless Bluetooth speakers. Our top revenue-generating product during fiscal year 2016 was UE BOOM 2, the 360° portable bluetooth wireless speaker that provides bold, immersive sound in every direction. The UE BOOM 2 was a key driver for success in this product category along with the UE MEGABOOM, a 360° portable, waterproof, bluetooth wireless speaker with more bass that is a larger and more powerful complement to UE BOOM 2 and was one of our best selling products in fiscal year 2016. We also offer the UE Roll, the UE Mini Boom and UE Pro.

Audio-PC & Wearables: category comprises PC speakers, PC headsets, in-ear headphones and premium wireless audio wearables designed to enhance the audio experience. We offer both the Jaybird wireless audio wearable for sports and active lifestyles and our custom in-ear headphones.

Gaming

Logitech offers a full range of dedicated gaming gear for gamers, including mice, keyboards, headsets, gamepads and steering wheels. Some of our products in this category include:

- The Logitech G810 Orion Spectrum Mechanical Gaming Keyboard, features Romer-G switches, intelligent RGB illumination, and a wide range of options to customize colors and profiles.
- The Logitech G933 Wireless Gaming Headset, offers high-performance 7.1 channel Dolby and DTS surround sound, a lag-free 2.4 GHz wireless connection, and three customizable G keys for one-touch command over music, chat, lighting and other features.
- The Logitech G900 Chaos Spectrum Gaming Mouse, features professional grade wireless technology, an advanced optical gaming sensor, a flexible ambidextrous design, and customizable lighting, for maximum performance and comfort over long gameplay sessions.
- The Logitech G920 Driving Force Steering Wheel, features a powerful dual-motor force feedback transmission, hand-stitched leather-wrapped rim, and stainless steel throttle, brake and clutch pedals for an ultra-realistic driving experience.

Video Collaboration

The Video Collaboration category includes Logitech's ConferenceCams, which combine enterprise-quality audio and HD 1080p video with affordability to bring video conferencing to business of any size. Our key products in this category include:

- The recently launched Logitech ConferenceCam Group offers best-in-class videoconferencing with HD 1080p video and professional audio that easily turns medium to large sized conference rooms into video-enabled collaboration rooms.
- The Logitech ConferenceCam Connect is a portable, all-in-one video conference solution with HD 1080p video, and professional audio designed for huddle rooms.

Home

Our Smart Home category includes our Harmony line of advanced home entertainment controllers and new products dedicated to controlling emerging categories of connected smart home devices such as lighting, thermostats, door locks, etc. Examples include:

- The Logitech Harmony Elite and the Logitech Harmony Companion, both of which feature Logitech's Harmony Hub and Harmony Smartphone App to complete control of the home entertainment system including Bluetooth and IP devices such as PS4 and Roku as well as connected home devices such as Philips Hue lights and Nest thermostats.
- The Logitech Harmony 350, 650 and 950 remotes, offer infrared (IR) only control of home entertainment devices.

Creativity and Productivity

Pointing devices: Logitech offers a variety of pointing devices, sold through retail channels. Some of our key products in this category include:

- The Logitech MX Master Wireless mouse is our flagship wireless mouse that is the new paradigm for precise, fast, comfortable computer navigation.
- The Logitech Wireless Mouse M325 offers micro-precise scrolling with a feel-good, contoured design.
- The Logitech Wireless Mouse M185 is a wireless mouse with nano receiver technology that is compatible with any computer.

Keyboards & Combos: Logitech offers a variety of corded and cordless keyboards, living room keyboards, and combos (keyboard-and-mouse combinations). Some of our products in this category include:

- The Logitech Wireless Touch Keyboard K400 Plus is a compact keyboard with an integrated touchpad and 10-meter wireless range, designed for use in the living room.
- The Logitech Combo MK270 offers a wireless compact mouse and keyboard with nano technology.
- The Logitech Combo MK520 is a sleek full size keyboard and mouse combination with unifying receiver.

Tablet & Other Accessories: Our Tablet & Other Accessories category includes keyboards and covers for tablets and smartphones as well as other accessories for mobile devices, mostly iPads but also for select Samsung tablets. We expect to continue to enhance this category through the introduction of additional innovative and complementary products. Some of our products in this category include :

- The Logitech CREATE Backlit Keyboard Case with Smart Connector for iPad Pro 12.9-inch provides thin and light front and back protection, full size 19 mm keys, and adjustable backlighting.
- The Logitech Type-S, a keyboard case for the Samsung Galaxy Tab A 9.7, Samsung Galaxy Tab.
- The Logitech Keys-To-Go, an ultra-portable, stand-alone keyboard.

PC Webcams: Our PC Webcams category comprises of PC-based webcams targeted primarily at consumers. Our top revenue-generating webcams during fiscal year 2016 was the Logitech HD Pro Webcam C920, which offers razor-sharp HD 1080p video recordings and stereo sound.

Competitive Strengths

We believe the key competitive strengths that enable Logitech to achieve success are:

- Our innovation capability, including understanding of product development, technology and industrial design excellence as an emerging strength, eight of our products have been selected as 2016 iF DESIGN AWARD Winners, in addition to our patent portfolio of over 670 patents.
- Our expertise in key engineering disciplines that underlie our products, and our continued enhancement of our products through the use of advanced technologies.
- Our designs have an everyday place in people's lives, connecting them to the digital experiences they care about.
- The Logitech and Ultimate Ears (UE) brand names are recognized worldwide as symbols of product quality, innovation, ease of use and price-performance value. Our recently acquired Jaybird brand is a leader in wireless audio wearables for sports and active lifestyles.
- Our hybrid model of in-house manufacturing and third-party contract manufacturers, which allows us to effectively respond to rapidly changing demand and leverage economies of scale.

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- Our supply chain's extensive global reach, key distribution and strategic business relationships combined with extensive analytic modeling expertise, optimization tools and global processes.
- Our global presence, capable of drawing on the strengths of our global resources, global distribution system and geographic revenue mix.
- Our expertise in developing products for broad array of platforms gear such as PC, Mac, and Apple and Android mobile devices.
- Our extensive retail and e-tail presence across consumer electronics, mass merchandisers and office infrastructures.

We believe that we have competed successfully based on these factors. We believe that Logitech's future lies with our ability to continue to capitalize on these strengths.

Marketing and Design

Logitech's Design and Marketing team strives to understand consumers so that we can innovate, create and deliver amazing design to our users at each and every touch point of the consumer experience with the Logitech and UE brands and products.

We believe that by creating products that people desire and love, we maximize the number of consumers who actively buy and recommend Logitech products, fueling brand preference within and across our many product categories.

We are making good progress building a strong internal Design and Marketing team, while partnering with world renowned design agencies to further our "design-led" approach to product development and launch. Our key design centers are in Switzerland, Ireland, the United States, and Taiwan.

Sales and Distribution

Principal Markets

Net sales to unaffiliated customers by geographic region for fiscal years 2016 , 2015 and 2014 (based on the customers' location) are as follows (in thousands):

	Year Ended March 31,		
	2016	2015	2014
Americas	\$ 881,379	\$ 864,761	\$ 799,431
EMEA	645,694	670,890	724,671
Asia Pacific	491,027	469,257	483,926
	<u>\$ 2,018,100</u>	<u>\$ 2,004,908</u>	<u>\$ 2,008,028</u>

Revenues from sales to customers in Switzerland, our home domicile, represented 2% of our total consolidated net sales in each of fiscal years 2016 , 2015 and 2014 . In fiscal years 2016 , 2015 and 2014 , the United States represented 38% , 36% and 34% of our total consolidated net sales, respectively. No other single country represented more than 10% of our total consolidated net sales for fiscal years 2016 , 2015 or 2014 .

Sales and Distribution

Our sales and marketing activities are organized into three geographic regions: Americas (North and South America), EMEA (Europe, Middle East, Africa) and Asia Pacific (China, Japan, Australia, Taiwan, India and other countries).

We primarily sell our products to a network of distributors and retailers. We support these channels with third-party distribution centers located in North America, Europe and Asia Pacific. Some of these distribution centers perform product localization with local language manuals, packaging and power plugs.

Logitech directly sells products to distributors and large retailers. Distributors in North America include Ingram Micro, Tech Data Corporation, D&H Distributing, and Synnex Corporation. In Europe, pan-European distributors include Ingram Micro, Tech Data, and Gem Distribution. We also sell to many regional distributors such as Actebis GmbH in Germany and Copaco Dc B.V. in the Netherlands. In Asia, major distributors include Beijing Digital China Limited in China, Daiwabo in Japan, and the pan-Asian distributor, Ingram Micro. Our distributor customers typically resell products to retailers, value-added resellers, systems integrators and other distributors with whom Logitech does not have a direct relationship.

In fiscal years 2016 , 2015 and 2014 , Ingram Micro Inc. and its affiliated entities together accounted 14% , 15% and 15% of our net sales, respectively. In fiscal year 2016 Amazon Inc. and its affiliated entities together accounted for 10% of our net sales. No other customer individually accounted for more than 10% of our net sales during fiscal years 2016 , 2015 or 2014 . The material terms of our distribution agreements with Ingram Micro and its affiliated entities are summarized as follows:

- The agreements are non-exclusive in the particular territory and contain no minimum purchase requirements.
- Each agreement may be terminated for convenience at any time by either party. Most agreements provide for termination on 30 days written notice from either party, with two Ingram Micro agreements providing for termination on 90 days notice.
- We generally offer an allowance for marketing activities equal to a negotiated percentage of sales and volume rebates related to purchase volumes or sales of specific products to specified retailers. These terms vary by agreement.
- Most agreements allow price protection credits to be issued for on-hand or in-transit new inventory if we, in our sole discretion, lower the price of the product.
- We grant limited stock rotation return rights, which vary by agreement.

The material terms of our distribution agreements with Amazon and its affiliated entities are summarized as follows:

- Each agreement has a one year term followed by one year automatic renewals.
- We generally offer an allowance for marketing activities equal to a negotiated percentage of sales through transactions and additional rebates related to sales of specific products to end users. These terms vary by agreement.
- Most agreements allow price protection credits to be issued for on-hand or in-transit new inventory if we, in our sole discretion, lower the price of the product.
- We grant limited stock rotation return rights, which vary by agreement.

Logitech's products can be purchased in most major retail chains, where we typically have access to significant shelf space. These chains in the U.S. include Best Buy, Wal-Mart, Staples, Office Depot and Target. In Europe, chains include Metro Group (Media-Saturn Group), Carrefour Group, Kesa Electricals, Fnac, and Dixons Stores Group PLC. Logitech products can also be purchased online either directly from Logitech.com or through e-tailers, such as Amazon.com, the websites of our major retail chains noted previously, and others. Logitech products are also carried by business-to-business direct market resellers such as CDW, Insight, Zones, PC Connection, and SHI.

Through our operating subsidiaries, we maintain sales offices or sales representatives in approximately 43 countries.

Backlog

We typically have a relatively small amount of orders at the end of our fiscal periods that we have received but have not shipped, which is referred to as backlog. In our experience, the amount of backlog at any particular fiscal period-end is not a meaningful indication of our future business prospects.

Customer Service and Technical Support

Our customer service organization provides user technical support, support related to product inquiry, and order support. We support these customer service functions with an outsourced operation that has support centers located in the Philippines, Mexico, and Northern Ireland.

Logitech maintains customer service and technical support capabilities in the United States, Canada, Europe, and the Asia Pacific region. Customer service and technical personnel provide support services to retail purchasers of products through telephone, e-mail, forums, chat, facsimile and the Logitech Web site. Logitech provides warranties on our branded products that range from one to three years.

In Korea, India and China, there are multiple locations where consumers may obtain service for their Logitech products. These locations are managed by a third party logistics provider. Consumers who have purchased Logitech products can visit these locations for product inspection, and return or exchange of products. Within China, there is also a mail-in center to provide these services for more remote locations in China.

Manufacturing

Logitech's manufacturing operations consist principally of final assembly and testing. Since 1994, we have had our own manufacturing operations in Suzhou, China, which currently handles approximately half of our total production of products. We continue to focus on ensuring the efficiency of the Suzhou facilities, through the implementation of quality management, automation, process improvements, and employee involvement programs. We outsource the remaining production to contract manufacturers and original design manufacturers located in Asia. Both our in-house and outsourced manufacturing operations are managed by our worldwide operations group. The worldwide operations group also supports the business units and marketing and sales organizations through management of distribution centers, the supply chain, and the provision of technical support, and other services.

New product launches, process engineering, commodities management, logistics, quality assurance, operations management and management of Logitech's contract manufacturers occur in Hsinchu, Taiwan, Malaysia, Suzhou, China, Shenzhen, China and Hong Kong, China. Certain components are manufactured to Logitech's specifications by vendors in Asia, the United States and Europe. We also use contract manufacturers to supplement internal capacity and to reduce volatility in production volumes. In addition, some products, including most keyboards, certain gaming devices, certain audio products are manufactured by third-party suppliers to Logitech's specifications. Retail product localization with local language manuals, packaging, and power plugs may be performed at distribution centers in North America, Europe and Asia Pacific.

Our hybrid model of in-house manufacturing and third-party contract manufacturers allows us to effectively respond to rapidly changing demand and leverage economies of scale. Through our high-volume manufacturing operations located in Suzhou, China, we believe we have been able to maintain strong quality process controls and have realized significant cost efficiencies. Our Suzhou operation provides for increased production capacity, manufacturing know-how, IP protection and greater flexibility in responding to product demand. Further, by outsourcing the manufacturing of certain products, we seek to reduce volatility in production volumes as well as improve time to market.

Competition

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 have experienced aggressive price competition and other promotional activities from our primary competitors and from less-established brands, including brands owned by some retail customers known as house brands. We may also encounter more competition if any of our competitors in one or more categories decide to enter other categories in which we currently operate.

As we target opportunities in new categories and markets, we are confronting new competitors, many of which may 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 future ones we might enter. Many of these companies have greater financial, technical, sales, marketing and other resources than we have.

We expect continued competitive pressure in our business, including in the terms and conditions that our competitors offer customers, which 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.

Music

Mobile Speakers: Our competitors for Bluetooth wireless speakers include Bose, JBL, Harman Kardon, and Beats. Bose is our largest competitor. Apple's ownership of Beats may impact our access to shelf space in Apple retail stores and adversely impact our ability to succeed in this important growth market. Personal 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 business, 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., SteelSeries, and Turtle Beach.

Video Collaboration

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

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 such as Peel, as well as device and/or subscriber-specific solutions from TV makers such as Samsung and Vizio and multiple-system operator (MSOs) such as Comcast and DirecTV.
- Competition in the home control market exists in form of home automation platforms such as Smart Things (owned by Samsung), Amazon with their Echo product, Nest (owned by Google), Wink and many other startups in the space. Many of these products and brands are partners with Logitech as well via integrations with Harmony remotes.

Creativity and Productivity

Pointing Devices: Microsoft Corporation and Hewlett Packard 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 & Combos: Microsoft Corporation, Hewlett Packard and Apple Inc. are our main competitors in our PC mice and keyboard product lines. We also experience competition and pricing pressure for corded and cordless mice and combos from less-established brands, including house brands.

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

PC Webcams: Our primary competitors for PC webcams are Microsoft Corporation and Hewlett Packard.

Intellectual Property and Proprietary Rights

Intellectual property rights that apply to Logitech's products and services include patents, trademarks, copyrights and trade secrets.

We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. While we believe that patent protection is important, we also believe that patents are of less competitive significance than factors such as technological expertise and innovation, ease of use, and quality design. No single patent is in itself essential to Logitech as a whole. From time to time we receive claims that we may be infringing on patents or other intellectual property rights of others. As appropriate, claims are referred to counsel, and current claims are in various stages of evaluation and negotiation. If necessary or desirable, we may seek licenses for certain intellectual property rights. Refer also to the discussion in Item 1A, Risk Factors—“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.” and “Claims by others that we infringe their proprietary technology could adversely affect our business.”

To distinguish genuine Logitech products from competing products and counterfeit products, Logitech has used, registered, or applied to register certain trademarks and trade names in the U.S. and in other countries and jurisdictions. Logitech enforces its trademark and trade name rights in the U.S. and in other countries. In addition, the software for Logitech's products and services is entitled to copyright protection, and we generally require our customers to obtain a software license before providing them with that software. We also protect details about our products and services as trade secrets through employee training, license and non-disclosure agreements, technical measures and other reasonable efforts to preserve confidentiality.

Environmental Regulation

We are subject to laws and regulations in many jurisdictions regulating the materials used in our products and, increasingly, product-related energy consumption, and the recycling of our products, batteries and packaging.

Europe. In Europe we are subject to the European Union's (EU's) RoHS (Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment) Directive 2011/65/EU, or RoHS 2. This directive restricts the placement into the EU market of electrical and electronic equipment containing certain hazardous materials including lead, mercury, cadmium, chromium, and halogenated flame-retardants. All Logitech products are covered by the directive and have been modified, if necessary, to be RoHS 2 compliant. Logitech has an active program to ensure compliance with the RoHS 2 directive and to ensure RoHS 2 compliant components and manufacturing methods in order to comply with the requirements of the directive including issuing of a declaration of conformity and marking the product with the 'CE' mark.

Logitech is also subject to the EU's ErP (Energy-related Products) Directive, which aims to encourage manufacturers and importers to produce products designed to minimize overall environmental impact. Under the Directive, manufacturers must ensure that their energy-related products comply with applicable requirements, issue a declaration of conformity and mark the product with the 'CE' mark. The Directive does not have binding requirements for specific products, but does define conditions and criteria for setting, through subsequent implementing measures, requirements regarding environmentally relevant product characteristics. To date the following implementing measures within the ErP Directive are active and applicable to Logitech products:

- 1275/2008: Eco-design requirements for standby and off mode electric power consumption of electrical and electronic household and office equipment.
- 278/2009: Eco-design requirements for no-load condition power consumption and average active efficiency of external power supplies.

Logitech has assessed the applicability of implementing these measures on relevant product lines and has taken steps to ensure that our products meet the requirements. Adoption of the ErP Directive will be aligned in all EU member states, and we expect conformity will be demonstrated by Logitech in conjunction with current CE conformity marking requirements. Similar requirements exist in the four member states of the European Free Trade Association (Iceland, Norway, Liechtenstein and Switzerland). Such requirements are substantially met by compliance with the ErP Directive.

We are also subject to a number of EOL (End of Life) Stewardship directives including the EU's WEEE (Waste Electrical and Electronic Equipment) Directive, the EU Packaging Directive and the EU Battery Directive, which require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products. Where applicable, we have provided for the estimated costs, which are not material, of managing and recycling historical and future waste equipment, packaging and batteries. Logitech has also assessed the applicability of the European REACH Directive (Regulation (EC) No. 1907/2006 for Registration, Evaluation, Authorization, and Restrictions of Chemicals). Logitech is not subject to aspects of this Directive which relate to chemical substance import and control due to our current manufacturing structure. The aspect of this Directive that relates to product content does impact Logitech, and we have taken steps to ensure that all substances of very high concern (on a list of candidate substances for authorization that is published on the EU Agency-Web site) present in products above a concentration limit are eliminated in subsequent product designs or notified per the Directive requirements. Additions to this list of candidate substances are reviewed on a regular basis to give consideration to any updates to the substances of very high concern (SVHC) list performed by the relevant EU agency.

China. In China we are subject to China's law on Management Methods on the Control of Pollution Caused by Electronic Information Products (China RoHS). This is substantially similar to the EU RoHS Directive, and as such, Logitech products are already compliant. China RoHS requires additional labeling of product that will be shipped in China and Logitech has taken steps to help ensure we comply with these requirements.

United States and Canada. In the U.S., we are subject to, among other laws, Appliance Efficiency Regulations adopted via the U.S. Energy Independence and Security Act of 2007. The regulations set out standards for the energy consumption performance of products within the scope of the regulations, which includes some of Logitech's products. The standards apply to appliances sold or offered for sale throughout the U.S., and Logitech has redesigned or changed products to comply with these regulations. We are also subject to California's Proposition 65, which requires that clear and reasonable warnings be given to consumers who are exposed to certain chemicals deemed by the state of California to be dangerous.

Logitech is also subject to the requirement as set out by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, specifically Section 1502, which addresses the use of "Conflict Minerals" in the supply chain. We have established systems which facilitate our compliance with the sourcing and traceability obligations and the reporting requirements of this Act aligned with guidelines published by the Securities and Exchange Commission.

As an EICC (Electronic Industry Citizenship Coalition) member, Logitech is participating in the industry-wide Conflict Free Sourcing Initiative and its Conflict Free Smelter Program by which these requirements will be met.

In addition, the Transparency in Supply Chain Act of 2010 (S.B. 657) is effective from Logitech's fiscal year 2012. The law requires all retailers and manufacturers of tangible products who do business in California and have annual worldwide gross receipts exceeding \$100 million to disclose on their company websites their efforts to combat forced labor and human trafficking in their own supply chains. Logitech's disclosure is posted on our Web site, www.logitech.com.

In Canada and the United States, we are subject to laws in various Canadian provinces and U.S. states that impose fees to cover the cost of end of life responsible disposal and recycling of packaging, product and batteries. These laws require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products. Where applicable, we have provided for the estimated costs, which are not material, of managing and recycling historical and future waste equipment, packaging and batteries.

Australia and New Zealand. In Australia and New Zealand, we are subject to the MEPS (Minimum Energy Performance Standards) regulations. These regulations set out standards for the energy consumption performance of products within the scope of the regulations, which includes some of Logitech's products. We have taken steps to modify products to ensure they are in compliance with MEPS.

We expect further laws governing product and packaging recycling to be introduced in other jurisdictions, many or most of which could impose fees to cover recycling costs, the cumulative impact of which could be significant. If such legislation is enacted in other countries, Logitech intends to develop compliance programs as necessary. However, until that time, we are not able to estimate any possible impact.

The effects on Logitech's business of complying with other government regulations are limited to the cost of agency fees and testing, as well as the time required to obtain agency approvals. There are also stewardship costs associated with the end of life collection, recycling and recovery of Logitech products, packaging and batteries where Logitech is recognized as the steward and participates in relevant programs. The costs and schedule requirements are industry requirements and therefore do not represent an undue burden relative to Logitech's competitive position. As regulations change, we will modify our products or processes to address those changes.

Seasonality

Our product sales are typically seasonal. Sales are generally highest during our third fiscal quarter (October to December) primarily due to the increased demand for our products during the year-end holiday buying season. Due to the timing of our new product introductions, we believe that year-over-year comparisons are more indicative of variability in our results of operations than current quarter to prior quarter comparisons.

Materials

We purchase certain products and key components used in our products 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, we might be unable to find a new supplier on acceptable terms, or at all, and our shipments to our customers could be delayed. In addition, 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, our ability to forecast product demand, 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.

Employees

As of March 31, 2016 we employed approximately 5,900 regular employees, of which approximately 3,250 employees are in our Suzhou manufacturing facility, and from the remaining 2,650 regular employees, approximately 600 are dedicated to research and development. None of Logitech's U.S. employees are represented by a labor union or are subject to a collective bargaining agreement. Certain other countries, such as China, provide by law for employee rights, which include requirements similar to collective bargaining agreements. We believe that our employee relations are good.

Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers as of March 31, 2016 :

Name	Age	Nationality	Position
Guerrino De Luca	63	Italian and U.S.	Executive Chairman of the Board
Bracken Darrell	53	U.S.	President and Chief Executive Officer
Vincent Pilette	44	Belgian	Chief Financial Officer
Marcel Stolk	48	Dutch	Sr. Vice President, Consumer Computing Platforms Business Group
L. Joseph Sullivan	62	U.S.	Sr. Vice President, Worldwide Operations

Guerrino De Luca has served as Chairman of the Logitech Board of Directors since 2008. Mr. De Luca served as Chief Executive Officer from April 2012 to January 2013 and acting President and Logitech's Chief Executive Officer from July 2011 to April 2012. Previously, Mr. De Luca served as Logitech's President and Chief Executive Officer from February 1998, when he joined the Company, to January 2008. He has been an executive member of the Board of Directors since June 1998. Prior to joining Logitech, Mr. De Luca served as Executive Vice President of Worldwide Marketing for Apple Computer, Inc., a consumer electronics and computer company, from February 1997 to September 1997, and as President of Claris Corporation, a U.S. personal computing software vendor, from May 1994 to February 1997. Prior to joining Claris, Mr. De Luca held various positions with Apple in the United States and in Europe. Mr. De Luca holds a Laurea degree in Electronic Engineering from the University of Rome, Italy.

Bracken Darrell joined Logitech as President in April 2012 and became Chief Executive Officer in January 2013. Prior to joining Logitech, Mr. Darrell served as President of Whirlpool EMEA and Executive Vice President of Whirlpool Corporation, a home appliance manufacturer and marketing company, from January 2009 to March 2012. Previously, Mr. Darrell had been Senior Vice President, Operations of Whirlpool EMEA from May 2008 to January 2009. From 2002 to May 2008, Mr. Darrell was with P&G (The Procter & Gamble Company), a consumer brand company, most recently as the President of its Braun GmbH subsidiary. Prior to rejoining P&G in 2002, Mr. Darrell served in various executive and managerial positions with General Electric Company from 1997 to 2002, with P&G from 1991 to 1997, and with PepsiCo Inc. from 1987 to 1989. Mr. Darrell holds a BA degree from Hendrix College and an MBA from Harvard University.

Vincent Pilette joined Logitech in September 2013 as Chief Financial Officer. Prior to joining Logitech, Mr. Pilette served as Chief Financial Officer of Electronics for Imaging, Inc., a digital printing innovation and solutions company, from January 2011 through August 2013. From January 2009 through December 2010, he served as Vice President of Finance for the Enterprise Server, Storage and Networking Group at Hewlett-Packard Company ("HP"). Prior to this role, Mr. Pilette served as Vice President of Finance for the HP Software Group from December 2005 through December 2008. Mr. Pilette held various other finance positions at HP, in the U.S and Europe, Middle East and Africa, since joining HP in 1997. Mr. Pilette holds an MS in Engineering and Business from Université Catholique de Louvain in Belgium and an MBA from Kellogg School of Management at Northwestern University.

Marcel Stolk joined Logitech in March 2011 as Vice President, Sales and Marketing EMEA and Executive Managing Director EMEA, and was appointed Senior Vice President, Consumer Computing Platforms Business Group in January 2013. Previously, Mr. Stolk was the Senior Vice President, Worldwide Sales and Marketing at Logitech, from March 2001 to October 2005, and held a number of positions within the sales and marketing functions at Logitech from 1991 to 2001. Prior to rejoining Logitech in 2011, he was the Chief Executive Officer of SourceTag BV, a software company for unique tagging of Cloud-based data, from September 2010 to March 2011. Mr. Stolk has also been the founder and Chief Executive Officer of Adoria Investments BV, a private equity company, from October 2005 to July 2010, and he remains the sole owner. Before joining Logitech in 1991, Mr. Stolk held various sales and product marketing positions at Aashima Technology BV, a provider of PC components and accessories, in the Netherlands. Mr. Stolk studied at Utrecht in the Netherlands and has participated in university-level executive courses, including an executive training course at Stanford University.

L. Joseph Sullivan joined Logitech in October 2005 as Vice President, Operations Strategy, and was appointed Senior Vice President, Worldwide Operations in April 2006. Prior to joining Logitech, Mr. Sullivan was Vice President of Operational Excellence and Quality for Carrier Corporation, a subsidiary of United Technologies, from 2001 to 2005. Previously, he was with ACCO Brands, Inc. in engineering and manufacturing management roles from 1998

to 2001. Mr. Sullivan holds a BS degree in Marketing Management and an MBA degree in Operations Management from Suffolk University in Massachusetts.

Available Information

Our Investor Relations Web site is located at <http://ir.logitech.com>. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations Web site. The information we post includes filings we make with the U.S. Securities and Exchange Commission (SEC), including reports on Forms 10-K, 10-Q, 8-K, our proxy statement related to our annual shareholders' meeting and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws or Swiss laws. All such filings and information are available free of charge on the Web site, and we make them available on the Web site as soon as reasonably possible after we file or furnish them with the SEC. The contents of these Web sites are not intended to be incorporated by reference into this report or in any other report or document we file and our references to these Web sites are intended to be inactive textual references only.

In addition, Logitech publishes press releases upon occurrence of significant events within Logitech. Shareholders and members of the public may elect to receive e-mails when Logitech issues press releases upon occurrence of significant events within Logitech or other press releases by subscribing through <http://ir.logitech.com/alerts.cfm>.

As a Swiss company traded on the SIX Swiss Exchange, and as a company subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended, we file reports on transactions in Logitech securities by members of Logitech's Board of Directors and executive officers. The reports that we file with the Securities and Exchange Commission on Forms 3, 4 and 5, along with our other SEC filings, may be accessed on our Web site or on the Securities and Exchange Commission's Web site at <http://www.sec.gov>, and the reports we file that are published by the SIX Swiss Exchange may be accessed at: http://www.six-exchange-regulation.com/obligations/management_transactions_en.html.

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 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.
- In the first quarter of fiscal year 2016 we had substantially completed the implementation of our turnaround strategy that began in fiscal year 2013. As part of our turnaround strategy, 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

attempt to 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 such efforts may cause our operating results to fluctuate from quarter to quarter, making our results 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, 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 economy 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 continued sales growth area. For example, we recently acquired Jaybird to expand into the wireless audio wearables market. Competition in the mobile speaker and audio wearables 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 wearables 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 devices. The rapidly evolving and changing market and increasing competition increase the risk that if we do not allocate our resources in line with the market and our business then 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 strong competitors in the video conferencing market as well as potential new entrants.

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 opportunities is subject to rapidly changing and evolving technologies and may be replaced by new technology concepts or platforms. Some of these growth opportunities are also dependent on

rapidly changing and evolving consumer preferences with respect to design and features that require calculated risk-taking and fast responsiveness. If we do not develop innovative and reliable products 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 opportunities, if the growth opportunities 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 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., SteelSeries, and Turtle Beach.

Video Collaboration

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

Home

Remotes . 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 MSOs such as Comcast and DirecTV.

Home Control . Competition in the home control market exists in form of home automation platforms such as Smart Things (owned by Samsung), Amazon with their Echo product, Nest (owned by Google), Wink and many other startups in the space. Many of these products and brands are partners with Logitech as well via integrations with Harmony remotes.

Creativity and Productivity

Pointing Devices. Microsoft Corporation is our main competitor. 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 case market include Apple, Otter, Speck and a large number of small brands. 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.

PC Webcams. Our primary competitors for PC webcams are Microsoft and Hewlett Packard 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 and iPhone and Android phones and tablets. 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 life cycle, new product introductions, unit volumes, commodity and supply chain costs, 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 turnaround strategy over the past three 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 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, if unsuccessful, 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. 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 recently acquired Jaybird to expand into the wireless audio wearables 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. Moreover, our acquisitions may not be successful in achieving our desired strategic objectives, 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 a \$122.7 million and \$214.5 million non-cash goodwill impairment charge in fiscal years 2015 and 2013, respectively, related to our Lifesize video conferencing business which is reported in discontinued operations. 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 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.

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 effect a turnaround in 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.

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.

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, and we are under progress to increase that percentage in the near future. 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 issue, import export issue, currency transfer restriction, 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.

Conflict minerals regulations 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 2014 with the SEC on May 29, 2015.

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, we may have insufficient supply of products to meet customer demand, we could lose sales, we may experience a build-up in inventory, or we may incur additional costs.

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 and Eastern Europe. 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 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, which may lead to currency exchange losses and collection difficulties or other losses;
- 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;
- Import or export restrictions that could affect some of our products, including those with encryption technology;
- 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 China is an important part of our expectations for our business. As a result, if Chinese economic, political or business conditions deteriorate, or if one or more of the risks described above materializes in China, our overall business and results of operations will be adversely affected.

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. Dollars. 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 fiscal year 2016, approximately 48% of our revenue was in non-U.S. denominated currencies. 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 or operating restrictions 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.

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. 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 and could impact 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 redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses to remedy.

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 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, computer viruses, attacks by computer hackers, 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 could adversely affect our brands, reputation 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 or to rebuild or restore our websites or information technology systems.

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

In connection with certain of our products, we collect data related to our consumers. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, and especially in Europe. 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 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 2017. 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.

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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The table below represents our principal locations, their approximate square footage and their purposes as of March 31, 2016 :

Location	Purpose	Approximate Square Footage	Ownership
Americas:			
Newark, California	Silicon valley campus, research and development, product marketing, sales management, technical support and administration	127,000	Leased
Camas, Washington	Ultimate Ears Group	44,700	Leased
Irvine, California	Ultimate Ears Group	13,400	Leased
Olive Branch, Mississippi	Distribution center	397,000	Contracted (1)
Mexico City, Mexico	Distribution center	12,800	Contracted (1)
Montevideo, Uruguay	Distribution center	25,800	Contracted (1)
Louveira, Brazil	Distribution center	10,312	Contracted (1)
EMEA:			
Lausanne, Switzerland	EPFL campus, research and development, product marketing, sales management, technical support and administration	46,700	Leased
Cork, Ireland	Finance, administration, research and development and design	18,400	Leased
Nijmegen, Netherlands	Finance, administration and distribution center support	15,000	Leased
Oostrum, Netherlands	Distribution center	155,600	Contracted (1)
Asia Pacific:			
Suzhou, China	High-volume manufacturing and employee dormitory	689,300	Owned
Suzhou, China	High-volume manufacturing	14,300	Leased
Hsinchu, Taiwan	Mechanical engineering, new product launches, process engineering, commodities management, logistics, quality assurance and administration	116,400	Leased
Hong Kong, China	Sales and marketing, research and development, administration and distribution center support	15,300	Leased
Shanghai, China	Sales and marketing, finance	16,900	Leased
Chennai, India	Digital Home Group engineering and quality assurance	19,200	Leased
Tokyo, Japan	Sales and marketing	10,100	Leased
Hong Kong, China	Distribution center	40,000	Contracted (1)
Singapore, Singapore	Distribution center	60,000	Contracted (1)
Tokyo, Japan	Distribution center	27,000	Contracted (1)
Shenzhen, China	Distribution center	32,000	Contracted (1)
Dayuan Township, Taiwan	Distribution center	18,100	Contracted (1)

(1) Contracted through a third-party warehouse management company.

Logitech also contracts with various distribution services throughout the world for additional warehouses in which we store inventory. We also have leased sales offices in approximately 60 locations and 40 countries, with various expiration dates from 2016 to 2020.

We believe that Logitech's manufacturing and distribution facilities are adequate for our ongoing needs and we continue to evaluate the need for facilities to meet current and anticipated future requirements.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

None .

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Logitech's shares are listed and traded on both the SIX Swiss Exchange, where the share price is denominated in Swiss francs, and on the Nasdaq Global Select Market, where the share price is denominated in U.S. Dollars. The trading symbol for Logitech shares is LOGN on the SIX Swiss Exchange and LOGI on Nasdaq. As of May 6, 2016, there were 173,106,620 shares issued (including 11,357,739 shares held as treasury stock) held by 13,813 holders of record, and the closing price of our shares was CHF 14.55 (\$15.01 based on exchange rates on such date) per share on the SIX Swiss Exchange and \$15.11 per share as reported by the Nasdaq Stock Market.

SIX Swiss Exchange

The following table sets forth certain historical share price information for our shares traded on the SIX Swiss Exchange, as reported by the SIX Swiss Exchange.

	SIX Swiss Exchange	
	High CHF	Low CHF
Fiscal Year Ended March 31, 2016		
First quarter	15.20	12.70
Second quarter	14.20	12.15
Third quarter	15.70	12.30
Fourth quarter	16.45	13.40
Fiscal Year Ended March 31, 2015		
First quarter	13.80	11.00
Second quarter	13.95	11.15
Third quarter	14.60	10.75
Fourth quarter	14.25	11.60

Nasdaq Global Select Market

The following table sets forth certain historical share price information for our shares traded on the Nasdaq Global Select Market.

	Nasdaq Global Select Market	
	High	Low
Fiscal Year Ended March 31, 2016		
First quarter	\$ 16.25	\$ 13.13
Second quarter	14.87	12.79
Third quarter	15.73	12.58
Fourth quarter	16.56	13.48
Fiscal Year Ended March 31, 2015		
First quarter	\$ 15.46	\$ 12.34
Second quarter	15.35	12.56
Third quarter	15.00	11.51
Fourth quarter	15.21	12.50

Dividends

Under Swiss law, a corporation may only pay dividends upon a vote of its shareholders. This vote typically follows the recommendation of the corporation's Board of Directors. In March 2015, we announced a plan to pay \$250.0 million in cumulative dividends for fiscal year 2015 through fiscal year 2017. On September 9, 2015, Logitech's shareholders approved a cash dividend payment of CHF 83.1 million out of retained earnings to Logitech shareholders who owned shares on September 21, 2015. Eligible shareholders were paid CHF 0.51 per share (\$0.53 per share in U.S. Dollars), totaling \$85.9 million in U.S. Dollars on September 22, 2015. On December 18, 2014, Logitech's shareholders approved a cash dividend payment of CHF 43.1 million out of retained earnings to Logitech shareholders who owned shares on December 29, 2014. Eligible shareholders were paid CHF 0.26 per share (\$0.27 per share in U.S. Dollars), totaling \$43.8 million in U.S. Dollars on December 30, 2014. On September 4, 2013, Logitech's shareholders approved a cash dividend payment of CHF 33.7 million out of retained earnings to Logitech shareholders who owned shares on September 16, 2013. Eligible shareholders were paid CHF 0.21 per share (\$0.22 per share in U.S. Dollars), totaling \$36.1 million in U.S. Dollars on September 17, 2013.

Dividends paid and similar cash or in-kind distributions made by Logitech to a holder of Logitech shares (including dividends or liquidation proceeds and stock dividends), other than distributions of qualifying additional paid-in-capital if it is available under the current Swiss tax regime, are subject to a Swiss federal anticipatory tax at a rate of 35%. The anticipatory tax must be withheld by Logitech from the gross distribution, and paid to the Swiss Federal Tax Administration.

A Swiss resident holder and beneficial owner of Logitech shares may qualify for a full refund of the Swiss anticipatory tax withheld from such dividends. A holder and beneficial owner of Logitech shares who is a non-resident of Switzerland, but a resident of a country that maintains a double tax treaty with Switzerland, may qualify for a full or partial refund of the Swiss anticipatory tax withheld from such dividends by virtue of the provisions of the applicable treaty between Switzerland and the country of residence of the holder and beneficial owner of the Logitech shares.

In accordance with the tax convention between the United States and the Swiss Confederation ("Treaty"), a mechanism is provided whereby a U.S. resident (as determined under the Treaty), and U.S. corporations, other than U.S. corporations having a "permanent establishment" or a fixed base, as defined in the Treaty, in Switzerland, generally can obtain a refund of the Swiss anticipatory tax withheld from dividends in respect of Logitech shares, to the extent that 15% of the gross dividend is withheld as final withholding tax (i.e. 20% of the gross dividend may generally be refunded). In specific cases, U.S. companies not having a "permanent establishment" or a fixed base in Switzerland owning at least 10% of Logitech registered shares may receive a refund of the Swiss anticipatory tax withheld from dividends to the extent it exceeds 5% of the gross dividend (i.e., 30% of the gross dividend may be refunded). To get the benefit of a refund, holders must beneficially own Logitech shares at the time such dividend becomes due.

Share Repurchases

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

During Fiscal Year Ended	Shares Repurchased	Weighted Average Price Per Share		Amount Available for Repurchase
		CHF	USD	
March 31, 2014	—	—	—	\$ 250,000
March 31, 2015	115	—	14.43	248,337
March 31, 2016	4,951	13.52	14.63	178,298
	<u>5,066</u>			

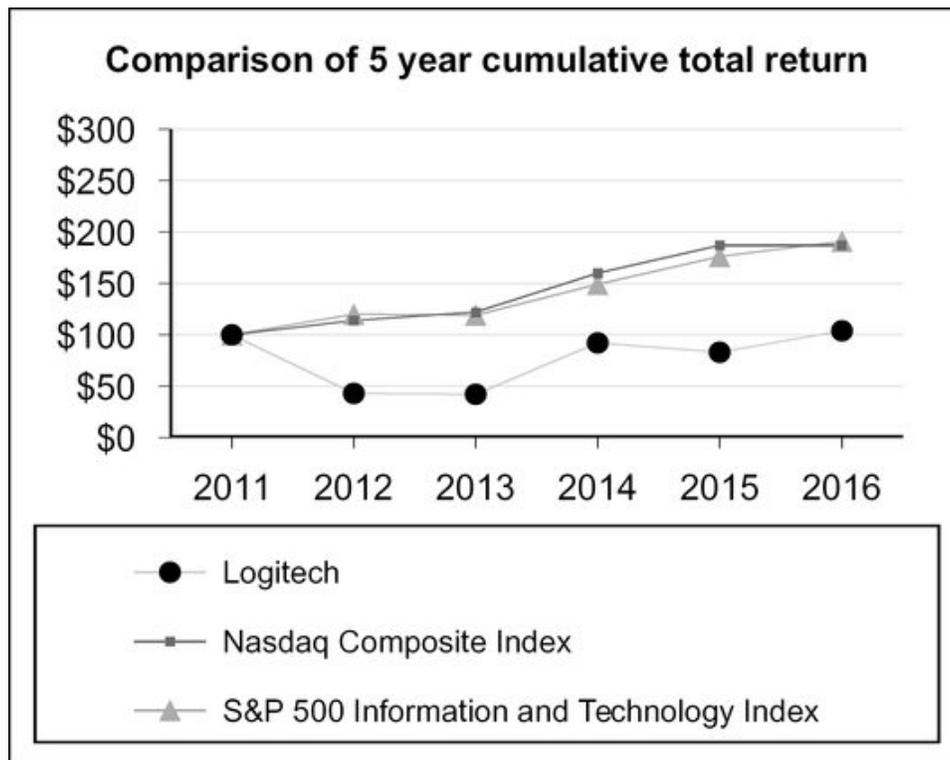
In fiscal year 2016, the following approved share buyback programs were in place:

Share Buyback Program	Shares	Approved Amounts
March 2014	17,311	\$ 250,000

Performance Graph

The information contained in the Performance Graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

The following graph compares the cumulative total stockholder return on our shares, the Nasdaq Composite Index, and the S&P 500 Information and Technology Index. The graph assumes that \$100 was invested in our shares, the Nasdaq Composite Index and the S&P 500 Information and Technology Index on March 31, 2011, and calculates the annual return through March 31, 2016. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



*\$100 invested on March 31, 2011 in stock or index, including reinvestment of dividends.
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	March 31,					
	2011	2012	2013	2014	2015	2016
Logitech	\$ 100	\$ 43	\$ 42	\$ 92	\$ 83	\$ 104
Nasdaq Composite Index	\$ 100	\$ 114	\$ 122	\$ 160	\$ 187	\$ 187
S&P 500 Information and Technology Index	\$ 100	\$ 120	\$ 119	\$ 149	\$ 176	\$ 191

ITEM 6. Selected Financial Data

This financial data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. These historical results are not necessarily indicative of the results to be expected in the future.

	Years ended March 31,				
	2016 ⁽²⁾	2015 ⁽²⁾	2014 ⁽²⁾	2013 ⁽²⁾ (unaudited)	2012 ⁽²⁾ (unaudited)
(in thousands, except for per share amounts)					
Consolidated statement of operations and cash flow data					
Net sales	\$ 2,018,100	\$ 2,004,908	\$ 2,008,028	\$ 1,962,237	\$ 2,168,742
Cost of goods sold	1,337,053	1,299,451	1,346,489	1,331,579	1,449,489
Gross profit	681,047	705,457	661,539	630,658	719,253
Operating expenses:					
Marketing and selling	319,015	321,749	322,707	360,245	350,218
Research and development	113,624	108,306	112,446	123,864	129,717
General and administrative	101,548	125,995	112,689	108,480	101,621
Impairment of goodwill and other assets	—	—	—	2,188	—
Restructuring charges (credits), net (1)	17,802	(4,777)	8,001	39,455	—
Total operating expenses	551,989	551,273	555,843	634,232	581,556
Operating income (loss)	129,058	154,184	105,696	(3,574)	137,697
Interest income (expense), net	790	1,197	(431)	870	2,634
Other income (expense), net	1,624	(2,298)	2,039	(2,139)	7,933
Income (loss) from continuing operations before income taxes	131,472	153,083	107,304	(4,843)	148,264
Provision for (benefit from) income taxes	3,110	4,654	1,313	(26,376)	21,545
Net income from continuing operations	128,362	148,429	105,991	21,533	126,719
Loss from discontinued operations, net of income taxes	(9,045)	(139,146)	(31,687)	(249,051)	(22,482)
Net income (loss)	119,317	9,283	74,304	(227,518)	104,237
Net income (loss) per share - basic:					
Continuing operations	\$ 0.79	\$ 0.91	\$ 0.66	\$ 0.14	\$ 0.73
Discontinued operations	\$ (0.06)	\$ (0.85)	\$ (0.20)	\$ (1.58)	\$ (0.13)
Net income (loss) per share - diluted	\$ 0.73	\$ 0.06	\$ 0.46	\$ (1.44)	\$ 0.60
Income (loss) per share - diluted:					
Continuing operations	\$ 0.77	\$ 0.89	\$ 0.65	\$ 0.14	\$ 0.72
Discontinued operations	\$ (0.05)	\$ (0.83)	\$ (0.19)	\$ (1.57)	\$ (0.13)
Net income (loss) per share - diluted	\$ 0.72	\$ 0.06	\$ 0.46	\$ (1.43)	\$ 0.59
Weighted average shares used to compute net income (loss) per share:					
Basic	163,296	163,536	160,619	158,468	174,648
Diluted	165,792	166,174	162,526	159,445	175,591
Cash dividend per share	\$ 0.53	\$ 0.27	\$ 0.22	\$ 0.85	\$ —
Net cash provided by operating activities	\$ 183,111	\$ 178,632	\$ 205,421	\$ 122,389	\$ 202,534
Net cash used in investing activities	\$ (60,690)	\$ (48,289)	\$ (46,803)	\$ (57,723)	\$ (57,602)
March 31,					
	2016	2015	2014 ⁽³⁾	2013 ⁽³⁾	2012 ⁽³⁾
Consolidated balance sheet data					
Cash and cash equivalents	\$ 519,195	\$ 533,380	\$ 467,518	\$ 331,498	\$ 474,961
Total assets	\$ 1,324,147	\$ 1,426,680	\$ 1,451,390	\$ 1,382,333	\$ 1,858,009
Total shareholders' equity	\$ 759,948	\$ 758,134	\$ 804,128	\$ 721,953	\$ 1,131,791

- (1) During Fiscal year 2016, we incurred restructuring charges of \$17.8 million related to the restructuring plan we implemented in fiscal 2016. The \$4.8 million in restructuring credits during fiscal year 2015 were related to restructuring plans we implemented in fiscal year 2014. The \$8.0 million and \$39.5 million in restructuring costs during fiscal years 2014 and 2013 were related to restructuring plans we implemented in fiscal years 2014 and 2013.
- (2) On December 28, 2015, we divested our Lifesize video conferencing business and, as a result, we have reflected the Lifesize video conferencing business as discontinued operations in our consolidated statements of operations and, as such, the results of that business have been excluded from all line items of statements of operations other than "Loss from discontinued operations, net of income taxes" for all periods presented.
- (3) The above condensed consolidated cash and cash equivalents exclude Lifesize video conferencing business which is presented as discontinued operations. See Note 3, "Discontinued Operations" to our consolidated financial statements for additional information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these statements as a result of certain factors, including those set forth above in Item 1A, Risk Factors, and below in Item 7A, Quantitative and Qualitative Disclosures about Market Risk. Please read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included under Item 8 of this Annual Report on Form 10-K.

Overview of Our Company

Logitech is a world leader in designing products that have an every day place in people's lives, connecting them to the digital experiences they care about. Over 30 years ago we started connecting people through computers, and now we are designing products that bring people together through music, gaming, video and computing.

We design, manufacture and market products that allow people to connect through music, gaming, video, computing, and other digital platforms. Our products participate in five large markets that all have growth potential: Music, Gaming, Video Collaboration, Home, and Creativity and Productivity.

We sell our products to a broad network of domestic and international customers, including direct sales to retailers, e-tailers, and indirect sales through distributors. Our worldwide retail network includes consumer electronics distributors, retailers, mass merchandisers, specialty electronics stores, computer and telecommunications stores, value-added resellers and online merchants.

We seek to fulfill the increasing demand for interfaces between people and the expanding digital world across multiple platforms and user environments. The interface evolves as platforms, user models and our target markets evolve. As access to digital information has expanded, we have extended our focus to mobile devices, the digital home, and the digital world. All of these platforms require interfaces that are customized according to how the devices are used. We believe that continued investment in product research and development is critical to creating the innovation required to strengthen our competitive advantage and to drive future sales growth. We are committed to identifying and meeting current and future consumer trends with new and improved product technologies, as well as leveraging the value of the Logitech brand from a competitive, channel partner, and consumer experience perspective.

We believe that innovation, design and product quality are important to gaining market acceptance and maintaining market leadership.

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.

In fiscal years prior to fiscal year 2016, we had two segments: Peripherals, including retail and OEM products; and Lifesize Video Conferencing. During fiscal year 2016, we divested the Lifesize Video Conferencing segment, and exited the OEM business. Our financial results treat the Lifesize segment as discontinued operations for all the periods presented in this Annual Report on Form 10-K. As a result, sales of products through our retail channels represented 96% , 94% and 93% of our net sales for the fiscal years 2016 , 2015 and 2014 , respectively.

On April 20, 2016, we acquired Jaybird LLC of Salt Lake City, Utah, ("Jaybird") for approximately \$50 million in cash, with an additional earn-out of up to \$45 million based on achievement of growth targets over two years. Jaybird is a leader in wireless audio wearables for sports and active lifestyles, and the acquisition of Jaybird expands our long-term growth potential in our Music market.

On December 28, 2015, we and Lifesize, Inc., a wholly owned subsidiary of Logitech which holds the assets of our Lifesize video conferencing business, entered into a stock purchase agreement with three venture capital firms. Immediately following the December 28, 2015 closing of the transaction, the venture capital firms held 62.5% of the outstanding shares of Lifesize, which resulted in a divestiture of the Lifesize video conferencing business by us. The historical results of operations and the financial position of Lifesize are included in the consolidated financial statements of Logitech and are reported as discontinued operations within this Annual Report on Form 10-K. Unless

indicated otherwise, the information included in Item 7 relates to our continuing operations and historical financial information has been recast to conform to this new presentation within our financial statements.

We exited our OEM business during our fiscal quarter ended December 31, 2015. The results of our OEM business are included in our financial statements as part of continuing operations for the nine months ended December 31, 2015 and prior periods. There is no revenue and cost associated with this business in three months ended March 31, 2016, and we do not expect any in future periods.

Summary of Financial Results

Our total net sales for fiscal year 2016 increased 1% in comparison to fiscal year 2015 due to an increase in retail sales, partially offset by a decrease in OEM sales as a result of exiting the OEM business in the third quarter ended December 31, 2015.

Retail sales during fiscal year 2016 increased 3% compared to fiscal year 2015. Retail sales increased 3% and 10% in the Americas ("AMR") and Asia Pacific, respectively, partially offset by a decrease of 1% in EMEA.

Our gross margin for fiscal year 2016 decreased to 33.7%, compared to 35.2% for fiscal year 2015. The decrease in gross margin is primarily driven by the unfavorable fluctuations in currency exchange rates, partially offset by sales price increases and savings from supply chain efficiencies related to freight.

Operating expenses for fiscal year 2016 were 27.4% of net sales, compared to 27.5% for fiscal year 2015. The decrease was primarily due to the savings from general and administration expenses reduction related to the prior year's independent Audit committee investigation and related expenses, partially offset by the increase in research and development expense and restructuring costs related to our restructuring plan announced in April 2015.

Net income from continuing operations for fiscal year 2016 was \$128.4 million, compared to \$148.4 million for fiscal year 2015.

Trends in Our Business

In 2016, we announced our intention to focus on five large markets, or domains, collections of categories, going forward. Our strategy focuses on five large multi-category markets including Music, Gaming, Video Collaboration, Home and Creativity & Productivity. We see opportunities to deliver growth with products 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 and digital music devices. The following discussion represents key trends specific to our market opportunities.

Trends Specific to Our Five Market Opportunities

Music: The music market grew during fiscal year 2016 driven by growing consumption of music through mobile devices such as smartphones and tablets. This market growth, together with our investments in the UE brand, our introduction of new products and our ability to gain market share during fiscal year 2016, has driven our growth in this market.

Gaming: The PC Gaming platform continues to show strong growth as online gaming and multi-platform experiences gain greater popularity and gaming content becomes increasingly more demanding. We believe Logitech is well positioned to benefit from the gaming market growth.

Video Collaboration: We are continuing our efforts to create and sell innovative products, including Video Collaboration products, to accommodate the increasing demand from medium sized meeting rooms to small sized rooms such as huddle rooms. During fiscal year 2016, we launched Logitech Group, a transformation in team collaboration that provides high-quality HD video conferencing for groups of up to 20 people and works with the video conferencing applications already in use. We will continue to invest in selected business specific products, targeted product marketing and sales channel development.

Home: This market increased in fiscal year 2016. We are continuing our efforts to sell our Harmony products in this market.

Creativity & Productivity: Although the consumer demand for PC peripherals is slowing, the installed base of PC users is 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 with touch

interfaces, have created new markets and usage models for peripherals and accessories. We offer a number of products to enhance the use of mobile devices, including keyboard folios for the iPad and iPad mini, and keyboard covers and folios for the iPad Air. However, we have seen the market decline through fiscal year 2016 for the iPad platform, which has impacted the sales of our tablet accessories.

Business Application Suite

In fiscal year 2016, we implemented the upgrade of our worldwide business application suite from Oracle version 11i to Oracle version R12. This upgrade created delays in our processing of customer claims related to cooperative marketing arrangements, direct and indirect customer incentive programs and pricing programs. While we are working on enhancing the operational efficiency of the claims processing module in our worldwide business application suite, this has resulted and it may continue to result in higher accruals and allowances for such programs.

Business Seasonality and Product Introductions

We have historically experienced higher net sales in its third fiscal quarter ending December 31, compared to other fiscal quarters in its fiscal year, due in part to seasonal holiday demand. Additionally, new product introductions can significantly impact net sales, product costs and operating expenses. Product introductions can also impact our net sales to its 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 U.S. GAAP (Generally Accepted Accounting Principles in the United States of America) requires us to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses, and the disclosure of contingent assets and liabilities.

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.

We believe the following accounting estimates are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Accruals for Customer Programs

We record accruals for cooperative marketing arrangements, customer incentive programs, pricing programs and product returns. An allowance against accounts receivable is recorded for accruals and program activity related to our direct customers and indirect customers who receive payments for program activity through our direct customers. A liability is recorded for accruals and program activity related to our indirect customers who receive payments directly and do not have a right of offset against a receivable balance. The estimated cost of these programs is usually recorded as a reduction of revenue. If we receive a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit, such cost is reflected in operating expenses. Significant management judgment and estimates must be used to determine the cost of these programs in any accounting period.

Cooperative Marketing Arrangements. We enter into customer marketing programs with many of our distribution and retail customers, and with certain indirect partners, allowing customers to receive a credit equal to a set percentage of their purchases of our products, or a fixed dollar credit for various marketing programs. The objective of these arrangements is to encourage advertising and promotional events to increase sales of our

products. Accruals for these marketing arrangements are recorded at the later of time of sale or time of commitment, based on negotiated terms, historical experience and inventory levels in the channel.

Customer Incentive Programs. Customer incentive programs include performance-based incentives and consumer rebates. We offer performance-based incentives to our distribution customers, retail customers and indirect partners based on pre-determined performance criteria. Accruals for performance-based incentives are recognized as a reduction of the sale price at the time of sale. Estimates of required accruals are determined based on negotiated terms, consideration of historical experience, anticipated volume of future purchases, and inventory levels in the channel. Consumer rebates are offered from time to time at our discretion for the primary benefit of end-users. Accruals for the estimated costs of consumer rebates and similar incentives are recorded at the later of time of sale or when the incentive is offered, based on the specific terms and conditions. Certain incentive programs, including consumer rebates, require management to estimate the number of customers who will actually redeem the incentive based on historical experience and the specific terms and conditions of particular programs.

Pricing Programs. We have agreements with certain customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction. At our discretion, we also offer special pricing discounts to certain customers. Special pricing discounts are usually offered only for limited time periods or for sales of selected products to specific indirect partners. Our decision to make price reductions is influenced by product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Accruals for estimated expected future pricing actions are recognized at the time of sale based on analysis of historical pricing actions by customer and by products, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information, such as stage of product life-cycle.

Returns. We grant limited rights to return products. Return rights vary by customer, and range from just the right to return defective product to stock rotation rights limited to a percentage of sales approved by management. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical return trends by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information. Upon recognition, we reduce sales and cost of sales for the estimated return. Return trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, product sell-through, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors. Return rates can fluctuate over time, but are sufficiently predictable to allow us to estimate expected future product returns.

We regularly evaluate the adequacy of our accruals for cooperative marketing arrangements, customer incentive programs, pricing programs and product returns. Future market conditions and product transitions may require us to take action to increase such programs. In addition, when the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, we would be required to record incremental increases or reductions to revenue or operating expenses. If, at any future time, we become unable to reasonably estimate these costs, recognition of revenue might be deferred until products are sold to users, which would adversely impact revenue in the period of transition.

Inventory Valuation

We must order components for our products and build inventory in advance of customer orders. Further, our industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand.

We record inventories at the lower of cost or market value and record write-downs of inventories that are obsolete or in excess of anticipated demand or market value. A review of inventory is performed each fiscal quarter that considers factors including the marketability and product life cycle stage, product development plans, component cost trends, demand forecasts and current sales levels. Inventory on hand which is not expected to be sold or utilized is considered excess, and we recognize the write-down in cost of goods sold at the time of such determination. The write-down is determined by comparison of the replacement cost with the estimated selling price less any costs of completion and disposal (net realizable value) and the net realizable value less the normal profit margin. At the time of loss recognition, new cost basis per unit and lower-cost basis for that inventory are established and subsequent changes in facts and circumstances would not result in an increase in the cost basis. If there is an abrupt and substantial decline in demand for Logitech's products or an unanticipated change in technological or customer requirements, we may be required to record additional write-downs that could adversely affect gross margins in the period when the write-downs are recorded.

Share-Based Compensation Expense

Share-based compensation expense includes compensation expense reduced for estimated forfeitures. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of RSUs (restricted stock units) that vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based RSUs and RSUs with performance conditions is calculated based on the closing market price on the date of grant, adjusted by estimated dividends yield prior to vesting.

Our estimates of share-based compensation expense require a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns, future forfeitures, probability of achievement of the set performance conditions, dividend yield, related tax effects and the selection of an appropriate fair value model. We estimate expected share price volatility based on historical volatility using daily prices over the term of past options, RSUs or purchase offerings, as we consider historical share price volatility as most representative of future volatility. We estimate expected life based on historical settlement rates, which we believe are most representative of future exercise and post-vesting termination behaviors. We use historical data to estimate pre-vesting forfeitures, and we record share-based compensation expense only for those awards that are expected to vest. The dividend yield assumption is based on our history and expectations of future dividend payouts.

The assumptions used in calculating the fair value of share-based compensation expense and related tax effects represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, or if we decide to use a different valuation model, our share-based compensation expense could be materially different in the future from what we have recorded in the current period, which could materially affect our results of operations.

Accounting for Income Taxes

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 the changes in or interpretations of tax laws and tax agreements in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in geographical mix of income and expense, and changes in our assessment of matters such as the ability to realize deferred tax assets. As a result of these considerations, we must estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income, considering all available evidence such as historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax strategies. When we determine that it is not more likely than not that we will realize all or part of our deferred tax assets, an adjustment is charged to earnings in the period when such determination is made. Likewise, if we later determine that it is more likely than not that all or a part of our deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

We make certain estimates and judgments about the application of tax laws, the expected resolution of uncertain tax positions and other matters surrounding the recognition and measurement of uncertain tax benefits. In the event that uncertain tax positions are resolved for amounts different than our estimates, or the related statutes of limitations expire without the assessment of additional income taxes, we will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on our income tax provision and our results of operations.

Goodwill

We conduct a goodwill impairment analysis annually at December 31 or more frequently if indicators of impairment exist or if a decision is made to sell or exit a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which an entity operates, increases in input costs that have a negative effect on earnings and cash flows, a trend of negative or declining cash flows, a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods, or other relevant entity-specific events such as changes in management,

key personnel, strategy or customers, contemplation of bankruptcy, or litigation. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill.

In reviewing goodwill for impairment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the two-step quantitative impairment test; otherwise, no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether an entity chooses to perform the qualitative assessment or proceeds directly to the two-step quantitative impairment test. Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. We currently have only one reporting unit.

Annual Impairment analysis

We performed our annual impairment analysis of the goodwill at December 31, 2015 by performing a qualitative assessment and concluded that it was more likely than not that the fair value of the peripheral reporting unit exceeded its carrying amount. Refer to the Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K for the disclosures.

Product Warranty Accrual

We estimate the cost of product warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected costs, and knowledge of specific product failures that are outside of our typical experience. Each fiscal quarter, we reevaluate estimates to assess the adequacy of recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjust the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect our results of operations.

Adoption of New Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*". This new standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard is effective prospectively for years beginning on or after December 15, 2014, with early application permitted. We adopted ASU No. 2014-08 on April 1, 2015 on a prospective basis and applied the guidance to our disposition of the Lifesize video conferencing business.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The guidance eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified balance sheet. Instead, the guidance requires deferred tax liabilities, deferred tax assets and valuation allowances be classified as non-current in a classified balance sheet. The ASU is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. We have early adopted the guidance in the fourth quarter of fiscal year 2016 on a prospective basis. Prior periods are therefore not adjusted.

Refer to the Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K for recent accounting pronouncements to be adopted.

Non-GAAP Measures

We refer to our net sales excluding the impact of currency exchange rate fluctuations as "constant dollar" sales. Constant dollar sales is a non-GAAP financial measure, which is information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. GAAP. Our management uses these non-GAAP measures in its financial and operational decision-making, and believes these non-GAAP measures, when considered in conjunction with the corresponding GAAP measures, facilitate a better understanding of changes in net sales. 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. This non-GAAP financial measure is not intended to be considered in isolation from, or as a substitute for, a measure of financial performance prepared in accordance with GAAP. There are inherent limitations associated with the use of this non-GAAP financial measure as an analytical tool. In particular, this non-GAAP financial measure is not based on a comprehensive set of accounting rules or principles, may be different from non-GAAP financial measures used by other companies, and is not necessarily comparable to similarly-titled measures presented by other companies, limiting its usefulness for comparison purposes. Moreover, presentation of revenue on a constant currency basis is provided for year-over-year comparison purposes only, and investors should be cautioned that the effect of changing currency exchange rates has an actual effect on our operating results in U.S. Dollars.

Given our global sales presence and the reporting of our financial results in U.S. Dollars, our financial results for fiscal year 2016 were affected by significant shifts in currency exchange rates during fiscal year 2016. See "Results of Operations" beginning 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.

Results of Operations

Net Sales

Net sales by channel for fiscal years 2016 , 2015 and 2014 were as follows (Dollars in thousands):

	Years Ended March 31,			Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Retail	\$ 1,947,059	\$ 1,887,446	\$ 1,866,279	3 %	1 %
OEM	71,041	117,462	141,749	(40)	(17)
Total net sales	\$ 2,018,100	\$ 2,004,908	\$ 2,008,028	1	—

Retail:

During fiscal year 2016 , retail sales increased 3% , in comparison to fiscal year 2015 . If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales would have increased 9%. The increase in sales was driven by double digit growth in Mobile Speakers, Gaming and Video Collaboration product categories.

During fiscal year 2015, retail sales increased 1%, compared to fiscal year 2014. If currency exchange rates had been constant in 2015 and 2014, our constant dollar retail sales would have increased 4%. The increase in retail sales is primarily due to triple-digit growth in Mobile Speakers and Video Collaboration product categories, and double-digit growth in Gaming product category, partially offset by declines in Audio-PC & Wearables, Tablet & Other Accessories, PC webcams and the other product categories, compared to fiscal year 2014.

OEM:

During fiscal year 2016, OEM sales decreased 40% , compared to fiscal year 2015 . The decline was primarily due to the exit from our OEM business in December 2015, and there was no revenue during the quarter ended March 31, 2016.

During fiscal year 2015, OEM sales decreased 17% compared to fiscal year 2014.

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 Dollar, British Pound and Australian Dollar. During fiscal years 2016, 2015 and 2014, 48%, 47% and 48% of our net sales were denominated in currencies other than the U.S. Dollar, respectively.

Retail Sales by Region

The following table presents the change in retail sales by region for fiscal year 2016 compared with fiscal year 2015, and fiscal year 2015 compared with fiscal year 2014:

	2016 vs. 2015	2015 vs. 2014
Americas	3 %	8 %
EMEA	(1)	(7)
Asia Pacific	10	2

Americas

During fiscal year 2016, retail sales in Americas increased 3%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales would have increased 5% in the Americas. This increase was led by double digit growth in the Video Collaboration product category mainly from the Webcam C930e, ConferenceCam Connect, and PTZ Pro Camera, and double digit growth in the Mobile Speakers product category driven by the UE Boom 2 as well as the UE Megaboom.

During fiscal year 2015, retail sales in Americas increased 8%, compared to fiscal year 2014. If currency exchange rates had been constant in 2015 and 2014, our constant dollar retail sales would have increased 9% in the Americas. We achieved sales increases in all categories except Audio-PC & Wearables, PC webcams, and Tablets & Other Accessories. This increase was led by triple digit growth in Mobile Speakers mainly from UE BOOM and UE MEGABOOM, and triple digit growth in the Video Collaboration product category mainly from our ConferenceCam CC3000e and Webcam C930e.

EMEA

During fiscal year 2016, retail sales in EMEA decreased 1%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales would have increased 9% in the EMEA region. Double digit growth in Gaming, Video Collaboration and Mobile Speakers product categories were offset by declines in all other product categories.

During fiscal year 2015, retail sales in EMEA decreased 7%, compared to fiscal year 2014. If currency exchange rates had been constant in 2015 and 2014, our constant dollar retail sales would have decreased 3% in the EMEA region. Retail sales decreased across all categories except Gaming, Mobile Speakers, Video Collaboration, Home Control and Keyboards and Combos product categories. The decline in sales was heavily impacted by market weakness in Russia and Ukraine. We achieved triple digit growth in the Video Collaboration product category, and double digit growth in both Mobile Speakers and Gaming product categories during fiscal year 2015 compared to fiscal year 2014.

Asia Pacific

During fiscal year 2016, retail sales in Asia Pacific increased 10%, compared to fiscal year 2015. If currency exchange rates had been constant in 2016 and 2015, our constant dollar retail sales would have increased 15% in the Asia Pacific region. We achieved double digit growth in Video Collaboration, PC Webcams, Mobile Speakers and Gaming product categories, partially offset by the decline in Tablets & Other Accessories and Home Control product categories.

During fiscal year 2015, retail sales in Asia Pacific increased 2%, compared to fiscal year 2014. If currency exchange rates had been constant in 2015 and 2014, our constant dollar retail sales would have increased 4% in the Asia Pacific region. We achieved triple digit growth in both Mobile Speakers and Video Collaboration product categories, partially offset by the decline in Tablets & Other Accessories, Audio - PC Wearables, and Other categories.

Net Retail Sales by Product Categories

Net retail sales by product categories for fiscal years 2016 , 2015 and 2014 were as follows (Dollars in thousands):

	Years Ended March 31,			Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Mobile Speakers	\$ 229,718	\$ 178,038	\$ 87,414	29 %	104 %
Audio-PC & Wearables	196,013	213,496	250,037	(8)	(15)
Gaming	245,101	211,911	186,926	16	13
Video Collaboration	89,322	62,215	29,058	44	114
Home Control	59,075	68,060	67,371	(13)	1
Pointing Devices	492,543	487,210	506,884	1	(4)
Keyboards & Combos	430,190	426,117	415,314	1	3
Tablet & Other Accessories	103,886	140,994	172,484	(26)	(18)
PC Webcams	98,641	96,680	113,791	2	(15)
Other (1)	2,570	2,725	37,000	(6)	(93)
Total net retail sales	\$ 1,947,059	\$ 1,887,446	\$ 1,866,279	3	1

(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.

Retail Sales by Product Categories:**Music market:***Mobile Speakers*

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

During fiscal year 2016 , retail sales of Mobile Speakers increased 29% , compared to fiscal year 2015 . The sales increased by double digits across all three regions, primarily due to strong demand of UE Boom 2, UE Megaboom and UE Roll bluetooth wireless speakers.

During fiscal year 2015, retail sales of Mobile Speakers increased 104% , compared to fiscal year 2014. The sales increased significantly across all three regions, with a triple digit growth in both Americas and Asia Pacific regions, primarily due to strong demand for the UE BOOM, and experienced triple digit growth in fiscal year 2015 compared to fiscal year 2014. The successful launch of UE MEGABOOM during the fourth quarter of fiscal year 2015 contributed 6% of total Mobile Speakers sales for fiscal year 2015.

Audio-PC & Wearables

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

During fiscal year 2016 , retail sales of Audio-PC & Wearables decreased 8% , compared to fiscal year 2015 . The decrease was primarily due to decreases in sales in PC Speakers and PC Headsets, partially offset slightly by an increase in audio wearables. Retail sales of our headset products decreased 6%. Retail sales of our Wearables products increased 46%.

During fiscal year 2015, retail sales of Audio-PC & Wearables decreased 15% , compared to fiscal year 2014. The decrease was primarily due to decreases in PC Speaker retail sales, reflecting a category that appears to be in structural decline as music consumption continues to migrate to mobile platforms, which benefits our Mobile Speakers product category. Retail sales of our PC Headset products decreased 4%. Retail sales of our Wearables products declined 35%.

Gaming market:

Gaming

Our Gaming category comprises gaming mice, keyboards, headsets, gamepads and steering wheels.

During fiscal year 2016 , retail sales of Gaming increased 16% , compared to fiscal year 2015 with double digit growth for gaming keyboards, gaming headsets, and gaming steering wheels. Some of our top revenue generating products for the year include G29 Driving Force Racing Wheel, G920 Driving Force Wheel, G933 Artemis Spectrum, and the G910 Orion Spark gaming keyboard. New products made up 22% of total Gaming revenue for fiscal year 2016.

During fiscal year 2015, retail sales of Gaming increased 13% , compared to fiscal year 2014. This growth was primarily from gaming headsets and gaming mice due to the launch of our new gaming products, including mice, keyboards and headsets. New products made up 12% of total Gaming revenue for fiscal year 2015. Our top revenue-generating Gaming products included the Logitech G502 Proteus Core, the Logitech G27 Racing Wheel, the Logitech G930 Wireless Gaming Headset, and the G430 Cordless Mice.

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.

During fiscal year 2016 , retail sales of Video Collaboration increased 44% , compared to fiscal year 2015 . The sales increase in this category was primarily driven by the success of ConferenceCam Connect, PTZ Pro Camera, and Webcam C930e.

During fiscal year 2015, retail sales of Video Collaboration increased 114% , compared to fiscal year 2014. The sales increased significantly across all products in this category, primarily driven by the success of the Logitech ConferenceCam CC3000e and Logitech ConferenceCam C930e.

Home market:

Home Control

Our Home Control category includes our Harmony remotes and Harmony Home Control.

During fiscal year 2016 , retail sales of Home Control decreased 13% , compared to fiscal year 2015 . The decline was primarily driven by the sales decrease of our mid-range products. New products contributed 24% of total retail sales of Home Control for fiscal year 2016.

During fiscal year 2015, retail sales of Home Control increased 1% , compared to fiscal year 2014. The increase in Home Control was primarily concentrated in our mid-range and low-end products, partially offset by decreases in our high-end products. New products contributed 17% of total retail sales of Home Control for fiscal year 2015.

Creativity and Productivity market:

Pointing Devices

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

During fiscal year 2016 , retail sales of Pointing Devices increased 1% , in comparison to fiscal year 2015 . The growth in this category was driven by the MX Master Wireless Mouse. New products contributed approximately 8% of total retail sales of Pointing Devices for fiscal year 2016.

During fiscal year 2015, retail sales of Pointing Devices decreased 4% , compared to fiscal year 2014. The decrease in retail sales was primarily due to the continued weakness in the global PC market. The decrease was primarily from our high-end product offerings, which decreased 12%, followed by our low-end product offerings, which decreased 5%, partially offset by our mid-range product offerings, which increased 1%. Retail sales of corded mice decreased 4%, and retail sales of cordless mice decreased 5%.

Keyboards & Combos

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

During fiscal year 2016 , retail sales of Keyboards & Combos increased 1% , compared to fiscal year 2015 . The sales increase was driven mainly by cordless keyboards which grew 17%. Our best selling products in this category include the Wireless MK270 and MK520 Wireless combos.

During fiscal year 2015, retail sales of Keyboards & Combos increased 3% , compared to fiscal year 2014. The sales increase was primarily due to sales increase in our corded and cordless combos. Retail sales of corded and cordless combos increased 19% and 6%, respectively. Our best selling products in this category were the Logitech Wireless MK270 and MK520 Wireless combos, which feature powerful and reliable wireless connections and plug-and-play simplicity. Retail sales of corded and cordless keyboards decreased 9% and 7%, respectively.

Tablet & Other Accessories

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

During fiscal year 2016 , retail sales of Tablet & Other Accessories decreased 26% , compared to fiscal year 2015 . The reduction in sales reflects the combination of a declining market for iPad shipments, partially offset by the new product introduction of Create backlit tablet keyboard case for iPad Pro.

During fiscal year 2015, retail sales of Tablet & Other Accessories decreased 18%, compared to fiscal year 2014. The reduction in sales, primarily from tablet keyboards, reflects the combination of a declining demand for the iPad tablet platform and increased competition, partially offset by sales growth with our tablet covers for the iPads.

PC Webcams

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

During fiscal year 2016 , retail sales of PC Webcams increased 2% , compared to fiscal year 2015 . The growth was primarily driven by Asia Pacific, with sales nearly doubling.

During fiscal year 2015, retail sales of PC Webcams decreased 15% , compared to fiscal year 2014. The weak sales reflect the ongoing structural decline of the consumer webcam market.

Other:

This category comprises a variety of products that we currently intend to transition out of, or have already transitioned out of, because they are no longer strategic to our business. Products currently included in this category include TV camera, Digital Video Security, TV and home speakers, Google TV products, Keyboard/Desktop accessories, and music docks.

During fiscal year 2016 , retail sales of this category decreased 6% , compared to fiscal year 2015 . During fiscal year 2015, retail sales of this category decreased 93% , compared to fiscal year 2014.

Gross Profit

Gross profit for fiscal years 2016 , 2015 and 2014 was as follows (Dollars in thousands):

	Years Ended March 31,			Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Net sales	\$ 2,018,100	\$ 2,004,908	\$ 2,008,028	1 %	— %
Cost of goods sold	1,337,053	1,299,451	1,346,489	3	(3)
Gross profit	\$ 681,047	\$ 705,457	\$ 661,539	(3)	7
Gross margin	33.7%	35.2%	32.9%		

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 cost, outside processing costs, write-down of inventories and amortization of intangible assets.

Gross margin is gross profit as a percentage of net sales. The decrease in gross margin during fiscal year 2016, compared to fiscal year 2015, is primarily driven by unfavorable fluctuations in currency exchange rates, partially offset by sales price increases and savings from supply chain efficiencies related to freight.

The increase in gross margin during fiscal year 2015, compared to fiscal year 2014, primarily resulted from an improvement attributable to cost reduction initiatives across the Pointing Devices, Keyboards & Combos and Mobile Speakers product categories, an improvement attributable to exiting non-strategic product categories, an improvement attributable to a \$5.2 million discontinued products write-off in fiscal year 2014, and an improvement attributable to lower inventory reserves in fiscal year 2015 that were partially offset by a higher percentage of air shipments in fiscal year 2015.

Operating Expenses

Operating expenses for fiscal years 2016 , 2015 and 2014 were as follows (Dollars in thousands):

	Years Ended March 31,			Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Marketing and selling	\$ 319,015	\$ 321,749	\$ 322,707	(1)%	— %
% of net sales	15.8%	16.0 %	16.1%		
Research and development	113,624	108,306	112,446	5	(4)
% of net sales	5.6%	5.4 %	5.6%		
General and administrative	101,548	125,995	112,689	(19)	12
% of net sales	5.0%	6.3 %	5.6%		
Restructuring charges (Credits), net	17,802	(4,777)	8,001	(473)	(160)
% of net sales	0.9%	(0.2)%	0.4%		
Total operating expenses	\$ 551,989	\$551,273	\$ 555,843	—	(1)
% of net sales	27.4%	27.5 %	27.7%		

Total operating expenses during fiscal year 2016 remained relatively flat, compared to fiscal year 2015 , with increase in restructuring charges due to restructuring charges of \$17.8 million in fiscal year 2016 compared to a restructuring credit of \$4.8 million in fiscal year 2015, and increase in research and development expense partially offset by the decrease in general and administrative expense. Marketing and selling expenses were relatively flat.

The decrease in total operating expenses during fiscal year 2015, compared to fiscal year 2014, was mainly due to a restructuring credit of \$4.8 million during fiscal year 2015 resulting from partial lease termination of our Silicon Valley campus, which was previously vacated and under a restructuring plan during fiscal year 2014, as opposed to a restructuring charge of \$8.0 million during fiscal year 2014.

Marketing and Selling

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

During fiscal year 2016 , marketing and selling expenses decreased by 1% , compared to fiscal year 2015 . The decrease was primarily due to currency impact, offset by investments in growth markets.

During fiscal year 2015, marketing and selling expenses remained flat, compared to fiscal year 2014.

Research and Development

Research and development expenses consist of personnel and related overhead costs, 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 fiscal year 2016 , research and development expenses increased by 5% , compared to fiscal year 2015 . The increase was primarily due to \$4.6 million higher personnel-related expenses and \$0.8 million higher consulting cost related to continuing investment in enhancement of existing products and development of new products.

During fiscal year 2015, research and development expenses decreased 4% , compared to fiscal year 2014. The decrease was primarily due to a \$1.5 million decrease in outsourcing research and development activities during fiscal year 2015, and \$1.5 million savings from depreciation and amortization expense.

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 fiscal year 2016 , general and administrative expenses decreased by 19% , compared to fiscal year 2015 . The decrease was primarily due to reduction of \$19.1 million related to the Audit Committee independent investigation and related expenses incurred in fiscal year 2015 and a \$2.5 million decrease in personnel-related cost.

During fiscal year 2015, general and administrative expense increased 12% compared to fiscal year 2014. The increase was primarily due to \$23.7 million in expense related to the Audit Committee independent investigation and related expenses, partially offset by infrastructure cost savings such as a \$6.8 million decrease in information technology costs, including third party vendor cost, and a \$5.2 million decrease in facility expense as a result of the consolidation of properties.

Restructuring Charges

The following table summarizes restructuring-related activities during the fiscal years 2016 and 2015 from continuing operations (in thousands):

	Restructuring - Continuing Operations			
	Termination Benefits	Lease Exit Costs	Other	Total
Accrual balance at March 31, 2014	\$ —	\$ 7,309	\$ —	\$ 7,309
Credits, net	—	(4,777)	—	(4,777)
Cash payments	—	(1,578)	—	(1,578)
Accrual balance at March 31, 2015	—	954	—	954
Charges, net	17,280	337	185	17,802
Cash payments	(11,373)	(1,166)	(185)	(12,724)
Accrual balance at March 31, 2016	\$ 5,907	\$ 125	\$ —	\$ 6,032

The following table summarizes restructuring-related activities during the fiscal years 2016 and 2015 from discontinued operations (in thousands):

	Restructuring - Discontinued Operations			
	Termination Benefits	Lease Exit Costs	Other	Total
Accrual balance at March 31, 2014	\$ 142	\$ 110	\$ —	\$ 252
Charges	(86)	(25)	—	(111)
Cash payments	(56)	—	—	(56)
Accrual balance at March 31, 2015	—	85	—	85
Charges, net	7,095	—	805	7,900
Cash payments	(6,460)	(14)	(805)	(7,279)
Adjustment as a result of disposition of discontinued operations	(267)	(71)	—	(338)
Accrual balance at March 31, 2016	\$ 368	\$ —	\$ —	\$ 368

During the first quarter of fiscal year 2016, we implemented a restructuring plan to exit the OEM business, reorganize Lifesize to sharpen its focus on its cloud-based offering, and streamline our overall cost structure, including overhead and infrastructure cost reductions with a targeted resource realignment. Restructuring charges incurred during the year ended March 31, 2016 under this plan primarily consisted of severance and other ongoing

and one-time termination benefits. Charges and other costs related to the workforce reduction and structure realignment are presented as restructuring charges in the Consolidated Statements of Operations. On a total company basis, including the Lifesize video conferencing business as reported in discontinued operations, we have incurred \$25.5 million under this restructuring plan, including \$24.4 million for cash severance and other personnel costs. We have paid \$19.0 million as of March 31, 2016, on a total company basis. We substantially completed this restructuring plan by the fourth quarter of fiscal year 2016, subject to the payment of accrued balance as noted above.

During the fourth quarter of fiscal year 2013, we implemented a restructuring plan to align its organization to its strategic priorities of increasing focus on mobility products, improving profitability in PC-related products and enhancing global operational efficiencies. As part of this restructuring plan, we reduced our worldwide non-direct labor workforce. Restructuring charges under this plan primarily consisted of severance and other one-time termination benefits. During fiscal year 2015, we recorded a \$4.9 million restructuring credit on a total company basis, primarily as a result of partial termination of our lease agreement for the Silicon Valley campus, which was previously vacated under the restructuring plan during fiscal year 2014. We substantially completed this restructuring plan by the fourth quarter of fiscal year 2014.

Interest Income (Expense), Net

Interest income and expense for fiscal years 2016 , 2015 and 2014 were as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Interest income	\$ 790	\$ 1,197	\$ 1,797
Interest expense	—	—	(2,228)
	<u>\$ 790</u>	<u>\$ 1,197</u>	<u>\$ (431)</u>

Interest expense decreased during fiscal year 2015, compared to fiscal year 2014. The decrease was primarily due to the termination of our \$250 million Senior Revolving Credit Facility during fiscal year 2014. There were no new borrowings since then.

Other Income (Expense), Net

Other income and expense for fiscal years 2016 , 2015 and 2014 were as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Investment income (loss) related to deferred compensation plan	\$ (364)	\$ 1,055	\$ 1,487
Impairment of investments	—	(2,298)	(624)
Currency exchange gain (loss), net	2,110	(1,175)	(62)
Other	(122)	120	1,238
	<u>\$ 1,624</u>	<u>\$ (2,298)</u>	<u>\$ 2,039</u>

Investment income (loss) for fiscal years 2016 , 2015 and 2014 represents earnings, gains, and losses on trading investments related to a deferred compensation plan offered by one of our subsidiaries.

The \$2.3 million and \$0.6 million investment impairment charges in fiscal years 2015 and 2014, respectively, primarily resulted from the write-down of investments in privately-held companies.

Currency exchange gains or losses relate to balances denominated in currencies other than the functional currency in our subsidiaries, as well as to the sale of currencies, and to gains or losses recognized on foreign currency exchange forward contracts. We do not speculate in currency positions, but we are alert to opportunities to maximize foreign exchange gains and minimize foreign currency exchange losses.

Provision for Income Taxes

The provision for income taxes and the effective income tax rate for fiscal years 2016 , 2015 and 2014 were as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Provision for income taxes	\$ 3,110	\$ 4,654	\$ 1,313
Effective income tax rate	2.4%	3.0%	1.2%

The changes in the effective income tax rate between fiscal years 2016 and 2015 and between fiscal years 2015 and 2014 were primarily due to the mix of income and losses in the various tax jurisdictions in which we operate. Further, there was a tax benefit of \$16.1 million in fiscal year 2016 related to the reversal of uncertain tax positions resulting from the expiration of the statutes of limitations. In fiscal year 2015, there was a tax benefit of \$15.4 million related to the reversal of uncertain tax positions resulting from the expiration of the statutes of limitations and the closure of tax examination in the State of California of the United States. In fiscal year 2014, there was a tax benefit of \$14.3 million related to the reversal of uncertain tax positions resulting from the expiration of the statutes of limitations.

On December 18, 2015, the enactment of the Protecting Americans from Tax Hikes Act of 2015 in the United States extended the federal research and development tax credit permanently which had previously expired on December 31, 2014. The provision for income taxes for fiscal year ended March 31, 2016 reflected a \$1.5 million tax benefit as a result of the extension of the tax credit.

As of March 31, 2016 and March 31, 2015 , the total amounts of unrecognized tax benefits due to uncertain tax positions were \$69.9 million and \$79.0 million , respectively, all of which would affect the effective income tax rates if recognized.

As of March 31, 2016 , we had \$59.7 million in non-current income taxes payable and \$0.1 million in current income taxes payable, including interest and penalties, related to our income tax liability for uncertain tax positions. As of March 31, 2015 , we had \$72.1 million in non-current income taxes payable and \$0.1 million in current income taxes payable. We continue to recognize interest and penalties related to unrecognized tax positions in income tax expense. We recognized \$0.3 million , \$0.8 million and \$1.1 million in interest and penalties in income tax expense during fiscal years 2016 , 2015 and 2014 , respectively. As of March 31, 2016 , 2015 and 2014 , we had \$3.6 million , \$4.9 million and \$5.6 million of accrued interest and penalties related to uncertain tax positions, respectively.

We file Swiss and foreign tax returns. We received final tax assessments in Switzerland through fiscal year 2013. For other foreign jurisdictions such as the United States, we are generally not subject to tax examinations for years prior to fiscal year 2012. We are under examination and have received assessment notices in foreign tax jurisdictions. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on our results of operations.

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

At March 31, 2016 , we had cash and cash equivalents of \$519.2 million , compared with \$533.4 million at March 31, 2015 . Our cash and cash equivalents consist of bank demand deposits and short-term time deposits of which 74% is held by our Swiss-based entities and 17% is held by our subsidiaries in Hong Kong and China. 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.

At March 31, 2016 , our working capital was \$511.3 million , compared with working capital of \$563.8 million at March 31, 2015 , excluding working capital from discontinued operations. The decrease in working capital over the prior year was primarily due to lower balances of cash and cash equivalents, inventories, accounts receivables, net, and deferred tax assets which were reclassified to non-current assets as of March 31, 2016 pursuant to the adoption of ASU 2015-17, partially offset by lower accounts payable at March 31, 2016 .

During fiscal year 2016 , we generated \$ 183.1 million cash from 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 decrease in inventories and accounts receivable, net, partially offset

by decrease in accounts payable and a decrease in accrued and other liabilities. Net cash used in investing activities was \$60.7 million , primarily for purchase of property, plant, and equipment of \$56.6 million , and investments in privately held companies of \$2.4 million , and payments for divestiture of discontinued operations net of cash sold of \$1.4 million . Net cash used in financing activities was \$141.7 million , primarily for the \$85.9 million cash dividends paid during the year, \$70.4 million purchase of treasury shares and \$7.2 million tax withholdings related to net share settlements of restricted stock units, partially offset by \$19.8 million proceeds received from the sale of shares upon exercise of options and purchase rights.

We had several uncommitted, unsecured bank lines of credit aggregating to \$45.7 million as of March 31, 2016 . There are no financial covenants under these lines of credit with which we must comply. As of March 31, 2016 , we had outstanding bank guarantees of \$19.7 million under these lines of credit. There are no financial covenants under these credit lines.

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

	Years Ended March 31,		
	2016	2015	2014
Net cash provided by operating activities	\$ 183,111	\$ 178,632	\$ 205,421
Net cash used in investing activities	(60,690)	(48,289)	(46,803)
Net cash used in financing activities	(141,669)	(48,854)	(22,681)
Effect of exchange rate changes on cash and cash equivalents	1,405	(13,863)	(349)
Net increase (decrease) in cash and cash equivalents	\$ (17,843)	\$ 67,626	\$ 135,588

The following amounts reflected in the table above are from discontinued operations:

Depreciation	\$ 2,207	\$ 2,562	\$ 3,402
Amortization of other intangible assets	\$ 1,438	\$ 7,598	\$ 15,369
Share-based compensation	\$ 332	\$ 1,634	\$ 2,318
Purchases of property, plant and equipment	\$ 1,431	\$ 3,598	\$ 4,233
Cash and cash equivalents, beginning of the period	\$ 3,659	\$ 1,894	\$ 2,326
Cash and cash equivalents, end of the period	\$ —	\$ 3,659	\$ 1,894

Cash Flow from Operating Activities

The following table presents selected financial information and statistics for fiscal years 2016 , 2015 and 2014 (dollars in thousands):

	March 31,		
	2016	2015	2014
Accounts receivable, net	\$ 142,778	\$ 167,196	\$ 166,877
Inventories	228,786	255,980	212,599
Days sales in accounts receivable ("DSO")(Days)(1)	30	34	33
Inventory turnover ("ITO")(x)(2)	5.0	4.7	6.0

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

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

Inventory turnover as of March 31, 2016 increased compared to March 31, 2015 . The increase was primarily due to our exit from the OEM business at the end of the quarter ended December 31, 2015 and with no OEM inventories as of March 31, 2016.

Inventory turnover as of March 31, 2015 decreased compared to March 31, 2014. The decrease was primarily due to higher inventory levels due to the port strike on the west coast of the United States and change in shipping strategy from air to ocean during the fourth quarter of fiscal year 2015.

If we are not successful in launching and phasing in our new products launched 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 revenue, gross profit margin, operating results including operating cash flow, and inventory turnover in the future.

Cash Flow from Investing Activities

The following table presents cash flow from investing activities for fiscal years 2016 , 2015 and 2014 (dollars in thousands):

	Years Ended March 31,		
	2016	2015	2014
Purchases of property, plant and equipment	\$ (56,615)	\$ (45,253)	\$ (46,658)
Investment in privately held companies	(2,419)	(2,550)	(300)
Payments for divestiture of discontinued operations, net of cash sold	(1,395)	—	—
Changes in restricted cash	(715)	—	—
Acquisitions, net of cash acquired	—	(926)	(650)
Proceeds from return of investment from strategic investments	—	—	261
Purchase of trading investments	(9,619)	(5,034)	(8,450)
Proceeds from sales of trading investments	10,073	5,474	8,994
	<u>\$ (60,690)</u>	<u>\$ (48,289)</u>	<u>\$ (46,803)</u>

Our expenditures for property, plant and equipment during fiscal year 2016 , 2015 and 2014 were primarily for leasehold improvements, computer hardware and software, tooling and equipment.

Our expenditures for property, plant and equipment increased during fiscal year 2016 , compared to fiscal year 2015 , mainly due to the building of production lines to accommodate the in-house manufacturing of certain products compared with purchase from third parties in the prior period to align with our goal to achieve cost savings. During fiscal year 2015 , purchases of property, plant and equipment remained relatively stable compared to fiscal year 2014 .

During fiscal year 2016 , we made a \$1.5 million strategic investment in one privately held company and \$0.9 million investment in a limited partnership with a private investment fund. During fiscal year 2015, we made a \$2.6 million strategic investment in one privately held company and acquired one privately held company for \$0.9 million . During fiscal year 2014, we acquired one privately held company for \$0.7 million .

During fiscal year 2016 , the net payments for divestiture of discontinued operations were \$1.4 million , and there was \$0.7 million for cash outflow to an escrow account for purchase of a domain name.

The purchases and sales of trading investments during fiscal years 2016 , 2015 and 2014 represent mutual fund activity directed by participants in a deferred compensation plan offered by one of our subsidiaries. The mutual funds are held by a Rabbi Trust.

Cash Flow from Financing Activities

The following table presents cash flow from financing activities for fiscal years 2016 , 2015 and 2014 (dollars in thousands):

	Years Ended March 31,		
	2016	2015	2014
Payment of cash dividends	\$ (85,915)	\$ (43,767)	\$ (36,123)
Purchases of treasury shares	(70,358)	(1,663)	—
Contingent consideration related to prior acquisition	—	(100)	—
Repurchase of ESPP awards	—	(1,078)	—
Proceeds from sales of shares upon exercise of options and purchase rights	19,767	4,138	16,914
Tax withholdings related to net share settlements of restricted stock units	(7,247)	(9,215)	(5,718)
Excess tax benefits from share-based compensation	2,084	2,831	2,246
	<u>\$ (141,669)</u>	<u>\$ (48,854)</u>	<u>\$ (22,681)</u>

Translation effect of exchange rate changes on cash and cash equivalents

During fiscal year 2016, there was a \$1.4 million currency translation exchange rate effect on cash and cash equivalents, compared to a \$13.9 million currency translation exchange rate effect during fiscal year 2015, and a \$0.3 million currency translation exchange rate effect during fiscal year 2014. Higher currency translation exchange effect during fiscal year 2015 was primarily due to the 22% weakening of the Euro versus the U.S Dollar during fiscal year 2015, which had an adverse impact on our cash and cash equivalents balances in subsidiaries with functional currency as Euro.

Cash Outlook

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

In March 2015, we announced a plan to pay \$250 million in cumulative dividends for fiscal year 2015 through fiscal year 2017. During fiscal year 2016 , we paid a cash dividend of CHF 83.1 million (U.S. Dollar amount of \$85.9 million) out of retained earnings. During fiscal year 2015, we paid a cash dividend of CHF 43.1 million (U.S. Dollar amount of \$43.8 million) out of retained earnings.

In March 2014, our Board of Directors approved a share buyback program, which authorizes us to invest up to \$250.0 million to purchase our own shares. Our share buyback program provides us with the opportunity to make repurchases during periods of favorable market conditions and is expected to remain in effect for a period of three years. Shares may be repurchased from time to time on the open market, through block trades or otherwise. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. During fiscal years 2016 and 2015 , 5.0 million and 0.1 million shares were repurchased for \$70.4 million and \$1.7 million , respectively, under this program.

On April 12, 2016, Logitech Europe S.A., one of our wholly-owned subsidiaries, JayBird, LLC, a Utah limited liability company (“Jaybird”), the unit holders of Jaybird and Judd Armstrong (as the Sellers’ Representative under the Securities Purchase Agreement) entered into a securities purchase agreement. On April 20, 2016, we acquired all of the equity interests of Jaybird in exchange for approximately \$50 million in cash, with the potential of an additional earn-out of up to \$45 million based on achievement of net revenue growth targets over two years.

Our other contractual obligations and commitments that require cash are described in the following sections.

For over ten years, we have generated positive cash flows from our operating activities, including cash from operations of \$183.1 million , \$178.6 million and \$205.4 million during fiscal years 2016 , 2015 , and 2014 , respectively. 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 facilities 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.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of March 31, 2016 (in thousands):

	March 31, 2016	Payments Due by Period			
		<1 year	1-3 years	4-5 years	>5 years
Inventory commitments	\$ 158,063	\$ 158,063	\$ —	\$ —	\$ —
Capital commitments	6,188	6,188	—	—	—
Expected contribution to employee benefit plan	4,881	4,881	*	*	*
Operating leases obligations	31,974	7,558	10,254	7,623	6,539
	<u>\$ 201,106</u>	<u>\$ 176,690</u>	<u>\$ 10,254</u>	<u>\$ 7,623</u>	<u>\$ 6,539</u>

* Employee Benefit Plan Obligation: Commitments under the retirement plans relate to expected contributions to be made to our defined benefit plans for the next year only. We fund our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Expected contributions and payments to our defined benefit pension plans and non-retirement post-employment benefit plans beyond one year are excluded from the contractual obligations table because they are dependent on numerous factors that may result in a wide range of outcomes and thus are impractical to estimate. For more information on our defined benefit pension plans and non-retirement post-employment benefit plans, see Note 5 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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.

Commitment for Acquisition

On April 20, 2016 we acquired Jaybird LLC of Salt Lake City, Utah, ("Jaybird") for approximately \$50 million in cash, with an additional earn-out of up to \$45 million based on achievement of growth targets over two years.

Purchase Commitments

As of March 31, 2016, we have fixed purchase commitments of \$158.1 million 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 during the first quarter of fiscal year 2017. We recorded a liability for firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or market value consistent with our valuation of excess and obsolete inventory. As of March 31, 2016, the liability for these purchase commitments was \$8.5 million and is recorded in accrued and other current liabilities and is not included in the preceding table. We have fixed purchase commitments of \$ 6.2 million for capital expenditures, primarily related to commitments for tooling, computer hardware and leasehold improvements. We expect to continue making capital expenditures in the future to support product development activities and ongoing and expanded operations as well as aligning our inventory strategy to transition from ODM to in-house production. Although open purchase commitments are considered enforceable and legally binding, the terms generally allow us the option to reschedule and adjust our requirements based on business needs prior to delivery of goods.

Income Taxes Payable

As of March 31, 2016, we had \$59.7 million in non-current income taxes payable and \$0.1 million in current income taxes payable, including interest and penalties, related to our income tax liability for uncertain tax positions. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in

individual years in connection with these tax liabilities; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us.

Investment Commitments

During 2015, we entered into a limited partnership agreement with a private investment fund specialized in early-stage start-up consumer hardware electronics companies and committed a capital contribution of \$4.0 million over the life of the fund. As of March 31, 2016, \$3.1 million of the committed capital contribution has not yet been called by the fund.

Settlement

In April 2016, we entered into a settlement with the SEC related to the accounting for Revue inventory valuation reserves that resulted in the restatement described in the Fiscal Year 2014 Annual Report on Form 10-K, revision to our consolidated financial statements concerning warranty accruals and amortization of intangible assets presented in our Amended Annual Report on Form 10-K/A, filed on August 7, 2013, and our transactions with a distributor for fiscal year 2007 through fiscal year 2009. We entered into the settlement without admitting or denying the findings of the SEC's investigation and paid a civil penalty of \$7.5 million. We made an accrual of the same amount in our consolidated financial statements as of March 31, 2016. This amount was paid in April 2016.

Guarantees

Logitech Europe S.A. guaranteed payments of third-party contract manufacturers' purchase obligations. As of March 31, 2016, the maximum amount of this guarantee was \$3.8 million, of which \$1.0 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 March 31, 2016, 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, Inc. contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Venture Investors. Subject to certain limitations, we have agreed to indemnify the Venture Investors and certain persons related to the Venture 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.

ITEM 7A. 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 example, for the year ended March 31, 2016, approximately 48% of our sales were in non-U.S. denominated currencies, with 25% of our net sales denominated in Euro. The mix of our cost of goods sold and operating expenses by currency are 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 than the favorable impact on our operating expense, resulting in an adverse impact on our operating results. As a result, a strengthening U.S. Dollar has an adverse impact on our operating results. 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 March 31, 2016. 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):

Currency	Transaction Currency	March 31, 2016		
		Net Exposed Long (Short) Currency	Currency Exchange Gain (Loss) from 10% Change in Base Currency	
		Position	Appreciation	Depreciation
U.S. Dollar	Japanese Yen	\$ 14,487	\$ (1,317)	\$ 1,610
U.S. Dollar	Mexican Peso	13,431	(1,221)	1,492
U.S. Dollar	Canadian Dollar	12,670	(1,152)	1,408
U.S. Dollar	Australian Dollar	10,588	(963)	1,176
U.S. Dollar	Indian Rupee	1,275	(116)	142
U.S. Dollar	Russian Ruble	543	(49)	60
U.S. Dollar	Korean Wan	(799)	73	(89)
U.S. Dollar	Chinese Renminbi	(3,452)	314	(384)
U.S. Dollar	Singapore Dollar	(5,570)	506	(619)
U.S. Dollar	Taiwanese Dollar	(14,242)	1,295	(1,582)
Euro	British Pound	3,780	(344)	420
Euro	Turkish Lira	2,001	(182)	222
Euro	U.S. Dollar	1,768	(161)	196
Euro	Croatian Kuna	640	(58)	71
Euro	Swedish Krona	(1,168)	106	(130)
Swiss Franc	British Pound	(758)	69	(84)
		<u>\$ 35,194</u>	<u>\$ (3,200)</u>	<u>\$ 3,909</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 CNY. As of March 31, 2016, net liabilities held in Chinese Renminbi (CNY) totaled \$3.5 million.

Derivatives

We enter into foreign exchange forward contracts to hedge against exposure to changes in currency exchange rates related to its subsidiaries' forecasted inventory purchases. We have one entity with a Euro functional currency that purchases inventory in U.S. Dollars. The primary risk managed by using derivative instruments is the currency exchange rate risk. We have designated these derivatives as cash flow hedges. These hedging contracts mature within four months, and are denominated in the same currency as the underlying transactions. 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. We assess the effectiveness of the hedges by comparing changes in the spot rate of the currency underlying the forward contract with changes in the spot rate of the currency in which the forecasted transaction will be consummated. If the underlying transaction being hedged fails to occur or if a portion of the hedge does not generate offsetting changes in the currency exposure of forecasted inventory purchases, we immediately recognize the gain or loss on the associated financial instrument in other income (expense), net. Such gains and losses were not material during fiscal years 2016, 2015 and 2014. Cash flows from such hedges are classified as operating activities in the Consolidated Statements of Cash Flows. As of March 31, 2016 and 2015, the notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were \$39.8 million and \$43.5 million, respectively. Deferred realized loss of \$0.6 million are recorded in accumulated other comprehensive loss as of March 31, 2016, and are expected to be reclassified to cost of goods sold when the related inventory is sold. Deferred unrealized loss of \$1.1 million related to open cash flow hedges are also recorded in accumulated other comprehensive loss as of March 31, 2016 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 exchange forward and swap contracts to reduce the short-term effects of currency fluctuations on certain currency receivables or payables. These forward 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 foreign 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 consolidated statements of cash flows.

The notional amounts of foreign exchange forward and swap contracts outstanding as of March 31, 2016 and 2015 relating to foreign currency receivables or payables were \$63.7 million and \$61.7 million, respectively. Open forward and swap contracts as of March 31, 2016 and 2015 consisted of contracts in Taiwanese Dollars, Australian Dollars, Mexican Pesos, Japanese Yen and British Pounds to be settled at future dates at pre-determined exchange rates.

Interest Rates

Changes in interest rates could impact our future interest income on our cash equivalents and investment securities. We prepared a sensitivity analysis of our interest rate exposures to assess the impact of hypothetical changes in interest rates. Based on the results of this analysis, a 100 basis point decrease or increase in interest rates from the March 31, 2016 and March 31, 2015 period end rates would not have a material effect on our results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Logitech's financial statements and supplementary data required by this item are set forth as a separate section of this Annual Report on Form 10-K. See Item 15 (a) for a listing of financial statements and supplementary data provided in the section titled "Financial Statements and Supplementary Data."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of 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 Annual Report on Form 10-K (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”). 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 were effective at a reasonable assurance level.

Attached as exhibits to this Report are certifications of the CEO and CFO, which are required in accordance with Rule 13a-14 of the Exchange Act. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Definition of Disclosure Controls

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

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company’s management, including the CEO and CFO, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company’s management concluded that the Company’s internal control over financial reporting was effective as of March 31, 2016.

The effectiveness of the Company’s internal control over financial reporting as of March 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8, “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K.

Changes in Internal Controls over Financial Reporting:

There were no changes in the Company’s internal control over financial reporting that occurred during the fourth quarter of fiscal year 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company’s management, including the Chief Executive Officer and Chief Financial Officer, 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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers is incorporated herein by reference to Part I, Item 1, above.

Other information required by this Item may be found in the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders and is incorporated herein by reference. The definitive Proxy Statement will be filed with the Commission within 120 days after our fiscal year end of March 31, 2016 (the "Proxy Statement").

The Company's code of ethics policy entitled, "Logitech Code of Conduct" covers members of the Company's board of directors, the principal executive officer, principal financial and accounting officer and other executive officers as well as all other employees.

The code of ethics addresses, among other things, the following items:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Commission and in other public communications made by us;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to an appropriate person or persons identified in the code of violations of any of the provisions described above; and
- Accountability for adherence to the code.

Any amendments or waivers of the code of ethics for members of the Company's board of directors or executive officers will be disclosed in the investor relations section of the Company's Web site within four business days following the date of the amendment or waiver. During fiscal year 2016, the Company updated and revised its code of ethics. The new code was posted to the investor relations section of the Company's website.

Logitech's code of ethics is available on the Company's Web site at www.logitech.com, and for no charge, a copy of the Company's code of ethics can be requested via the following address or phone number:

Logitech
Investor Relations
7700 Gateway Boulevard
Newark, CA 94560 USA
Main 510-795-8500

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item may be found in the Proxy Statement for the 2016 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item may be found in the Proxy Statement for the 2016 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item may be found in the Proxy Statement for the 2016 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item may be found in the Proxy Statement for the 2016 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements and Supplementary Data

Financial Statements:

Report of Independent Registered Public Accounting Firm - KPMG LLP

Report of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP

Consolidated Statements of Operations—Years Ended March 31, 2016 , 2015 and 2014

Consolidated Statements of Comprehensive Income (Loss)—Years Ended March 31, 2016 , 2015 and 2014

Consolidated Balance Sheets—March 31, 2016 and 2015

Consolidated Statements of Cash Flows—Years Ended March 31, 2016 , 2015 and 2014

Consolidated Statements of Changes in Shareholders' Equity—Years Ended March 31, 2016 , 2015 and 2014

Notes to Consolidated Financial Statements

Supplementary Data:

Unaudited Quarterly Financial Data

2. Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts

3. Exhibits

Index to Exhibits

Exhibit No.	Exhibit	Incorporated by Reference			Exhibit No.	Filed Herewith
		Form	File No.	Filing Date		
2.1	Agreement and Plan of Merger, dated as of November 10, 2009, as amended by the First Amendment to Agreement and Plan of Merger, entered into as of November 16, 2009, both by and among Logitech Inc., Agora Acquisition Corporation, Lifesize Communications, Inc., Shareholder Representative Services LLC, as stockholder representative, and U.S. Bank National Association, as escrow agent.	8-K	0-29174	12/14/2009	2.1	
2.2 ***	Securities Purchase Agreement, dated as of April 12, 2016, by and among Logitech Europe S.A., JayBird, LLC, the unitholders of JayBird, LLC, and Judd Armstrong (as the sellers' representative)					X
3.1	Articles of Incorporation of Logitech International S.A., as amended	10-Q	0-29174	1/27/2015	3.1	
3.2	Organizational Regulations of Logitech International S.A., as amended	10-K	0-29174	6/1/2009	3.2	
10.1 **	1996 Stock Plan, as amended	S-8	333-100854	5/27/2003	4.2	
10.2 **	Logitech International S.A. 2006 Stock Incentive Plan, as amended and restated effective September 5, 2012	DEFA14A	0-29174	8/10/2012	App. A	
10.3 **	Representative form of Performance Restricted Stock Unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan for grants in 2008 to 2010	10-K	0-29174	6/1/2009	10.3	
10.4 **	Logitech Inc. Management Deferred Compensation Plan	10-Q	0-29174	11/4/2008	10.1	
10.5 **	1996 Employee Share Purchase Plan (U.S.), as amended and restated	DEFA14A	0-29174	7/23/2013	App. A	
10.6 **	2006 Employee Share Purchase Plan (Non-U.S.), as amended and restated	DEFA14A	0-29174	7/23/2013	App. B	
10.7 **	Form of Director and Officer Indemnification Agreement with Logitech International S.A.	20-F	0-29174	5/21/2003	4.1	
10.8 **	Form of Director and Officer Indemnification Agreement with Logitech Inc.	20-F	0-29174	5/21/2003	4.2	
10.9 **	Logitech Management Performance Bonus Plan, as amended and restated	DEFA14A	0-29174	7/23/2013	App. C	
10.10 **	Employment agreement dated January 28, 2008 between Logitech Inc. and Guerrino De Luca	10-K	0-29174	5/30/2008	10.1	
10.11 **	Representative form of stock option agreement (non-executive board members) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/4/2009	10.1	
10.12 **	Representative form of stock option agreement (employees) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/4/2009	10.2	

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10.13	**	Representative form of restricted stock unit agreement (non-executive board members) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/4/2009	10.3
10.14	**	Representative form of restricted stock unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/4/2009	10.4
10.15	**	Representative form of Performance Restricted Stock Unit agreement (executives) under the Logitech International S.A. 2006 Stock Incentive Plan for grants in 2011	10-K	0-29174	5/27/2011	10.3
10.16	**	2012 Stock Inducement Equity Plan	S-8	333-180726	4/13/2012	10.1
10.17	**	Representative form of stock option agreement under the 2012 Stock Inducement Equity Plan	S-8	333-180726	4/13/2012	10.2
10.18	**	Representative form of restricted stock unit agreement under the 2012 Stock Inducement Equity Plan	S-8	333-180726	4/13/2012	10.3
10.19	**	Representative form of restricted stock unit agreement (executives and other employees) under the Logitech International S.A. 2006 Stock Incentive Plan for grants starting in 2013	10-Q	0-29174	2/5/2013	10.1
10.20	**	Representative form of performance stock option agreement (executives and other employees) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	2/5/2013	10.2
10.21	**	Representative form of performance restricted stock unit agreement (non-executive employees) under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	2/5/2013	10.3
10.22	**	Representative form of performance share unit agreement (executives and other employees) under the Logitech International S.A. 2006 Stock Incentive Plan for grants starting in April 2013	10-K	0-29174	5/30/2013	10.4
10.23	**	Form of restricted stock unit agreement for new hire grants to Vincent Pilette on September 15, 2013 under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/5/2013	10.2
10.24	**	Form of performance share unit agreement for new hire grants to Vincent Pilette on September 15, 2013 under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/5/2013	10.3
10.25	**	Form of restricted stock unit agreement for grant to Guerrino De Luca on October 15, 2013 under the Logitech International S.A. 2006 Stock Incentive Plan	10-Q	0-29174	11/5/2013	10.4
10.26	**	Employment Agreement between Logitech Inc. and Bracken Darrel, dated as of December 18, 2015	10-Q	0-29174	1/22/2016	10.1
10.27	**	Employment Agreement between Logitech Inc. and Vincent Pilette, dated as of December 18, 2015	10-Q	0-29174	1/22/2016	10.2
10.28	**	Employment Agreement between Logitech Inc. and L. Joseph Sullivan, dated as of December 18, 2015	10-Q	0-29174	1/22/2016	10.3
10.29	**	Employment Contract between Logitech Inc. and Marcel Stolk, dated as of December 18, 2015	10-Q	0-29174	1/22/2016	10.4

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10.30		Series B Preferred Stock Purchase Agreement, dated as of December 28, 2015, by and between Logitech International S.A., Lifesize, Inc., and Investors associated with Redpoint Ventures, Sutter Hill Ventures and Meritech Capital Partners.	10-Q	0-29174	1/22/2016	10.5	
10.31	**	Representative form of restricted stock unit agreement (executives and other employees) under the Logitech International S.A. 2006 Stock Incentive Plan					X
10.32	**	Representative form of performance share unit agreement (executives and other employees) under the Logitech International S.A. 2006 Stock Incentive Plan					X
21.1		List of subsidiaries of Logitech International S.A.					X
23.1.1		Consent of Independent Registered Public Accounting Firm - KPMG LLP					X
23.1.2		Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP					X
24.1		Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)					X
31.1		Certification by Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002					X
31.2		Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	*	Certification by Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS		XBRL Instance Document					X
101.SCH		XBRL Taxonomy Extension Schema Document					X
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB		XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document					X

* 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 Section 13 or 15(d) 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.

/s/ BRACKEN DARRELL

Bracken Darrell
President and Chief Executive Officer

/s/ VINCENT PILETTE

Vincent Pilette
Chief Financial Officer
May 23, 2016

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Bracken Darrell and Vincent Pilette, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ GUERRINO DE LUCA</u> Guerrino De Luca	Chairman of the Board	May 23, 2016
<u>/s/ BRACKEN DARRELL</u> Bracken Darrell	President and Chief Executive Officer	May 23, 2016
<u>/s/ VINCENT PILETTE</u> Vincent Pilette	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 23, 2016
<u>/s/ DIDIER HIRSCH</u> Didier Hirsch	Director	May 23, 2016
<u>/s/ DIMITRI PANAYOTOPOULOS</u> Dimitri Panayotopoulos	Director	May 23, 2016
<u>/s/ EDOUARD BUGNION</u> Edouard Bugnion	Director	May 23, 2016
<u>/s/ KEE-LOCK CHUA</u> Kee-Lock Chua	Director	May 23, 2016
<u>/s/ LUNG YEH</u> Lung Yeh	Director	May 23, 2016
<u>/s/ NEIL HUNT</u> Neil Hunt	Director	May 23, 2016
<u>/s/ SALLY DAVIS</u> Sally Davis	Director	May 23, 2016
<u>/s/ SUE GOVE</u> Sue Gove	Director	May 23, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Logitech International S.A.:

We have audited the accompanying consolidated balance sheets of Logitech International S.A. and subsidiaries (the Company) as of March 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule listed in the accompanying index for each of the years in the two-year period ended March 31, 2016. We also have audited the Company's internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Logitech International S.A.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. The accompanying consolidated financial statements and financial statement schedule of Logitech International S.A., and subsidiaries for the year ended March 31, 2014, were audited by other auditors whose report thereon dated November 13, 2014, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule, before the effects of the retrospective adjustments described in Note 3 to the consolidated financial statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Logitech International S.A. and subsidiaries as of March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2016, and the related financial statement schedule, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Logitech International S.A. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

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We also have audited the retrospective adjustments described in Note 3 that were applied to the accompanying 2014 consolidated financial statements and the related financial statement schedule to present the operations of the Video Conferencing segment as discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 consolidated financial statements of the Company other than with respect to the retrospective adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements taken as a whole.

/s/ KPMG LLP

Santa Clara, California

May 23, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Logitech International S.A.:

In our opinion, the consolidated statements of operations, of comprehensive income and of cash flows for the year ended March 31, 2014, before the effects of the adjustments to retrospectively reflect the discontinued operations described in Note 3, present fairly, in all material respects, the results of operations and cash flows of Logitech International S.A. and its subsidiaries for the year ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America (the 2014 financial statements before the effects of the adjustments discussed in Note 3 are not presented herein). In addition, in our opinion, the financial statement schedule, before the effects of the adjustments described above, for the year ended March 31, 2014 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit, before the effects of the adjustments described above, of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the discontinued operations described in Note 3 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

/s/ PricewaterhouseCoopers LLP
San Jose, California
November 13, 2014

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

	Years Ended March 31,		
	2016	2015	2014
Net sales	\$ 2,018,100	\$ 2,004,908	\$ 2,008,028
Cost of goods sold	1,337,053	1,299,451	1,346,489
Gross profit	681,047	705,457	661,539
Operating expenses:			
Marketing and selling	319,015	321,749	322,707
Research and development	113,624	108,306	112,446
General and administrative	101,548	125,995	112,689
Restructuring charges (credits), net	17,802	(4,777)	8,001
Total operating expenses	551,989	551,273	555,843
Operating income	129,058	154,184	105,696
Interest income (expense), net	790	1,197	(431)
Other income (expense), net	1,624	(2,298)	2,039
Income from continuing operations before income taxes	131,472	153,083	107,304
Provision for income taxes	3,110	4,654	1,313
Net income from continuing operations	\$ 128,362	\$ 148,429	\$ 105,991
Loss from discontinued operations, net of income taxes	(9,045)	(139,146)	(31,687)
Net income	\$ 119,317	\$ 9,283	\$ 74,304
Net income (loss) per share - basic:			
Continuing operations	\$ 0.79	\$ 0.91	\$ 0.66
Discontinued operations	(0.06)	(0.85)	(0.20)
Net income per share - basic	\$ 0.73	\$ 0.06	\$ 0.46
Net income (loss) per share - diluted:			
Continuing operations	\$ 0.77	\$ 0.89	\$ 0.65
Discontinued operations	(0.05)	(0.83)	(0.19)
Net income per share - diluted	\$ 0.72	\$ 0.06	\$ 0.46
Weighted average shares used to compute net income (loss) per share:			
Basic	163,296	163,536	160,619
Diluted	165,792	166,174	162,526
Cash dividends per share	\$ 0.53	\$ 0.27	\$ 0.22

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

LOGITECH INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Years Ended March 31,		
	2016	2015	2014
Net income	\$ 119,317	\$ 9,283	\$ 74,304
Other comprehensive income (loss):			
Currency translation gain (loss):			
Currency translation gain (loss), net of taxes	2,273	(19,054)	2,119
Reclassification of currency translation loss (gain) included in other income (expense), net	3,913	(171)	665
Defined benefit plans:			
Net gain (loss) and prior service credits (costs), net of taxes	(837)	(12,998)	5,551
Reclassification of amortization included in operating expenses	1,630	322	2,017
Hedging gain (loss):			
Deferred hedging gain (loss), net of taxes	(2,431)	8,971	(3,497)
Reclassification of hedging loss (gain) included in cost of goods sold	(3,296)	(4,505)	2,472
Other comprehensive income (loss)	1,252	(27,435)	9,327
Total comprehensive income (loss)	\$ 120,569	\$ (18,152)	\$ 83,631

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

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

	March 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 519,195	\$ 533,380
Accounts receivable, net	142,778	167,196
Inventories	228,786	255,980
Other current assets	35,488	63,362
Current assets of discontinued operations	—	32,102
Total current assets	926,247	1,052,020
Non-current assets:		
Property, plant and equipment, net	92,860	86,478
Goodwill	218,224	218,213
Other assets	86,816	62,333
Long-term assets of discontinued operations	—	7,636
Total assets	\$ 1,324,147	\$ 1,426,680
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 241,166	\$ 292,797
Accrued and other current liabilities	173,764	163,344
Current liabilities of discontinued operations	—	38,766
Total current liabilities	414,930	494,907
Non-current liabilities:		
Income taxes payable	59,734	72,107
Other non-current liabilities	89,535	91,195
Long-term liabilities of discontinued operations	—	10,337
Total liabilities	564,199	668,546
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Registered shares, CHF 0.25 par value:	30,148	30,148
Issued and authorized shares—173,106 at March 31, 2016 and 2015		
Conditionally authorized shares—50,000 at March 31, 2016 and 2015		
Additional paid-in capital	6,616	—
Less shares in treasury, at cost—10,697 at March 31, 2016 and 8,625 at March 31, 2015	(128,407)	(88,951)
Retained earnings	963,576	930,174
Accumulated other comprehensive loss	(111,985)	(113,237)
Total shareholders' equity	759,948	758,134
Total liabilities and shareholders' equity	\$ 1,324,147	\$ 1,426,680

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

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

	Years Ended March 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 119,317	\$ 9,283	\$ 74,304
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	51,108	41,304	48,967
Amortization of other intangible assets	1,885	8,361	17,771
Share-based compensation expense	27,351	25,825	25,546
Impairment of goodwill and other assets	—	122,734	—
Impairment of investments	—	2,298	624
Equity in net income of equity method investees	(469)	—	—
Loss (gain) on disposal of property, plant and equipment	—	(44)	4,411
Net gain on divestiture of discontinued operations	(13,684)	—	—
Excess tax benefits from share-based compensation	(2,084)	(2,831)	(2,246)
Deferred income taxes	6,604	2,240	(4,828)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	25,513	(8,018)	(219)
Inventories	31,966	(60,510)	49,471
Other assets	(1,975)	(4,284)	(1,388)
Accounts payable	(58,104)	60,413	(21,322)
Accrued and other liabilities	(4,317)	(18,139)	14,330
Net cash provided by operating activities	183,111	178,632	205,421
Cash flows from investing activities:			
Purchases of property, plant and equipment	(56,615)	(45,253)	(46,658)
Investment in privately held companies	(2,419)	(2,550)	(300)
Payments for divestiture of discontinued operations, net of cash sold	(1,395)	—	—
Changes in restricted cash	(715)	—	—
Acquisitions, net of cash acquired	—	(926)	(650)
Proceeds from return of investment from strategic investments	—	—	261
Purchase of trading investments	(9,619)	(5,034)	(8,450)
Proceeds from sales of trading investments	10,073	5,474	8,994
Net cash used in investing activities	(60,690)	(48,289)	(46,803)
Cash flows from financing activities:			
Payment of cash dividends	(85,915)	(43,767)	(36,123)
Purchases of treasury shares	(70,358)	(1,663)	—
Contingent consideration related to prior acquisition	—	(100)	—
Repurchase of ESPP awards	—	(1,078)	—
Proceeds from sales of shares upon exercise of options and purchase rights	19,767	4,138	16,914
Tax withholdings related to net share settlements of restricted stock units	(7,247)	(9,215)	(5,718)
Excess tax benefits from share-based compensation	2,084	2,831	2,246
Net cash used in financing activities	(141,669)	(48,854)	(22,681)
Effect of exchange rate changes on cash and cash equivalents	1,405	(13,863)	(349)
Net increase (decrease) in cash and cash equivalents	(17,843)	67,626	135,588
Cash and cash equivalents at beginning of period	537,038	469,412	333,824
Cash and cash equivalents at end of period	\$ 519,195	\$ 537,038	\$ 469,412

Supplementary Cash Flow Disclosures:

Non-cash investing activities:

Property, plant and equipment purchased during the period and included in period end liability accounts	\$ 4,958	\$ 5,242	\$ 5,204
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Fair value of retained cost method investment as a result of divestiture of discontinued operations \$ 5,591 \$ — \$ —

Supplemental cash flow information:

Interest paid	\$	—	\$	—	\$	1,080
Income taxes paid, net	\$	11,499	\$	10,838	\$	9,189

The following amounts reflected in the consolidated statements of cash flows are included in discontinued operations:

Depreciation	\$	2,207	\$	2,562	\$	3,402
Amortization of other intangible assets	\$	1,438	\$	7,598	\$	15,369
Share-based compensation	\$	332	\$	1,634	\$	2,318
Purchases of property, plant and equipment	\$	1,431	\$	3,598	\$	4,233
Cash and cash equivalents, beginning of the period	\$	3,659	\$	1,894	\$	2,326
Cash and cash equivalents, end of the period	\$	—	\$	3,659	\$	1,894

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

LOGITECH INTERNATIONAL S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

	Registered shares		Additional paid-in capital	Treasury shares		Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount		Shares	Amount			
March 31, 2013	173,106	\$ 30,148	\$ —	13,855	\$ (179,990)	\$ 966,924	\$ (95,129)	\$ 721,953
Total comprehensive income	—	—	—	—	—	74,304	9,327	83,631
Tax effects from share-based awards	—	—	(2,046)	—	—	—	—	(2,046)
Sale of shares upon exercise of options and purchase rights	—	—	339	(2,601)	45,388	(28,813)	—	16,914
Issuance of shares upon vesting of restricted stock units	—	—	(23,810)	(1,048)	18,092	—	—	(5,718)
Share-based compensation expense	—	—	25,517	—	—	—	—	25,517
Cash dividends	—	—	—	—	—	(36,123)	—	(36,123)
March 31, 2014	173,106	\$ 30,148	\$ —	10,206	\$ (116,510)	\$ 976,292	\$ (85,802)	\$ 804,128
Total comprehensive income (loss)	—	—	—	—	—	9,283	(27,435)	(18,152)
Purchase of treasury shares	—	—	—	115	(1,663)	—	—	(1,663)
Tax effects from share-based awards	—	—	(2,200)	—	—	—	—	(2,200)
Sale of shares upon exercise of options and purchase rights	—	—	(2,367)	(390)	6,505	—	—	4,138
Issuance of shares upon vesting of restricted stock units	—	—	(20,298)	(1,306)	22,717	(11,634)	—	(9,215)
Share-based compensation expense	—	—	25,943	—	—	—	—	25,943
Repurchase of ESPP awards	—	—	(1,078)	—	—	—	—	(1,078)
Cash dividends	—	—	—	—	—	(43,767)	—	(43,767)
March 31, 2015	173,106	\$ 30,148	\$ —	8,625	\$ (88,951)	\$ 930,174	\$ (113,237)	\$ 758,134
Total comprehensive income	—	—	—	—	—	119,317	1,252	120,569
Purchase of treasury shares	—	—	—	4,951	(70,358)	—	—	(70,358)
Tax effects from share-based awards	—	—	(2,353)	—	—	—	—	(2,353)
Sale of shares upon exercise of options and purchase rights	—	—	(737)	(1,812)	20,504	—	—	19,767
Issuance of shares upon vesting of restricted stock units	—	—	(17,645)	(1,067)	10,398	—	—	(7,247)
Share-based compensation expense	—	—	27,351	—	—	—	—	27,351
Cash dividends	—	—	—	—	—	(85,915)	—	(85,915)
March 31, 2016	173,106	\$ 30,148	\$ 6,616	10,697	\$ (128,407)	\$ 963,576	\$ (111,985)	\$ 759,948

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

LOGITECH INTERNATIONAL S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—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, which conducts its business through subsidiaries in Americas, Europe, Middle East, 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.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Logitech and its subsidiaries. All intercompany balances and transactions have been eliminated. The consolidated financial statements are presented in accordance with U.S. GAAP (accounting principles generally accepted in the United States of America).

During the third quarter of fiscal year 2016, the Company's Board of Directors approved a plan to divest the Lifesize video conferencing business. On December 28, 2015, the Company and Lifesize, Inc., a wholly owned subsidiary of the Company ("Lifesize") which holds the assets of the Company's Lifesize video conferencing business, entered into a stock purchase agreement (the "Stock Purchase Agreement") with three venture capital firms. Immediately following the December 28, 2015 closing of the transactions contemplated by the Stock Purchase Agreement, the venture capital firms held 62.5% of the outstanding shares of Lifesize, which resulted in a divestiture of the Lifesize video conferencing business by the Company. The disposition of the Lifesize video conferencing business was completed during the fourth quarter of fiscal year 2016, and represents a strategic shift that has a major effect on the Company's operations and financial results. As a result, the Company has classified the results of Lifesize video conferencing business as discontinued operations in its consolidated statements of operations for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified separately on its consolidated balance sheets for the comparative periods presented herein.

Unless indicated otherwise, the information in the Notes to the consolidated financial statements relates to the Company's continuing operations and does not include results of Lifesize video conferencing business, which is classified as discontinued operations. See "Note 3 - Discontinued Operations" for more information.

Fiscal Year

The Company's fiscal year ends on March 31. Interim quarters are thirteen-week periods, each ending on a Friday of each quarter. For purposes of presentation, the Company has indicated its quarterly periods ending on the last day of the calendar quarter.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Examples of significant estimates and assumptions made by management involve the fair value of goodwill, warranty liabilities, accruals for discretionary customer programs, sales return reserves, allowance for doubtful accounts, inventory valuation, restructuring charges, contingent liabilities, 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.

Foreign Currencies

The functional currency of the Company's operations is primarily the U.S. Dollar. Certain operations use the Euro, Chinese Renminbi, Swiss Franc, or other local currencies as their functional currencies. The financial statements of the Company's subsidiaries whose functional currency is other than the U.S. Dollar are translated to U.S. Dollars using period-end rates of exchange for assets and liabilities and monthly average rates for net sales, income and expenses. Cumulative translation gains and losses are included as a component of shareholders' equity in accumulated other comprehensive loss. Gains and losses arising from transactions denominated in currencies other than a subsidiary's functional currency are reported in other income (expense), net in the consolidated statements of operations.

Revenue Recognition

Revenue is recognized when all of the following criteria are met:

- Evidence of an arrangement between the Company and the customer exists;
- Delivery has occurred and title and risk of loss has transferred to the customer;
- The price of the product is fixed or determinable; and
- Collectability of the receivable is reasonably assured.

For sales of most hardware peripherals products and hardware bundled with software essential to its functionality, these criteria are met at the time delivery has occurred and title and risk of loss have transferred to the customer.

Revenues from sales to distributors and authorized resellers are recognized upon shipment net of estimated product returns and expected payments for cooperative marketing arrangements, customer incentive programs and pricing programs. The estimated cost of these programs is recorded as a reduction of sales or as an operating expense, if the Company receives a separately identifiable benefit from the customer and can reasonably estimate the fair value of that benefit. Significant management judgment and estimates are used to determine the cost of these programs in any accounting period.

The Company enters into cooperative marketing arrangements with many of its distribution and retail customers, and with certain indirect partners, allowing customers to receive a credit equal to a set percentage of their purchases of the Company's products, or a fixed dollar credit for various marketing programs. The objective of these arrangements is to encourage advertising and promotional events to increase sales of the Company's products. Accruals for these marketing arrangements are recorded at the later of time of sale or time of commitment, based on negotiated terms, historical experience and inventory levels in the channel.

Customer incentive programs include consumer rebate and performance-based incentives. The Company offers performance-based incentives to its distribution customers, retail customers and indirect partners based on pre-determined performance criteria. Accruals for performance-based incentives are recognized as a reduction of the sale price at the time of sale. Estimates of required accruals are determined based on negotiated terms, consideration of historical experience, anticipated volume of future purchases, and inventory levels in the channel. Consumer rebates are offered from time to time at the Company's discretion for the primary benefit of end-users. Accruals for the estimated costs of consumer rebates and similar incentives are recorded at the later of time of sale or when the incentive is offered, based on the specific terms and conditions. Certain incentive programs, including consumer rebates, require management to estimate the number of customers who will actually redeem the incentive based on historical experience and the specific terms and conditions of particular programs.

The Company has agreements with certain of its customers that contain terms allowing price protection credits to be issued in the event of a subsequent price reduction. At management's discretion, the Company also offers special pricing discounts to certain customers. Special pricing discounts are usually offered only for limited time periods or for sales of selected products to specific indirect partners. Management's decision to make price reductions is influenced by product life cycle stage, market acceptance of products, the competitive environment, new product introductions and other factors. Accruals for estimated expected future pricing actions are recognized at the time of sale based on analyses of historical pricing actions by customer and by products, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information, such as stage of product life-cycle.

The Company grants limited rights to return products. Return rights vary by customer, and range from just the right to return defective product to stock rotation rights limited to a percentage of sales approved by management. Estimates of expected future product returns are recognized at the time of sale based on analyses of historical

return trends by customer and by product, inventories owned by and located at distributors and retailers, current customer demand, current operating conditions, and other relevant customer and product information. Upon recognition, the Company reduces sales and cost of sales for the estimated return. Return trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, product sell-through, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors.

Return rates can fluctuate over time, but are sufficiently predictable to allow the Company to estimate expected future product returns.

The Company regularly evaluates the adequacy of its estimates for cooperative marketing arrangements, customer incentive programs and pricing programs, and product returns. Future market conditions and product transitions may require the Company to take action to change such programs. In addition, when the variables used to estimate these costs change, or if actual costs differ significantly from the estimates, the Company would be required to record incremental increases or reductions to sales, cost of goods sold or operating expenses. If, at any future time, the Company becomes unable to reasonably estimate these costs, recognition of revenue might be deferred until products are sold to users, which would adversely impact sales in the period of transition.

Shipping and Handling Costs

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

Research and Development Costs

Costs related to research, design and development of products, which consist primarily of personnel, product design and infrastructure expenses, are charged to research and development expense as they are incurred.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are recorded as either a marketing and selling expense or a deduction from revenue. Advertising costs paid or reimbursed by the Company to direct or indirect customers must have an identifiable benefit and an estimable fair value in order to be classified as an operating expense. If these criteria are not met, the cost is classified as a reduction of revenue. Advertising costs during fiscal years 2016, 2015 and 2014 were \$181.7 million, \$165.7 million and \$156.8 million, respectively.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

All of the Company's bank time deposits have an original maturity of three months or less and are classified as cash equivalents and are recorded at cost, which approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions to limit exposure with any one financial institution, but is exposed to credit risk in the event of default by financial institutions to the extent that cash balances with individual financial institutions are in excess of amounts that are insured.

The Company sells to large distributors and retailers and, as a result, maintains individually significant receivable balances with such customers. In fiscal years 2016, 2015 and 2014, one customer represented 14%, 15% and 15% of the Company's total net sales. In fiscal year 2016, another customer accounted for 10% of the Company's net sales. No other customer represented more than 10% of the Company's total net sales during fiscal years 2016, 2015 or 2014. As of March 31, 2016 and 2015, one customer represented 15% and 13% of total accounts receivable, respectively. Typical payment terms require customers to pay for product sales generally within 30 to 60 days; however terms may vary by customer type, by country and by selling season. Extended payment terms are sometimes offered to a limited number of customers during the second and third fiscal quarters. The Company does not modify payment terms on existing receivables.

The Company manages its accounts receivable credit risk through ongoing credit evaluation of its customers' financial condition. The Company generally does not require collateral from its customers.

Allowances for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or market. Costs are computed under the standard cost method, which approximates actual costs determined on the first-in, first-out basis. The Company records write-downs of inventories which are obsolete or in excess of anticipated demand or market value based on a consideration of marketability and product life cycle stage, product development plans, component cost trends, demand forecasts, historical net sales, and assumptions about future demand and market conditions.

As of March 31, 2016 and 2015, the Company also recorded a liability of \$8.5 million and \$9.8 million, respectively, arising from firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or market value consistent with its valuation of excess and obsolete inventory. Such liability is included in accrued and other current liabilities.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Additions and improvements are capitalized, and maintenance and repairs are expensed as incurred. The Company capitalizes the cost of software developed for internal use in connection with major projects. Costs incurred during the feasibility stage are expensed, whereas direct costs incurred during the application development stage are capitalized.

Depreciation is provided using the straight-line method. Plant and buildings are depreciated over estimated useful lives from ten to twenty-five years, equipment over useful lives from three to five years, internal-use software development over useful lives of three to seven years and leasehold improvements over the lesser of the useful life of the improvement or the term of the lease.

When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts and the net gain or loss is included in operating expenses.

Valuation of Long-Lived Assets

The Company reviews long-lived assets, such as property and equipment, and finite-lived intangible assets, for impairment whenever events indicate that the carrying amounts might not be recoverable. Recoverability of property and equipment, and other finite-lived intangible asset is measured by comparing the projected undiscounted net cash flows associated with those assets to their carrying values. If an asset is considered impaired, it is written down to fair value, which is determined based on the asset's projected discounted cash flows or appraised value, depending on the nature of the asset. For purposes of recognition of an impairment for assets held for use, the Company groups assets and liabilities at the lowest level for which cash flows are separately identifiable.

Goodwill and Other Intangible Assets

The Company's intangible assets principally include goodwill, acquired technology, trademarks, and customer contracts. Other intangible assets with finite lives, which include acquired technology, trademarks and customer contracts, and other are recorded at cost and amortized using the straight-line method over their useful lives ranging from one year to ten years. Intangible assets with indefinite lives, which include only goodwill, are recorded at cost and evaluated at least annually for impairment.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The Company conducts a goodwill impairment analysis annually at December 31 or more frequently if indicators of impairment exist or if a decision is made to sell or exit a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which an entity operates, increases in input costs that have a negative effect on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. The fair value that could be realized in an actual transaction may differ from that used to evaluate the impairment of goodwill.

In reviewing goodwill for impairment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether an entity chooses to perform the qualitative assessment or proceeds directly to the two-step quantitative impairment test.

Long-lived intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Income Taxes

The Company provides for income taxes using the asset and liability method, which requires that deferred tax assets and liabilities be recognized for the expected future tax consequences of temporary differences resulting from differing treatment of items for tax and accounting purposes. In estimating future tax consequences, expected future events are taken into consideration, with the exception of potential tax law or tax rate changes.

The Company's assessment of uncertain tax positions requires that management makes estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company's estimates, or the related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur. Such adjustments may have a material impact on the Company's income tax provision and its results of operations.

Fair Value of Financial Instruments

The carrying value of certain of the Company's financial instruments, including cash equivalents, accounts receivable and accounts payable approximates fair value due to their short maturities.

The Company's investment securities portfolio consists of bank time deposits with an original maturity of three months or less and marketable securities (money market and mutual funds) related to a deferred compensation plan.

The Company's trading investments related to the deferred compensation plan are reported at fair value based on quoted market prices. The marketable securities related to the deferred compensation plan are classified as non-current trading investments, as they are intended to fund the deferred compensation plan long-term liability. Since participants in the deferred compensation plan may select the mutual funds in which their compensation deferrals are invested within the confines of the Rabbi Trust which holds the marketable securities, the Company has designated these marketable securities as trading investments, although there is no intent to actively buy and sell securities within the objective of generating profits on short-term differences in market prices. These securities are recorded at fair value based on quoted market prices. Earnings, gains and losses on trading investments are included in other income (expense), net.

The Company also holds investments in equity and other securities that are accounted for as either cost or equity method investments, which are classified as other assets. The cost method investment is initially recognized at fair value, which represents a Level 3 valuation as the assumptions used in valuing this investment were not directly or indirectly observable. The Company reviews the fair value of its non-marketable investments on a regular basis to determine whether the investments in these companies are other-than-temporarily impaired. The Company

considers investee financial performance and other information received from the investee companies, as well as any other available estimates of the fair value of the investee companies in its review. If the Company determines the carrying value of an investment exceeds its fair value, and that difference is other than temporary, the Company writes down the value of the investment to its fair value. The fair value of cost investments is not adjusted if there are no identified adverse events or changes in circumstances that may have a material effect on the fair value of the investments.

Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average outstanding shares. Diluted net income (loss) per share is computed using the weighted average outstanding shares and dilutive share equivalents. Dilutive share equivalents consist of share-based awards, including stock options, purchase rights under employee share purchase plan, and restricted stock units ("RSUs").

The dilutive effect of in-the-money share-based compensation awards is calculated based on the average share price for each fiscal period using the treasury stock method, which assumes that the amount used to repurchase shares includes the amount the employee must pay for exercising share-based awards, the amount of compensation cost not yet recognized for future service, and the amount of tax impact that would be recorded in additional paid-in capital when the award becomes deductible. The dilutive securities are excluded from the computation of diluted net loss per share from continuing operations as their effect would be anti-dilutive.

Share-Based Compensation Expense

Share-based compensation expense includes compensation expense, reduced for estimated forfeitures, for share-based awards granted based on the grant date fair value. The grant date fair value for stock options and stock purchase rights is estimated using the Black-Scholes-Merton option-pricing valuation model. The grant date fair value of RSUs which vest upon meeting certain market conditions is estimated using the Monte-Carlo simulation method. The grant date fair value of time-based and performance-based RSUs is calculated based on the market price on the date of grant, adjusted by estimated dividends yield prior to vesting. With respect to awards with service conditions only, compensation expense is recognized ratably over the vesting period of the awards.

Excess tax benefits resulting from share-based awards are classified as cash flows from financing activities in the consolidated statements of cash flows. Excess tax benefits are realized tax benefits from tax deductions for exercised options and vested RSUs in excess of the deferred tax asset attributable to share-based compensation costs for such share-based awards.

The Company will recognize a benefit from share-based compensation in additional paid-in capital only if an incremental tax benefit is realized after all other available tax attributes have been utilized.

Product Warranty Accrual

The Company estimates cost of product warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected costs, and knowledge of specific product failures that are outside of the Company's typical experience. Each quarter, the Company reevaluates estimates to assess the adequacy of recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjusts the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company's results of operations.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the total change in shareholders' equity during the period other than from transactions with shareholders. Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) is comprised of currency translation adjustments from those entities not using the U.S. Dollar as their functional currency, unrealized gains and losses on marketable equity securities, net deferred gains and losses and prior service costs and credits for defined benefit pension plans, and net deferred gains and losses on hedging activity.

Treasury Shares

The Company periodically repurchases shares in the market at fair value. Treasury shares repurchased are recorded at cost as a reduction of total shareholders' equity. Treasury shares held may be reissued to satisfy the exercise of employee stock options and purchase rights, the vesting of restricted stock units, and acquisitions, or may be cancelled with shareholder approval. Treasury shares that are reissued are accounted for using the first-in, first-out basis.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to reduce the short-term effects of currency fluctuations on certain foreign currency receivables or payables and to hedge against exposure to changes in currency exchange rates related to its subsidiaries' forecasted inventory purchases. These forward contracts generally mature within four months.

Gains and losses for changes in the fair value of the effective portion of the Company's forward contracts related to forecasted inventory purchases are deferred as a component of accumulated other comprehensive income (loss) until the hedged inventory purchases are sold, at which time the gains or losses are reclassified to cost of goods sold. Gains or losses for changes in the fair value on forward contracts that offset translation losses or gains on foreign currency receivables or payables are recognized immediately and included in other income (expense), net.

Restructuring Charges

The Company's restructuring charges consist of employee severance, one-time termination benefits and ongoing benefits related to the reduction of its workforce, lease exit costs, and other costs. Liabilities for costs associated with a restructuring activity are measured at fair value and are recognized when the liability is incurred, as opposed to when management commits to a restructuring plan. One-time termination benefits are expensed at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. Ongoing benefits are expensed when restructuring activities are probable and the benefit amounts are estimable. Costs to terminate a lease before the end of its term are recognized when the property is vacated. Other costs primarily consist of legal, consulting, and other costs related to employee terminations are expensed when incurred. Termination benefits are calculated based on regional benefit practices and local statutory requirements.

Segments

ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The guidance defines reportable segments as operating segments that meet certain quantitative thresholds. As a result of the disposition of the Lifesize video conferencing business on December 28, 2015 described above, the composition of the Company's previously reported segments changed significantly, such that the remaining peripheral segment is the only segment reported in continuing operations.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*". This new standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard is effective prospectively for years beginning on or after December 15, 2014, with early application permitted. The Company adopted ASU No. 2014-08 on April 1, 2015 on a prospective basis and applied the guidance to its disposition of the Lifesize video conferencing business.

In May 2014, the FASB issued ASU No. 2014-9, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-9"). ASU 2014-9 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. In addition, the new standard requires that reporting companies disclose the

nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was originally to be effective for the Company on April 1, 2017. In July 2015, the FASB affirmed a one-year deferral of the effective date of the new revenue standard. The new standard will become effective for the Company on April 1, 2018. Early application is permitted but not before the original effective date of annual periods beginning after December 15, 2016. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method nor has it determined whether it will early adopt this guidance or the impact of the new standard on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)", ("ASU 2015-11"). Topic 330, Inventory, currently requires 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. The amendments in ASU 2015-11 require an entity to measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective in the first quarter of fiscal year 2018 for the Company, with early adoption permitted. The Company does not expect to early adopt this guidance and does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In November 2015, FASB issued ASU No. 2015-17, "Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The guidance eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified balance sheet. Instead, the guidance requires deferred tax liabilities, deferred tax assets and valuation allowances be classified as non-current in a classified balance sheet. The ASU is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The Company has early adopted the guidance in the fourth quarter of fiscal year 2016 on a prospective basis. Prior periods are therefore not adjusted.

In January 2016, FASB issued ASU 2016-01 " *Financial Instruments- Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)* ", which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect to early adopt this guidance and does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements.

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

In March 2016, the FASB issued ASU 2016-09 "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The amendment 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 benefit and employee taxes paid when an employer withholds shares for tax-withholding purposes. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. The Company is evaluating the effect that ASU 2016-09 will have on its consolidated financial statements and the timing of the adoption of this standard.

Note 3 - Discontinued Operations

During the third quarter of fiscal year 2016, the Company's Board of Directors approved a plan to divest the Lifesize video conferencing business. On December 28, 2015 during the fourth quarter of fiscal year 2016, Logitech International S.A. (the "Company"), and Lifesize, Inc., a wholly owned subsidiary of the Company ("Lifesize") which holds the assets of the Company's video conferencing reportable segment, entered into a stock purchase agreement (the "Stock Purchase Agreement") with entities affiliated with three venture capital investment firms (the

"Venture Investors"). Pursuant to the terms of the Stock Purchase Agreement, the Company sold 2,500,000 shares of Series B Preferred Stock of Lifesize to the Venture Investors for cash proceeds of \$2,500,000 and retained 12,000,000 non-voting shares of Series A Preferred Stock of Lifesize. The shares of Series A Preferred Stock of Lifesize retained by the Company represent 37.5% of the shares outstanding immediately after the closing of the transactions contemplated by the Stock Purchase Agreement (the "Closing"). Lifesize also issued 17,500,000 shares of Series B Preferred Stock to the Venture Investors for cash proceeds of \$17,500,000. The shares of Series B Preferred Stock held by the Venture Investors represent 62.5% of the shares outstanding immediately after the Closing. In addition, Lifesize has reserved 8,000,000 shares of common stock for issuance pursuant to a stock plan to be adopted by Lifesize following the Closing (the "Employee Pool"), none of which are issued or outstanding at the Closing. Post the divestiture, continuing involvement with the discontinued operations includes certain customary services and support which are expected to be provided to Lifesize during the transition period from December 28, 2015 until approximately the end of the third quarter of fiscal year 2017.

The Company has classified the results of its Lifesize video conferencing business as discontinued operations in its consolidated statement of operations for all periods presented since the disposition of the Lifesize video conferencing business represents a strategic shift as that has a major effect on the Company's operations and financial results. Additionally, the related assets and liabilities associated with the discontinued operations are classified separately in the assets and liability on its consolidated balance sheets for all periods presented. Evaluating whether the disposal of the business represents a strategic shift requires the Company's judgment. Also, evaluating whether the strategic shift will have a "major effect" on the Company's operations and financial results requires assessing not only quantitative factors but also the magnitude of qualitative factors.

The retained Series A Preferred Stock gives the Company no voting rights or any other significant influence over the disposed Lifesize video conferencing business, and therefore is accounted for as a cost method investment which is initially recognized at fair value of \$5.6 million at the date of disposition of Lifesize Video Conferencing business. The fair value was determined by using the option pricing methodology with reference to the price of Lifesize's Series B Preferred Stock paid by Venture Investors. The fair value of the Company's investment in Series A Preferred Stock is classified as Level 3 as application of the option pricing methodology requires use of significant unobservable inputs including asset volatility of 50% , expected term to exit of three years, and lack of marketability discount of 27% .

Discontinued operations include results of the Lifesize video conferencing business. Discontinued operations also include other costs incurred by Logitech to effect the divestiture of the Lifesize video conferencing business. These costs include transaction charges, advisory and consulting fees and restructuring cost related to the Lifesize video conferencing business.

The following table presents financial results of the video conferencing classified as discontinued operations (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Net sales	\$ 65,554	\$ 109,039	\$ 120,684
Cost of goods sold	24,951	40,299	54,355
Gross profit	40,603	68,740	66,329
Operating expenses:			
Marketing and selling	32,260	56,856	57,040
Research and development	16,526	22,706	26,939
General and administrative	5,254	5,439	6,251
Impairment of goodwill (#)	—	122,734	—
Restructuring charges (credits), net	7,900	(111)	5,810
Operating expenses	61,940	207,624	96,040
Operating loss from discontinued operations	(21,337)	(138,884)	(29,711)
Interest expense and other, net	205	426	11
Gain on disposal of discontinued operations	13,684	—	—
Loss from discontinued operations before income taxes	(7,858)	(139,310)	(29,722)
Provision for (benefit from) income taxes	1,187	(164)	1,965
Net loss from discontinued operations	\$ (9,045)	\$ (139,146)	\$ (31,687)

(#) The Company recognized \$122.7 million impairment of goodwill in its discontinued operations as result of its impairment analysis as of March 31, 2015. Refer to the Company's Annual Report on Form 10-K for fiscal year 2015.

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The following table presents the aggregate carrying amounts of the major classes of assets and liabilities removed from the consolidated balance sheet immediately before the disposition and assets liabilities of discontinued operations as of March 31, 2015 (in thousands):

	Immediately before the disposition	March 31, 2015
Carrying amounts of assets included as part of discontinued operations:		
Cash and cash equivalents	\$ 3,895	\$ 3,659
Accounts receivable, net	10,360	12,627
Inventories	12,708	14,749
Other current assets	1,930	1,067
Total current assets	28,893	32,102
Property, plant and equipment, net	3,962	5,115
Other assets	1,125	2,521
Total non-current assets	5,087	7,636
Total assets classified as assets from discontinued operations on the consolidated balance sheets	\$ 33,980	\$ 39,738
Carrying amounts of liabilities included as part of discontinued operations:		
Accounts payable	\$ 2,382	\$ 7,198
Accrued and other current liabilities	31,664	31,568
Total current liabilities	34,046	38,766
Non-current liabilities	9,915	10,337
Total liabilities classified as liabilities from discontinued operations on the consolidated balance sheets	\$ 43,961	\$ 49,103

The Company recognized a gain on its divestiture of Lifesize video conferencing business as follows (in thousands):

	Year Ended March 31, 2016
Proceeds received from disposition of discontinued operations	\$ 2,500
Fair value of retained cost method investment as a result of divestiture of discontinued operations	5,591
Net liabilities of discontinued operations disposed	9,981
Currency translation loss released due to disposition of discontinued operations (1)	(3,913)
Transaction related costs	(475)
Gain on disposal of discontinued operations (2)	\$ 13,684

- (1) Currency translation loss recognized as a result of substantial liquidation of a subsidiary using non-USD functional currency, which is part of discontinued operations
- (2) Gain on disposal of discontinued operation was included in loss from discontinued operations, net of income taxes, in the Company's consolidated statement of operations

Note 4—Net Income (Loss) per Share

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

	Years Ended March 31,		
	2016	2015	2014
Net Income (loss):			
Continuing operations	\$ 128,362	\$ 148,429	\$ 105,991
Discontinued operations	(9,045)	(139,146)	(31,687)
Net income	<u>\$ 119,317</u>	<u>\$ 9,283</u>	<u>\$ 74,304</u>
Shares used in net income (loss) per share computation:			
Weighted average shares outstanding - basic	163,296	163,536	160,619
Effect of potentially dilutive equivalent shares	2,496	2,638	1,907
Weighted average shares outstanding - diluted	<u>165,792</u>	<u>166,174</u>	<u>162,526</u>
Net income (loss) per share - basic:			
Continuing operations	\$ 0.79	\$ 0.91	\$ 0.66
Discontinued operations	\$ (0.06)	\$ (0.85)	\$ (0.20)
Net income per share - basic	<u>\$ 0.73</u>	<u>\$ 0.06</u>	<u>\$ 0.46</u>
Net income (loss) per share - diluted:			
Continuing operations	\$ 0.77	\$ 0.89	\$ 0.65
Discontinued operations	\$ (0.05)	\$ (0.83)	\$ (0.19)
Net income per share - diluted	<u>\$ 0.72</u>	<u>\$ 0.06</u>	<u>\$ 0.46</u>

During fiscal years 2016 , 2015 and 2014 , 5.2 million , 9.0 million and 15.1 million share equivalents attributable to outstanding stock options, RSUs and ESPP were excluded from the calculation of diluted net income (loss) per share because the combined exercise price, average unamortized fair value and assumed tax benefits upon exercise of these options and ESPP or vesting of RSUs were greater than the average market price of the Company's shares, and therefore their inclusion would have been anti-dilutive.

Note 5—Employee Benefit Plans**Employee Share Purchase Plans and Stock Incentive Plans**

As of March 31, 2016 , 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). Shares issued to employees as a result of purchases or exercises under these plans are generally issued from shares held in treasury stock.

The following table summarizes share-based compensation expense and related tax benefit recognized for fiscal years 2016 , 2015 and 2014 (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Cost of goods sold	\$ 2,340	\$ 2,474	\$ 2,518
Marketing and selling	9,273	8,570	7,848
Research and development	3,046	2,381	2,811
General and administrative	12,353	10,766	10,051
Restructuring	7	—	—
Total share-based compensation expense	27,019	24,191	23,228
Income tax benefit	(6,297)	(4,814)	(4,447)
Total share-based compensation expense, net of income tax	\$ 20,722	\$ 19,377	\$ 18,781

As of March 31, 2016 , 2015 and 2014 , the Company capitalized \$0.5 million , \$0.5 million and \$0.4 million , respectively, of stock-based compensation expenses as inventory.

The following table summarizes total unamortized share-based compensation expense and the remaining months over which such expense is expected to be recognized, on a weighted-average basis by type of grant (in thousands, except number of months):

	March 31, 2016	
	Unamortized Expense	Remaining Months
Stock options and ESPP	\$ 964	4
Time-based RSUs	25,734	22
Market-based and performance-based RSUs	9,529	18
	\$ 36,227	

Under the 1996 ESPP and 2006 ESPP plans, eligible employees may purchase shares at the lower of 85% of the fair market value at the beginning or the end of each offering period, which is generally six months. Subject to continued participation in these plans, purchase agreements are automatically executed at the end of each offering period. An aggregate of 29 million shares was reserved for issuance under the 1996 and 2006 ESPP plans. As of March 31, 2016 , a total of 7.2 million shares were available for issuance under these plans. The Company was not current with its periodic reports required to be filed with the SEC and was therefore unable to issue any shares under its Registration Statements on Form S-8 from July 31, 2014 to November 26, 2014. Given the proximity of the unavailability of those registration statements and the end of the then-current ESPP offering period, on July 31, 2014, the Compensation Committee authorized the termination of the then-current ESPP offering period and a one-time payment to each participant in an amount equal to the fifteen percent (15%) discount at which shares would otherwise have been repurchased pursuant to the then-current period of the ESPPs. This one-time payment aggregating to \$1.1 million was accounted for as a repurchase of equity awards that reduced additional paid-in capital, resulting in no additional compensation cost. A new ESPP offering period of seven months was initiated on January 1, 2015, which ended on July 31, 2015. Subsequent to that, the offering periods have returned to standard six months.

The 2006 Plan provides for the grant to eligible employees and non-employee directors of stock options, stock appreciation rights, restricted stock and RSUs. Awards under the 2006 Plan may be conditioned on continued employment, the passage of time or the satisfaction of performance and market vesting criteria. The 2006 Plan had an expiration date of June 16, 2016 until September 5, 2012 when shareholder approved the amendment of the 2006 Plan to eliminate the expiration date. All stock options under this plan have terms not exceeding ten years and are issued at exercise prices not less than the fair market value on the date of grant.

Time-based RSUs granted to employees under the 2006 Plan generally vest in four equal annual installments on the grant date anniversary. Time-based RSUs granted to non-executive board members under the 2006 Plan vest in one annual installment on the grant date anniversary. Performance-based RSUs granted under the 2006

plan vest contingent upon the achievement of pre-determined financial metrics. The performance period for performance-based RSUs granted in fiscal year 2015 is three years. Market-based options granted under the 2006 Plan vest upon meeting certain share price performance criteria. Market-based RSUs granted under the 2006 Plan vest at the end of the performance period upon meeting certain share price performance criteria measured against market conditions. The performance period is four years for market-based options granted in fiscal year 2013. The performance period is three years for market-based RSU granted in fiscal years 2016, 2015 and 2014. An aggregate of 24.8 million shares was reserved for issuance under the 2006 Plan. As of March 31, 2016, a total of 7.8 million shares were available for issuance under this plan.

Under the 2012 Plan, stock options and RSUs may be granted to eligible employees to serve as inducement material to enter into employment with the Company. Awards under the 2012 Plan may be conditioned on continued employment, the passage of time or the satisfaction of market stock performance criteria, based on individual written employment offer letter. The 2012 Plan has an expiration date of March 28, 2022. Premium-priced stock options granted under the 2012 Plan vest in full if and only when Logitech's average closing share price, over a consecutive ninety-day trading period, meets or exceeds the exercise price of each of the three tranches of the grant. An aggregate of 1.8 million shares was reserved for issuance under the 2012 Plan. As of March 31, 2016, no shares were available for issuance under this plan.

The estimates of share-based compensation expense require a number of complex and subjective assumptions including stock price volatility, employee exercise patterns, future forfeitures, probability of achievement of the set performance condition, dividend yield, related tax effects and the selection of an appropriate fair value model.

The grant date fair value of the awards using the Black-Scholes-Merton option-pricing valuation model and Monte-Carlo simulation method are determined applying the following assumptions and values:

Employee Stock Purchase Plans	Years Ended March 31,		
	2016	2015	2014
Dividend yield	3.47%	1.97%	0.43%
Risk-free interest rate	0.29%	0.14%	0.07%
Expected volatility	26%	30%	36%
Expected life (years)	0.5	0.6	0.5
Weighted average fair value	\$ 3.29	\$ 3.18	\$ 2.46

Market-based RSUs	Years Ended March 31,		
	2016	2015	2014
Dividend yield	3.78%	1.86%	0.75%
Risk-free interest rate	0.84%	0.83%	1.09%
Expected volatility	38%	46%	46%
Expected life (years)	3.0	3.0	2.9

The dividend yield assumption is based on the Company's future expectations of dividend payouts. The unvested RSUs or unexercised options are not eligible for these dividends. The expected life is based on historical settlement rates, which the Company believes are most representative of future exercise and post-vesting termination behaviors, or the purchase offerings periods expected to remain outstanding, or the derived period based on the expected stock performance for market-based awards. Expected volatility is based on historical volatility using the Company's daily closing prices, or including the volatility of components of the NASDAQ 100 index for market-based RSUs, over the expected life. The Company considers the historical price volatility of its shares as most representative of future volatility. The risk-free interest rate assumptions are based upon the implied yield of U.S. Treasury zero-coupon issues appropriate for the expected life of the Company's share-based awards.

The Company estimates awards forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option and RSU forfeitures and records share-based compensation expense only for those awards that are expected to vest.

The Company estimates the probability and timing of the achievement of the set performance condition at the time of the grant based on the historical financial performance and the financial forecast in the remaining performance contingency period and reassesses the probability in subsequent periods when actual results or new information become available.

A summary of the Company's stock option activities under all stock plans for fiscal years 2016 , 2015 and 2014 is as follows (including discontinued operations for all the periods presented):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)		(Years)	(In thousands)
Outstanding, March 31, 2013	13,684			
Granted	—			
Exercised	(551)			\$ 2,045
Cancelled or expired	(3,317)			
Outstanding, March 31, 2014	9,816			
Granted	—			
Exercised	(390)			\$ 1,505
Cancelled or expired	(1,550)			
Outstanding, March 31, 2015	7,876	\$ 18		
Granted	—	\$ —		
Exercised	(746)	\$ 10		\$ 4,026
Cancelled or expired	(1,796)	\$ 20		
Outstanding, March 31, 2016	5,334	\$ 18	4.0	\$ 12,436
Vested and expected to vest, March 31, 2016	4,004	\$ 19	3.2	\$ 8,119
Vested and exercisable, March 31, 2016	3,879	\$ 20	3.1	\$ 7,134

The options outstanding as of March 31, 2016 above includes 1.3 million shares of unvested market-based awards. The number of shares expected to vest for market-based awards is calculated assuming March 31, 2016 were the end of the performance contingency period.

As of March 31, 2016 , the exercise price of outstanding options ranged from \$1 to \$40 per option.

The tax benefit realized for the tax deduction from options exercised during the fiscal years 2016 , 2015 and 2014 was \$1.2 million , \$0.5 million and \$0.5 million , respectively.

A summary of the Company's time-based, market-based, and performance-based RSU activities for fiscal years 2016 , 2015 and 2014 is as follows (including discontinued operations for all the periods presented):

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Vesting Period (Years)	Aggregate Fair Value (In thousands)
Outstanding, March 31, 2013	4,642	\$ 10		
Granted—time-based	3,104	\$ 11		
Granted—market-based	1,060	\$ 8		
Vested	(1,560)	\$ 9		\$ 17,810
Cancelled or expired	(1,158)	\$ 15		
Outstanding, March 31, 2014	6,088	\$ 10		
Granted—time-based	1,332	\$ 13		
Granted—market-based	523	\$ 13		
Granted - performance-based	55	\$ 12		
Vested	(1,949)	\$ 10		\$ 27,844
Cancelled or expired	(1,110)	\$ 11		
Outstanding, March 31, 2015	4,939	\$ 11		
Granted—time-based	2,247	\$ 13		
Granted—market-based	356	\$ 14		
Granted - performance-based	356	\$ 13		
Vested	(1,557)	\$ 10		\$ 22,823
Cancelled or expired	(820)	\$ 12		
Outstanding, March 31, 2016	5,521	\$ 12	1.5	\$ 87,837
Expected to vest, March 31, 2016	4,687	\$ 12	1.2	\$ 74,352

The RSU outstanding as of March 31, 2016 above includes 1.7 million shares of market-based and performance-based shares. The number of shares expected to vest for these awards is calculated assuming March 31, 2016 were the end of the performance contingency period. The number of shares of common stock for market-based awards to be received at vesting will range from zero percent to 150 percent of the target number of stock units based on the Company's total stockholder return ("TSR") relative to the performance of companies in the NASDAQ-100 Index for each measurement period, generally over a three year period. The Company presents shares granted at 100 percent of target of the number of stock units that may potentially vest.

The tax benefit realized for the tax deduction from RSUs that vested during the fiscal years 2016 , 2015 and 2014 was \$5.1 million , \$6.9 million and \$4.7 million , respectively.

Defined Contribution Plans

Certain of the Company's subsidiaries have defined contribution employee benefit plans covering all or a portion of their employees. Contributions to these plans are discretionary for certain plans and are based on specified or statutory requirements for others. The charges to expense for these plans for fiscal years 2016 , 2015 and 2014 , were \$6.8 million , \$5.5 million and \$6.3 million , 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 Company recognizes the overfunded or underfunded status of defined benefit pension plans and non-retirement post-employment benefit obligations as an asset or liability in its consolidated balance sheets, and recognizes changes in the funded status of defined benefit pension plans in the year in which the changes occur

through accumulated other comprehensive income (loss), which is a component of shareholders' equity. Each plan's assets and benefit obligations are remeasured as of March 31 each year.

Except for the balance as of March 31, 2016, all the amounts in this "Defined Benefit Plans" section include activities from both continuing and discontinued operations for all the periods presented, and the amounts from discontinued operations are not material for all the periods presented.

The net periodic benefit cost of the defined benefit pension plans and the non-retirement post-employment benefit obligations for fiscal years 2016, 2015 and 2014 was as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Service costs	\$ 10,117	\$ 7,646	\$ 8,591
Interest costs	1,147	1,970	1,794
Expected return on plan assets	(1,657)	(2,084)	(1,727)
Amortization:			
Net transition obligation	4	4	4
Net prior service costs (credit) recognized	(124)	(45)	210
Net actuarial loss recognized	1,854	301	592
Settlement and curtailment	—	(13)	769
	<u>\$ 11,341</u>	<u>\$ 7,779</u>	<u>\$ 10,233</u>

The changes in projected benefit obligations for fiscal years 2016 and 2015 were as follows (in thousands):

	Years Ended March 31,	
	2016	2015
Projected benefit obligations, beginning of the year	\$ 113,323	\$ 102,383
Service costs	10,117	7,646
Interest costs	1,147	1,970
Plan participant contributions	2,990	2,914
Actuarial (gains) losses	(2,496)	16,768
Benefits paid	(5,277)	(5,307)
Plan amendment related to statutory change	—	(3,936)
Settlement and curtailment	—	(157)
Administrative expense paid	—	(160)
Currency exchange rate changes	669	(8,798)
Projected benefit obligations, end of the year	<u>\$ 120,473</u>	<u>\$ 113,323</u>

The accumulated benefit obligation for all defined benefit pension plans as of March 31, 2016 and 2015 was \$99.5 million and \$92.0 million, respectively.

The following table presents the changes in the fair value of defined benefit pension plan assets for fiscal years 2016 and 2015 (in thousands):

	Years Ended March 31,	
	2016	2015
Fair value of plan assets, beginning of the year	\$ 60,910	\$ 63,384
Actual return on plan assets	(1,160)	136
Employer contributions	7,171	5,731
Plan participant contributions	2,990	2,914
Benefits paid	(5,277)	(5,307)
Settlement and curtailment	—	(157)
Administrative expenses paid	—	(160)
Currency exchange rate changes	645	(5,631)
Fair value of plan assets, end of the year	\$ 65,279	\$ 60,910

The Company's investment objectives are to ensure that the assets of its defined benefit plans are invested to provide an optimal rate of investment return on the total investment portfolio, consistent with the assumption of a reasonable risk level, and to ensure that pension funds are available to meet the plans' benefit obligations as they become due. The Company believes that a well-diversified investment portfolio will result in the highest attainable investment return with an acceptable level of overall risk. Investment strategies and allocation decisions are also governed by applicable governmental regulatory agencies. The Company's investment strategy with respect to its largest defined benefit plan, which is available only to Swiss employees, is to invest in the following allocation ranges starting from January 2015: 20 - 55% for equities, 25 - 65% for bonds, and 0 - 20% for cash and cash equivalents. The Company also can invest in real estate funds, commodity funds, and hedge funds depend upon economic conditions.

The following tables present the fair value of the defined benefit pension plan assets by major categories and by levels within the fair value hierarchy as of March 31, 2016 and 2015 (in thousands):

	March 31,							
	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	\$ 9,268	\$ 47	\$ —	\$ 9,315	\$ 7,958	\$ 46	\$ —	\$ 8,004
Equity securities	18,640	—	—	18,640	20,476	—	—	20,476
Debt securities	21,781	—	—	21,781	20,357	—	—	20,357
Swiss real estate funds	9,622	—	—	9,622	8,586	—	—	8,586
Hedge funds	—	3,492	—	3,492	—	3,251	—	3,251
Insurance contracts	—	94	—	94	—	114	—	114
Other	2,195	140	—	2,335	28	94	—	122
	\$ 61,506	\$ 3,773	\$ —	\$ 65,279	\$ 57,405	\$ 3,505	\$ —	\$ 60,910

The funded status of the plans was as follows (in thousands):

	Years Ended March 31,	
	2016	2015
Fair value of plan assets	\$ 65,279	\$ 60,910
Less: Projected benefit obligations	120,473	113,323
Under funded status	\$ (55,194)	\$ (52,413)

Amounts recognized on the balance sheet for the plans were as follows (in thousands):

	March 31,	
	2016	2015
Current liabilities	\$ (1,285)	\$ (1,232)
Non-current liabilities	(53,909)	(51,181)
Net liabilities	<u>\$ (55,194)</u>	<u>\$ (52,413)</u>

Amounts recognized in accumulated other comprehensive loss related to defined benefit pension plans were as follows (in thousands):

	March 31,		
	2016	2015	2014
Net prior service costs (credits)	\$ 1,613	\$ 1,672	\$ (2,149)
Net actuarial loss	(27,612)	(28,751)	(12,319)
Net transition obligation	(4)	(8)	(12)
Accumulated other comprehensive loss	(26,003)	(27,087)	(14,480)
Deferred tax benefit	(168)	123	192
Accumulated other comprehensive loss, net of tax	<u>\$ (26,171)</u>	<u>\$ (26,964)</u>	<u>\$ (14,288)</u>

The following table presents the amounts included in accumulated other comprehensive loss as of March 31, 2016, which are expected to be recognized as a component of net periodic benefit cost in fiscal year 2017 (in thousands):

	Year Ending March 31, 2017
Amortization of net transition obligation	\$ 4
Amortization of net prior service credits	(128)
Amortization of net actuarial loss	1,650
	<u>\$ 1,526</u>

The Company reassesses its benefit plan assumptions on a regular basis. The actuarial assumptions for the defined benefit plans for fiscal years 2016 and 2015 were as follows:

	Years Ended March 31,	
	2016	2015
Benefit Obligations:		
Discount rate	0.5%-8.00%	0.75%-7.75%
Estimated rate of compensation increase	2.50%-10.00%	2.50%-8.00%
Periodic Costs:		
Discount rate	0.75%-7.75%	1.50%-9.25%
Estimated rate of compensation increase	0.0%-8.00%	2.50%-8.00%
Expected average rate of return on plan assets	1.00%-2.75%	0.75%-3.50%

The discount rate is estimated based on corporate bond yields or securities of similar quality in the respective country, with a duration approximating the period over which the benefit obligations are expected to be paid. The Company bases the compensation increase assumptions on historical experience and future expectations. The expected average rate of return for the Company's defined benefit pension plans represents the average rate of return expected to be earned on plan assets over the period that the benefit obligations are expected to be paid, based on government bond notes in the respective country, adjusted for corporate risk premiums as appropriate.

The following table reflects the benefit payments that the Company expects the plans to pay in the periods noted (in thousands):

Years Ending March 31,	
2017	\$ 4,751
2018	4,954
2019	5,307
2020	6,026
2021	5,241
2022-2026	29,520
	\$ 55,799

The Company expects to contribute \$4.9 million to its defined benefit pension plans during fiscal year 2017 .

Deferred Compensation Plan

One of the Company's subsidiaries offers a deferred compensation plan that permits eligible employees to make 100% vested salary and incentive compensation deferrals within established limits. The Company does not make contributions to the plan.

The deferred compensation plan's assets consist of marketable securities and are included in other assets on the consolidated balance sheets. The marketable securities are classified as trading investments and were recorded at a fair value of \$14.8 million and \$17.2 million as of March 31, 2016 and 2015 , respectively, based on quoted market prices. The Company also had \$14.8 million and \$17.2 million deferred compensation liability as of March 31, 2016 and 2015 , respectively. Earnings, gains and losses on trading investments are included in other income (expense), net and corresponding changes in deferred compensation liability are included in operating expenses and cost of goods sold.

Note 6—Interest and Other Income (Expense), net

Interest income (expense), net comprises of the following (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Interest income	\$ 790	\$ 1,197	\$ 1,797
Interest expense	—	—	(2,228)
Interest income (expense), net	\$ 790	\$ 1,197	\$ (431)

Other income (expense), net comprises of the following (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Investment income (loss) related to deferred compensation plan	\$ (364)	\$ 1,055	\$ 1,487
Impairment of investments	—	(2,298)	(624)
Currency exchange gain (loss), net	2,110	(1,175)	(62)
Other	(122)	120	1,238
Other income (expense), net	\$ 1,624	\$ (2,298)	\$ 2,039

Note 7—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 (loss) before taxes and the provision for (benefit from) income taxes is generated outside of Switzerland.

Income from continuing operations before income taxes for the fiscal years 2016, 2015 and 2014 is summarized as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Swiss	\$ 80,572	\$ 119,460	\$ 62,544
Non-Swiss	50,900	33,623	44,760
Income before taxes	\$ 131,472	\$ 153,083	\$ 107,304

The provision for (benefit from) income taxes is summarized as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Current:			
Swiss	\$ 1,668	\$ 1,152	\$ 814
Non-Swiss	(2,582)	579	6,219
Deferred:			
Non-Swiss	4,024	2,923	(5,720)
Provision for income taxes	\$ 3,110	\$ 4,654	\$ 1,313

The difference between the provision for income taxes and the expected tax provision at the statutory income tax rate of 8.5% is reconciled below (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Expected tax provision at statutory income tax rates	\$ 11,175	\$ 13,012	\$ 9,121
Income taxes at different rates	(2,713)	(4,299)	(2,523)
Research and development tax credits	(1,619)	(1,120)	(1,229)
Executive compensation	864	1,557	—
Stock-based compensation	1,446	2,261	1,608
Valuation allowance	947	764	182
Restructuring charges / (credits)	1,514	(415)	1,174
Tax reserves (releases), net	(8,761)	(6,912)	(6,209)
Audit settlement	—	(837)	(400)
Other, net	257	643	(411)
Provision for income taxes	\$ 3,110	\$ 4,654	\$ 1,313

On December 18, 2015, the enactment of the Protecting Americans from Tax Hikes Act of 2015 in the United States extended the federal research and development tax credit permanently which had previously expired on December 31, 2014. The provision for income taxes for fiscal year ended March 31, 2016 reflected a \$1.5 million tax benefit as a result of the extension of the tax credit.

Deferred income tax assets and liabilities consist of the following (in thousands):

	March 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	\$ 7,136	\$ 8,372
Tax credit carryforwards	2,981	2,739
Accruals	36,365	44,363
Depreciation and amortization	4,059	4,396
Share-based compensation	12,890	14,183
Gross deferred tax assets	63,431	74,053
Valuation allowance	(5,338)	(5,590)
Gross deferred tax assets after valuation allowance	58,093	68,463
Deferred tax liabilities:		
Acquired intangible assets and other	(3,550)	(3,299)
Gross deferred tax liabilities	(3,550)	(3,299)
Deferred tax assets, net	\$ 54,543	\$ 65,164

Management regularly assesses the ability to realize deferred tax assets recorded in the Company's entities based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The Company had a valuation allowance of \$5.3 million at March 31, 2016, decreased from \$5.6 million at March 31, 2015 primarily due to \$1.3 million increase in valuation allowance for deferred tax assets in the state of California of the United States which was offset by \$1.5 million decrease in valuation allowance due to the expiration of capital loss carryforwards in the United States. The Company had a valuation allowance of \$4.9 million as of March 31, 2016 against deferred tax assets in the state of California of the United States. The remaining valuation allowance primarily represents \$0.4 million for various tax credit carryforwards. The Company determined that it is more likely than not that the Company would not generate sufficient taxable income in the future to utilize such deferred tax assets.

Deferred tax assets relating to tax benefits of employee stock grants have been reduced to reflect settlement activity in fiscal years 2016 and 2015. Settlement activity of grants in fiscal years 2016 and 2015 resulted in a "shortfall" in which tax deductions were less than previously recorded share-based compensation expense. The Company recorded a shortfall to equity of \$2.3 million and \$1.8 million, respectively, in fiscal years 2016 and 2015.

As of March 31, 2016, the Company had foreign net operating loss and tax credit carryforwards for income tax purposes of \$203.5 million and \$43.8 million, respectively, of which \$146.0 million of the net operating loss carryforwards and \$26.6 million of the tax credit carryforwards, if realized, will be credited to equity since they have not met the applicable realization criteria. Unused net operating loss carryforwards will expire at various dates in fiscal years 2017 to 2036. Certain net operating loss carryforwards in the United States relate to acquisitions and, as a result, are limited in the amount that can be utilized in any one year. The tax credit carryforwards will begin to expire in fiscal year 2019.

Swiss income taxes and non-Swiss withholding taxes associated with the repatriation of earnings or for other temporary differences related to investments in non-Swiss subsidiaries have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that no additional tax liability would arise on the distribution of such earnings. If these earnings were distributed to Switzerland in the form of dividends or otherwise, or if the shares of the relevant non-Swiss subsidiaries were sold or otherwise transferred, the Company may be subject to additional Swiss income taxes and non-Swiss withholding taxes. As of March 31, 2016, the cumulative amount of unremitted earnings of non-Swiss subsidiaries for which no income taxes have been provided is approximately \$157.5 million. The amount of unrecognized deferred income tax liability related to these earnings is estimated to be approximately \$5.2 million.

The Company follows a two-step approach in recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

As of March 31, 2016 and March 31, 2015, the total amount of unrecognized tax benefits due to uncertain tax positions was \$69.9 million and \$79.0 million, respectively, all of which would affect the effective income tax rate if recognized.

As of March 31, 2016, the Company had \$59.7 million in non-current income taxes payable and \$0.1 million in current income taxes payable, including interest and penalties, related to the Company's income tax liability for uncertain tax positions. As of March 31, 2015, the Company had \$72.1 million in non-current income taxes payable and \$0.1 million in current income taxes payable.

The aggregate changes in gross unrecognized tax benefits in fiscal years 2016, 2015 and 2014 were as follows (in thousands):

March 31, 2013	\$	95,698
Lapse of statute of limitations		(12,514)
Settlements with tax authorities		(100)
Decreases in balances related to tax positions taken during prior years		(778)
Increases in balances related to tax positions taken during the year		8,740
March 31, 2014	\$	91,046
Lapse of statute of limitations		(14,071)
Settlements with tax authorities		(2,160)
Decreases in balances related to tax positions taken during prior years		(3,544)
Increases in balances related to tax positions taken during the year		7,752
March 31, 2015	\$	79,023
Lapse of statute of limitations		(15,518)
Settlements with tax authorities		—
Decreases in balances related to tax positions taken during prior years		(1,502)
Increases in balances related to tax positions taken during the year		7,876
March 31, 2016	\$	69,879

The Company recognizes interest and penalties related to unrecognized tax positions in income tax expense. The Company recognized \$0.3 million, \$0.8 million and \$1.1 million in interest and penalties in income tax expense during fiscal years 2016, 2015 and 2014, respectively. As of March 31, 2016, 2015 and 2014, the Company had \$3.6 million, \$4.9 million and \$5.6 million of accrued interest and penalties related to uncertain tax positions, respectively.

The Company files Swiss and foreign tax returns. The Company received final tax assessments in Switzerland through fiscal year 2013. For other foreign jurisdictions such as the United States, the Company is generally not subject to tax examinations for years prior to fiscal year 2012. The Company is under examination and has received assessment notices in foreign tax jurisdictions. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on its results of operations.

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 the next 12 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 \$15.0 million primarily from the lapse of the statutes of limitations in various jurisdictions during the next 12 months.

Note 8—Balance Sheet Components

The following table presents the components of certain balance sheet asset amounts as of March 31, 2016 and 2015 (in thousands):

	March 31,	
	2016	2015
Accounts receivable:		
Accounts receivable	\$ 332,553	\$ 328,373
Allowance for doubtful accounts	(667)	(707)
Allowance for sales returns	(18,526)	(17,236)
Allowance for cooperative marketing arrangements (*)	(28,157)	(24,919)
Allowance for customer incentive programs (*)	(60,872)	(47,364)
Allowance for pricing programs (*)	(81,553)	(70,951)
	<u>\$ 142,778</u>	<u>\$ 167,196</u>
Inventories:		
Raw materials	\$ 48,489	\$ 36,044
Finished goods	180,297	219,936
	<u>\$ 228,786</u>	<u>\$ 255,980</u>
Other current assets:		
Income tax and value-added tax receivables	\$ 22,572	\$ 19,318
Deferred tax assets (**)	—	27,790
Prepaid expenses and other assets	12,916	16,254
	<u>\$ 35,488</u>	<u>\$ 63,362</u>
Property, plant and equipment, net:		
Plant, buildings and improvements	\$ 62,150	\$ 60,205
Equipment	166,371	132,907
Computer equipment	36,018	32,178
Software	97,201	76,184
	361,740	301,474
Less accumulated depreciation and amortization	(278,352)	(246,084)
	83,388	55,390
Construction-in-process	6,771	28,341
Land	2,701	2,747
	<u>\$ 92,860</u>	<u>\$ 86,478</u>
Other assets:		
Deferred tax assets (**)	\$ 56,208	\$ 39,310
Trading investments for deferred compensation plan	14,836	17,237
Investment in privately held companies	9,247	768
Other assets	6,525	5,018
	<u>\$ 86,816</u>	<u>\$ 62,333</u>

The following table presents the components of certain balance sheet liability amounts as of March 31, 2016 and 2015 (in thousands):

	March 31,	
	2016	2015
Accrued and other current liabilities:		
Accrued personnel expenses	\$ 46,025	\$ 46,022
Indirect customer incentive programs (*)	28,721	19,730
Warranty accrual	11,880	12,630
Employee benefit plan obligation	1,285	1,219
Income taxes payable	1,553	5,759
Other liabilities	84,300	77,984
	<u>\$ 173,764</u>	<u>\$ 163,344</u>
Non-current liabilities:		
Warranty accrual	\$ 8,500	\$ 9,080
Obligation for deferred compensation plan	14,836	17,237
Employee benefit plan obligation	53,909	51,081
Deferred tax liability (**)	1,665	1,936
Other liabilities	10,625	11,861
	<u>\$ 89,535</u>	<u>\$ 91,195</u>

(*) The increase in the allowances for cooperative marketing arrangements, customer incentive programs, pricing programs, and accrued liabilities for indirect customer incentive programs is primarily due to increases in retail sales, timing of claims processed, and increases in the marketing activities, partially offset by price increases.

(**) Includes reclassifications of deferred tax assets and liabilities related to ASU 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes".

Note 9—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.

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):

	March 31, 2016		March 31, 2015	
	Level 1	Level 2	Level 1	Level 2
Cash equivalents:				
Cash equivalents	\$ 10,000	\$ —	\$ 264,647	\$ —
	<u>\$ 10,000</u>	<u>\$ —</u>	<u>\$ 264,647</u>	<u>\$ —</u>
Trading investments for deferred compensation plan:				
Money market funds	\$ 3,467	\$ —	\$ 2,936	\$ —
Mutual funds	11,369	—	14,301	—
	<u>\$ 14,836</u>	<u>\$ —</u>	<u>\$ 17,237</u>	<u>\$ —</u>
Foreign exchange derivative assets	\$ —	\$ 10	\$ —	\$ 2,080
Foreign exchange derivative liabilities	\$ —	\$ 1,132	\$ —	\$ 75

Investment Securities

The marketable securities for the Company's deferred compensation plan are recorded at a fair value of \$14.8 million and \$17.2 million as of March 31, 2016 and 2015, respectively, based on quoted market prices. Quoted market prices are observable inputs that are classified as Level 1 within the fair value hierarchy. Unrealized trading gains related to trading securities for the fiscal years 2016, 2015 and 2014 were not significant and are included in other income (expense), net.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company's non-marketable cost method investments, and non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only upon initial recognition or if an impairment is recognized. A summary of the valuation methodologies for assets and liabilities measured on a nonrecurring basis is as follows:

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. There were no significant impairments during the years ended March 31, 2016 or 2015.

Included in non-marketable investments primarily is the Company's investment in Series A Preferred Stock of Lifesize recorded at the estimated fair value of \$5.6 million on the date of Lifesize divestiture. Refer to Note 3

"Discontinued Operations" to Consolidated Financial Statements for the valuation approach and significant inputs and assumptions.

The aggregate recorded amount of cost method investments included in other assets at March 31, 2016 and March 31, 2015 was \$7.4 million and \$0.3 million, respectively.

Non-Financial Assets. Goodwill, intangible assets, and property, plant and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur (or tested at least annually for goodwill) such that a non-financial instrument is required to be evaluated for impairment and an impairment is recorded to reduce the non-financial instrument's carrying value to the fair value as a result of such triggering events, the non-financial assets and liabilities are measured at fair value for the period such triggering events occur. See Note 2 herein, for additional information about how the Company tests various asset classes for impairment.

Note 10—Derivative Financial Instruments

The following table presents the fair values of the Company's derivative instruments as of March 31, 2016 and 2015 (in thousands):

	Derivatives			
	Asset		Liability	
	March 31,		March 31,	
	2016	2015	2016	2015
Designated as hedging instruments:				
Cash flow hedges	\$ 10	\$ 2,080	\$ 1,038	\$ —
Not designated as hedging instruments:				
Foreign exchange contracts	—	—	94	75
	<u>\$ 10</u>	<u>\$ 2,080</u>	<u>\$ 1,132</u>	<u>\$ 75</u>

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 in other current assets or accrued and other current liabilities on the Consolidated Balance Sheets as of March 31, 2016 and 2015.

The following table presents the amounts of gains and losses on the Company's derivative instruments for fiscal years 2016, 2015 and 2014 and their locations on its consolidated statements of operations and consolidated statements of comprehensive income (loss) (in thousands):

	Amount of Gain (Loss) Deferred as a Component of Accumulated Other Comprehensive Loss After Reclassification to Costs of Goods Sold			Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Loss to Costs of Goods Sold			Amount of Gain (Loss) Immediately Recognized in Other Income (Expense), Net		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	Designated as hedging instruments:								
Cash flow hedges	\$ (5,727)	\$ 4,466	\$ (1,025)	\$ (3,296)	\$ (4,505)	\$ 2,472	\$ 292	\$ 20	\$ (126)
Not designated as hedging instruments:									
Foreign exchange contracts	—	—	—	—	—	—	(781)	2,479	824
	<u>\$ (5,727)</u>	<u>\$ 4,466</u>	<u>\$ (1,025)</u>	<u>\$ (3,296)</u>	<u>\$ (4,505)</u>	<u>\$ 2,472</u>	<u>\$ (489)</u>	<u>\$ 2,499</u>	<u>\$ 698</u>

Cash Flow Hedges: The Company enters into foreign exchange forward contracts to hedge against exposure to changes in currency exchange rates related to its subsidiaries' forecasted inventory purchases. The Company has one entity with a Euro functional currency that purchases inventory in U.S. Dollars. The primary risk managed by using

derivative instruments is the currency exchange rate risk. The Company has designated these derivatives as cash flow hedges. These hedging contracts mature within four months, and are denominated in the same currency as the underlying transactions. 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. The Company assesses the effectiveness of the hedges by comparing changes in the spot rate of the currency underlying the forward contract with changes in the spot rate of the currency in which the forecasted transaction will be consummated. If the underlying transaction being hedged fails to occur or if a portion of the hedge does not generate offsetting changes in the currency exposure of forecasted inventory purchases, the Company immediately recognizes the gain or loss on the associated financial instrument in other income (expense), net. Such gains and losses were not material during fiscal years 2016, 2015 and 2014. Cash flows from such hedges are classified as operating activities in the Consolidated Statements of Cash Flows. As of March 31, 2016, and 2015, the notional amounts of foreign exchange forward contracts outstanding related to forecasted inventory purchases were \$39.8 million and \$43.5 million, respectively. The Company estimates that \$1.8 million of net losses related to its cash flow hedges included in accumulated other comprehensive loss as of March 31, 2016 will be reclassified into earnings within the next 12 months.

Other Derivatives: The Company also enters into foreign exchange forward and swap contracts to reduce the short-term effects of currency fluctuations on certain foreign currency receivables or payables. These forward and swap 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 foreign exchange forward contracts are recognized in other income (expense), net based on the changes in fair value.

The notional amounts of foreign exchange forward and swap contracts outstanding as of March 31, 2016 and 2015 relating to foreign currency receivables or payables were \$63.7 million and \$61.7 million, respectively. Open forward and swap contracts as of March 31, 2016 and 2015 consisted of contracts in Taiwanese Dollars, Australian Dollars, Mexican Pesos, Japanese Yen and British Pounds to be settled at future dates at pre-determined exchange rates.

The fair value of all foreign 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 Consolidated Statements of Cash Flows.

Note 11—Goodwill and Other Intangible Assets

As of December 31, 2015 and March 31, 2015, all of the Company's goodwill is related to the peripherals reporting unit. The Company performed its annual impairment analysis of the goodwill at December 31, 2015 by performing a qualitative assessment and concluded that it was more likely than not that the fair value of its peripherals reporting unit exceeded its carrying amount. In assessing the qualitative factors, the Company considered the impact of these key factors: change in industry and competitive environment, growth in market capitalization to \$2.5 billion as of December 31, 2015 from \$2.3 billion as of December 31, 2014, and budgeted-to-actual revenue performance for the twelve months ended December 31, 2015. There have been no significant events or circumstances affecting the valuation of goodwill subsequent to the annual impairment test.

The following table summarizes the activity in the Company's goodwill balance during fiscal years 2016 and 2015 (in thousands):

	Years Ended March 31,	
	2016	2015
Beginning of the period	\$ 218,213	\$ 219,415
Acquisitions	—	988
Currency exchange rate impact and other	11	(2,190)
End of the period	\$ 218,224	\$ 218,213

The Company's acquired other intangible assets are not material as of March 31, 2016 and 2015. There is no addition or disposition of acquired other intangible assets during the years ended March 31, 2016 and 2015.

For fiscal years 2016, 2015 and 2014, amortization expense for other intangible assets was \$0.4 million, \$0.8 million and \$2.4 million, respectively. There was no future amortization expense related to the intangible asset as of March 31, 2016.

Note 12—Financing Arrangements

The Company had several uncommitted, unsecured bank lines of credit aggregating \$45.7 million as of March 31, 2016 . There are no financial covenants under these lines of credit with which the Company must comply. As of March 31, 2016 , the Company had outstanding bank guarantees of \$19.7 million under these lines of credit. There was no borrowing outstanding under the line of credit as of March 31, 2016 or March 31, 2015.

Note 13—Commitments and Contingencies**Operating Leases**

The Company leases facilities under operating leases, certain of which require it to pay property taxes, insurance and maintenance costs. Operating leases for facilities are generally renewable at the Company's option and usually include escalation clauses linked to inflation. Future minimum annual rentals under non-cancelable operating leases at March 31, 2016 are as follows (in thousands):

Years Ending March 31,		
2017		\$ 7,558
2018		5,411
2019		4,843
2020		4,433
2021		3,190
Thereafter		6,539
		<u>\$ 31,974</u>

Rent expense for fiscal years 2016 , 2015 and 2014 was \$10.0 million , \$9.6 million and \$12.7 million , respectively.

In connection with its leased facilities, the Company recognized a liability for asset retirement obligations for 2016 and 2015 representing the present value of estimated remediation costs to be incurred at lease expiration. The liabilities for asset retirement obligations were not material as of March 31, 2016 and 2015.

Product Warranties

All of the Company's Peripherals products are covered by warranty to be free from defects in material and workmanship for periods ranging from one year to five years. For products launched prior to April 1, 2014, the standard warranty period was up to five years. Starting from April 1, 2014, the standard warranty for all new products launched was changed to two years from date of purchase for European Countries and generally one year from date of purchase for all other countries. At the time of sale, the Company accrues a warranty liability for estimated costs to provide products, parts or services to repair or replace products in satisfaction of the warranty obligation. The Company's estimate of costs to fulfill its warranty obligations is based on historical experience and expectations of future conditions. When the Company experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly.

Changes in the Company's warranty liability for fiscal years 2016 and 2015 were as follows (in thousands):

	Years Ended March 31,	
	2016	2015
Beginning of the period	\$ 21,710	\$ 24,380
Provision	9,772	10,958
Settlements	(11,339)	(12,027)
Currency translation	237	(1,601)
End of the period	<u>\$ 20,380</u>	<u>\$ 21,710</u>

Investment Commitments

During 2015, the Company entered into a limited partnership agreement for a private investment fund specialized in early-stage start-up consumer hardware electronics companies and committed to a capital contribution of \$4.0 million over the life of the fund. The Company has invested \$0.9 million as of March 31, 2016, which is classified as other

assets on the consolidated balance sheet. As of March 31, 2016, \$3.1 million capital contribution has not yet been called upon by the fund.

Other Contingencies

In April 2016, the Company entered into a settlement with the Securities and Exchange Commission ("SEC") related to the accounting for Revue inventory valuation reserves that resulted in the restatement described in the Fiscal Year 2014 Annual Report on Form 10-K, revision to its consolidated financial statements concerning warranty accruals and amortization of intangible assets presented in its Amended Annual Report on Form 10-K/A, filed on August 7, 2013, and its transactions with a distributor for Fiscal Year 2007 through Fiscal Year 2009. The Company entered into the settlement without admitting or denying the findings of the SEC's investigation and paid a civil penalty of \$7.5 million. This amount was paid in April 2016. The Company made an accrual of the same amount in its consolidated financial statements as of March 31, 2016.

Guarantees

Logitech Europe S.A. guaranteed payments of two third-party contract manufacturers' purchase obligations. As of March 31, 2016, the maximum amount of this guarantee was \$3.8 million, of which \$1.0 million of guaranteed purchase obligations was 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 March 31, 2016, 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 that the Company entered into in connection with the investment by three venture capital firms in Lifesize, Inc. contains representations, warranties and covenants of Logitech and Lifesize, Inc. to the Venture Investors. Subject to certain limitations, the Company has agreed to indemnify the Venture Investors and certain persons related to the Venture 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 which 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 position, 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 position, 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 necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect the Company's business.

Note 14—Shareholders' Equity

Share Capital

The Company's nominal share capital is CHF 43,276,655, consisting of 173,106,620 shares with a par value of CHF 0.25 each, all of which were issued and 10,697,117 of which were held in treasury shares as of March 31, 2016.

In September 2008, the Company's shareholders approved an amendment to reserve conditional capital of 25,000,000 shares for potential issuance on the exercise of rights granted under the Company's employee equity incentive plans. The shareholders also approved the creation of conditional capital representing the issuance of up to 25,000,000 shares to cover any conversion rights under a future convertible bond issuance. This conditional capital was created in order to provide financing flexibility for future expansion, investments or acquisitions.

Dividends

Pursuant to Swiss corporate law, Logitech International S.A. may only pay dividends in Swiss Francs. The payment of dividends is limited to certain amounts of unappropriated retained earnings (CHF 653.4 million or \$680.5 million based on the exchange rate at March 31, 2016) and is subject to shareholder approval. In March 2015, the Company announced a plan to pay \$250.0 million in cumulative dividends for fiscal year 2015 through fiscal year 2017. In September 2015, the Company declared and paid cash dividends of CHF 0.51 (USD equivalent of \$0.53) per common share, totaling approximately \$85.9 million , on the Company's outstanding common stock. In December 2014, Logitech's shareholders approved a cash dividend payment of CHF 43.1 million out of retained earnings to Logitech shareholders. Eligible shareholders were paid CHF 0.26 per share (\$0.27 per share in U.S. Dollars), totaling \$43.8 million in U.S. Dollars in December 2014. In September 2013, Logitech's shareholders approved a cash dividend payment of CHF 33.7 million out of retained earnings to Logitech's shareholders. Eligible shareholders were paid CHF 0.21 per share (\$0.22 per share in U.S. Dollars), totaling \$36.1 million in U.S. Dollars in September 2013.

Legal Reserves

Under Swiss corporate law, a minimum of 5% of the Company's annual net income must be retained in a legal reserve until this legal reserve equals 20% of the Company's issued and outstanding aggregate par value per share capital. These legal reserves represent an appropriation of retained earnings that are not available for distribution and totaled \$10.0 million at March 31, 2016 (based on the exchange rate at March 31, 2016).

Share Repurchases

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. 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.

A summary of the approved and active share buyback program is shown in the following table (in thousands, excluding transaction costs):

Share Buyback Program	Approved		Repurchased	
	Shares	Amounts	Shares	Amounts
March 2014	17,311	\$ 250,000	5,066	\$ 71,702

During fiscal years 2016 and 2015, 5.0 million and 0.1 million shares were repurchased for \$70.4 million and \$1.7 million , respectively. There were no share repurchases during fiscal year 2014.

Accumulated Other Comprehensive Loss

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

	Accumulated Other Comprehensive Income (Loss)			
	Cumulative Translation Adjustment (1)	Defined Benefit Plans(1)	Deferred Hedging Gains (Losses)	Total
March 31, 2015	\$ (90,224)	\$ (26,964)	\$ 3,951	\$ (113,237)
Other comprehensive income (loss)	6,186	793	(5,727)	1,252
March 31, 2016	\$ (84,038)	\$ (26,171)	\$ (1,776)	\$ (111,985)

(1) Tax effect was not significant as of March 31, 2016 or 2015.

Note 15—Segment Information

As discussed in "Note 2 — Summary of Significant Accounting Policies", the Company's Peripherals segment remains as the sole reporting segment reported in continuing operations.

The Company's Peripherals segment continues to design, manufacture and markets products that allow people to connect through music, gaming, video, computing, and other digital platforms. Operating performance measures for Peripherals reports 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 and amortization of intangible assets.

Net sales by product categories and sales channels, excluding intercompany transactions, were as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Mobile Speakers	229,718	178,038	87,414
Audio-PC & Wearables	196,013	213,496	250,037
Gaming	245,101	211,911	186,926
Video Collaboration	89,322	62,215	29,058
Home Control	59,075	68,060	67,371
Pointing Devices	492,543	487,210	506,884
Keyboards & Combos	430,190	426,117	415,314
Tablet & Other Accessories	103,886	140,994	172,484
PC Webcams	98,641	96,680	113,791
Other (1)	2,570	2,725	37,000
Total net retail sales	1,947,059	1,887,446	1,866,279
OEM	71,041	117,462	141,749
Total net sales	\$ 2,018,100	\$ 2,004,908	\$ 2,008,028

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

Net sales to unaffiliated customers by geographic region for fiscal years 2016, 2015 and 2014 (based on the customers' location) were as follows (in thousands):

	Years Ended March 31,		
	2016	2015	2014
Americas	\$ 881,379	\$ 864,761	\$ 799,431
EMEA	645,694	670,890	724,671
Asia Pacific	491,027	469,257	483,926
	<u>\$ 2,018,100</u>	<u>\$ 2,004,908</u>	<u>\$ 2,008,028</u>

The United States represented 38% , 36% and 34% of net sales for the fiscal years 2016 , 2015 and 2014 , respectively. No other single country represented more than 10% of net sales during these periods. Revenues from net sales to customers in Switzerland, the Company's home domicile, represented 2% of net sales for each of fiscal years 2016 , 2015 and 2014 .

Geographic long-lived assets information, primarily fixed assets, are reported below based on the location of the asset (in thousands):

	March 31,	
	2016	2015
Americas	\$ 40,221	\$ 44,263
EMEA	3,194	3,473
Asia Pacific	49,445	38,742
	<u>\$ 92,860</u>	<u>\$ 86,478</u>

Long-lived assets in the United States and China were \$40.0 million and \$44.5 million at March 31, 2016 , respectively, and \$44.3 million and \$33.4 million at March 31, 2015 , respectively. No other countries represented more than 10% of the Company's total consolidated long-lived assets at March 31, 2016 or 2015 . Long-lived assets in Switzerland, the Company's home domicile, were \$1.7 million and \$1.5 million at March 31, 2016 and 2015 , respectively.

Note 16—Restructuring

During the first quarter of fiscal year 2016, the Company implemented a restructuring plan to exit the OEM business, reorganize Lifesize to sharpen its focus on its cloud-based offering, and streamline the Company's overall cost structure, overhead and infrastructure cost reductions with a targeted resource realignment. Restructuring charges incurred during the year ended March 31, 2016 under this plan primarily consisted of severance and other ongoing and one-time termination benefits. Charges and other costs related to the workforce reduction and structure realignment are presented as restructuring charges in the Consolidated Statements of Operations. On a total company basis, including the Lifesize video conferencing business as reported in discontinued operations, the Company has incurred \$25.5 million under this restructuring plan, including \$24.4 million for cash severance and other personnel costs. The Company substantially completed this restructuring plan by the fourth quarter of fiscal year 2016.

During the fourth quarter of fiscal year 2013, the Company implemented a restructuring plan to align its organization to its strategic priorities of increasing focus on mobility products, improving profitability in PC-related products and enhancing global operational efficiencies. As part of this restructuring plan, the Company reduced its worldwide non-direct labor workforce. Restructuring charges under this plan primarily consisted of severance and other one-time termination benefits. During fiscal year 2015, the Company recorded a \$4.9 million restructuring credit, on a total company basis, primarily as a result of partial termination of its lease agreement for the Silicon Valley campus, which was previously vacated and under the restructuring plan during fiscal year 2014. The Company substantially completed this restructuring plan by the fourth quarter of fiscal year 2014.

The following table summarizes restructuring related activities during fiscal year 2016 and 2015 from continuing operations (in thousands):

	Restructuring - Continuing Operations			
	Termination Benefits	Lease Exit Costs	Other	Total
Accrual balance at March 31, 2014	\$ —	\$ 7,309	\$ —	\$ 7,309
Credits, net	—	(4,777)	—	(4,777)
Cash payments	—	(1,578)	—	(1,578)
Accrual balance at March 31, 2015	—	954	—	954
Charges, net	17,280	337	185	17,802
Cash payments	(11,373)	(1,166)	(185)	(12,724)
Accrual balance at March 31, 2016	\$ 5,907	\$ 125	\$ —	\$ 6,032 *

*This balance is included in accrued and other current liabilities on the Company's consolidated balance sheets.

The following tables summarize restructuring related activities during fiscal year 2016 and 2015 from discontinued operations (in thousands):

	Restructuring - Discontinued Operations			
	Termination Benefits	Lease Exit Costs	Other	Total
Accrual balance at March 31, 2014	\$ 142	\$ 110	\$ —	\$ 252
Charges	(86)	(25)	—	(111)
Cash payments	(56)	—	—	(56)
Accrual balance at March 31, 2015	—	85	—	85
Charges, net	7,095	—	805	7,900
Cash payments	(6,460)	(14)	(805)	(7,279)
Adjustment as a result of disposition of discontinued operations	(267)	(71)	—	(338)
Accrual balance at March 31, 2016	\$ 368	\$ —	\$ —	\$ 368 *

*This balance is included in accrued and other current liabilities in continuing operations as of March 31, 2016, as it's expected to be paid by the continuing operations pursuant to the transaction occurred on December 28, 2015 (See Note 3).

Note 17—Subsequent Events

On April 20, 2016, the Company acquired Jaybird LLC of Salt Lake City, Utah, for approximately \$50 million in cash, with an additional earn-out of up to \$45 million based on achievement of growth targets over the next two years. The Company is still in the process of preparing the initial accounting of the transaction and expects to establish a preliminary purchase price allocation with respect to this transaction by the end of the first quarter of fiscal year 2017.

LOGITECH INTERNATIONAL S.A.
SUPPLEMENTARY DATA
QUARTERLY FINANCIAL DATA
(unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years 2016 and 2015 (in thousands, except per share amounts):

	Year ended March 31, 2016 (3)				Year ended March 31, 2015 (3)			
	Q1 (2)	Q2 (2)	Q3 (2)	Q4 (2)	Q1	Q2	Q3	Q4 (1)
Net sales	\$ 447,686	\$ 518,494	\$ 621,079	\$ 430,841	\$ 456,446	\$ 501,857	\$ 604,322	\$ 442,283
Cost of goods sold	289,753	345,977	412,582	288,741	291,641	315,486	391,715	300,609
Gross profit	157,933	172,517	208,497	142,100	164,805	186,371	212,607	141,674
Operating expenses:								
Marketing and selling	75,796	78,833	87,295	77,091	77,178	81,439	87,486	75,646
Research and development	28,170	28,893	29,273	27,288	25,737	26,875	27,397	28,297
General and administrative	28,812	25,074	24,080	23,582	35,251	33,339	28,172	29,233
Restructuring charges (credits), net	11,538	3,146	(666)	3,784	(35)	—	—	(4,742)
Total operating expenses	144,316	135,946	139,982	131,745	138,131	141,653	143,055	128,434
Operating income	13,617	36,571	68,515	10,355	26,674	44,718	69,552	13,240
Interest income, net	255	189	105	241	251	349	224	373
Other income (expense), net	(1,019)	(737)	862	2,518	(171)	(843)	(2,688)	1,404
Income from continuing operations before income taxes	12,853	36,023	69,482	13,114	26,754	44,224	67,088	15,017
Provision for (benefit from) income taxes	(7)	5,571	1,442	(3,896)	2,769	5,016	670	(3,801)
Net Income from continuing operations	12,860	30,452	68,040	17,010	23,985	39,208	66,418	18,818
Income (loss) from discontinued operations, net of income taxes	(5,423)	(12,355)	(2,954)	11,687	(4,310)	(3,117)	(3,634)	(128,085)
Net income (loss)	\$ 7,437	\$ 18,097	\$ 65,086	\$ 28,697	\$ 19,675	\$ 36,091	\$ 62,784	\$ (109,267)
Net income (loss) per share - Basic:								
Continuing operations	\$ 0.08	\$ 0.19	\$ 0.42	\$ 0.10	\$ 0.15	\$ 0.24	\$ 0.41	\$ 0.11
Discontinued operations	\$ (0.03)	\$ (0.08)	\$ (0.02)	\$ 0.08	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.77)
Net income (loss) per share - basic	\$ 0.05	\$ 0.11	\$ 0.40	\$ 0.18	\$ 0.12	\$ 0.22	\$ 0.38	\$ (0.66)
Net income (loss) per share - Diluted:								
Continuing operations	\$ 0.08	\$ 0.18	\$ 0.41	\$ 0.10	\$ 0.14	\$ 0.24	\$ 0.40	\$ 0.11
Discontinued operations	\$ (0.04)	\$ (0.07)	\$ (0.02)	\$ 0.07	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.77)
Net income (loss) per share - diluted	\$ 0.04	\$ 0.11	\$ 0.39	\$ 0.17	\$ 0.12	\$ 0.22	\$ 0.38	\$ (0.66)
Shares used to compute net income (loss) per share:								
Basic	164,431	163,515	162,669	162,671	163,012	163,230	163,533	164,319
Diluted	166,895	165,841	165,168	165,365	165,833	166,065	166,321	166,424

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- (1) The Company recognized \$4.7 million restructuring credits as result of partial termination of its lease agreement for Silicon Valley campus, which was previously vacated and under a restructuring plan during fiscal 2014.
- (2) During Fiscal year 2016, the Company incurred restructuring charges of \$17.8 million related to the restructuring plan implemented in fiscal 2016. The \$4.8 million in restructuring credits during fiscal year 2015 were related to restructuring plans the Company implemented in fiscal year 2014.
- (3) On December 28, 2015, the Company divested its Lifesize video conferencing business and, as a result, the Company reflected the Lifesize video conferencing business as discontinued operations in the consolidated statements of operations and, as such, the results of that business have been excluded from all line items other than "Loss from discontinued operations, net of income taxes" for all periods presented.

LOGITECH INTERNATIONAL S.A.
VALUATION AND QUALIFYING ACCOUNTS
For the Fiscal Years Ended March 31, 2016 , 2015 and 2014 (in thousands)

The Company's Schedule II includes valuation and qualifying accounts related to allowances for doubtful accounts, sales returns, cooperative marketing arrangements, customer incentive programs, and pricing programs, for direct customers and tax valuation allowances. The Company also has sales incentive programs for indirect customers with whom it does not have a direct sales and receivable relationship. These programs are recorded as accrued liabilities and are not considered valuation or qualifying accounts.

		Balance at Beginning of Year	Charged (Credited) to Statement of Operations	Claims and Adjustments Applied Against Allowances	Balance at End of Year
Allowance for doubtful accounts:					
	2016	\$ 707	\$ 71	\$ (111)	\$ 667
	2015	\$ 1,297	\$ (334)	\$ (256)	\$ 707
	2014	\$ 1,724	\$ 670	\$ (1,097)	\$ 1,297
Allowance for sales returns:					
	2016	\$ 17,236	\$ 66,935	\$ (65,645)	\$ 18,526
	2015	\$ 18,503	\$ 66,785	\$ (68,052)	\$ 17,236
	2014	\$ 20,284	\$ 60,113	\$ (61,894)	\$ 18,503
Allowances for cooperative marketing arrangements:					
	2016	\$ 24,919	\$ 131,410	\$ (128,172)	\$ 28,157
	2015	\$ 23,255	\$ 113,610	\$ (111,946)	\$ 24,919
	2014	\$ 23,186	\$ 100,005	\$ (99,936)	\$ 23,255
Allowances for customer incentive programs:					
	2016	\$ 47,364	\$ 164,307	\$ (150,799)	\$ 60,872
	2015	\$ 40,205	\$ 142,413	\$ (135,254)	\$ 47,364
	2014	\$ 41,554	\$ 104,719	\$ (106,068)	\$ 40,205
Allowances for pricing programs:					
	2016	\$ 70,951	\$ 260,698	\$ (250,096)	\$ 81,553
	2015	\$ 68,798	\$ 246,780	\$ (244,627)	\$ 70,951
	2014	\$ 54,931	\$ 217,967	\$ (204,100)	\$ 68,798
Tax valuation allowances:					
	2016	\$ 5,590	\$ 1,255	\$ (1,507)	\$ 5,338
	2015	\$ 4,872	\$ 995	\$ (277)	\$ 5,590
	2014	\$ 6,014	\$ 515	\$ (1,657)	\$ 4,872

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.**

SECURITIES PURCHASE AGREEMENT

dated as of April 12, 2016

by and among

LOGITECH EUROPE S.A.,

JAYBIRD, LLC,

the SELLERS named herein,

and

JUDD ARMSTRONG, as the Sellers’ Representative

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.**

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (this “Agreement”), dated as of April 12, 2016, is made by and among Logitech Europe S.A., a corporation duly organized under the laws of the Canton of Vaud (“Buyer”), JayBird, LLC, a Utah limited liability company (the “Company”), the unit holders of the Company whose signatures are attached hereto (the “Sellers” and each, individually, a “Seller”), and Judd Armstrong as the sellers’ representative (the “Sellers’ Representative”). The parties hereto are from time-to-time referred to collectively as the “Parties” and, individually, as a “Party”.

Capitalized words or terms used in this Agreement not otherwise defined in this Agreement shall have the meaning assigned them in Article 11 hereto . In addition, Article 11 indicates the provisions or Sections of this Agreement where words and terms defined in this Agreement are found.

Recitals

A. The Company is in the business of developing, manufacturing and marketing premium personal electronic devices for consumers including active lifestyle consumers (the “Business”).

B. At the Closing, Buyer will purchase and acquire from the Sellers, and the Sellers will sell, transfer, contribute and assign to Buyer, 100% of the issued and outstanding equity interests of the Company (the “Purchase”), which interests are composed of an aggregate of 1,033,567 Class A units of the Company (the “Class A Units”), which, immediately prior to the Closing shall include 42,639 units issued to Best Buy in connection with its exercise of a warrant issued by the Company to Best Buy and dated as of June 20, 2013, 26,667 Class P1 units of the Company (the “Class P1 Units”), and 50,000 Class P2 units of the Company (the “Class P2 Units” and, collectively, with the Class A Units and the Class P1 Units, the “Purchased Units”).

C. As of the date hereof, and as a material inducement to the willingness of Buyer to enter into this Agreement, (a) non-competition agreements have been executed and delivered by each of the Sellers set forth on Exhibit A hereto (the “Non-Competition Agreements”), which agreements shall become effective only upon the Closing and (b) employment agreements have been executed and delivered by each of the individuals set forth on Exhibit B hereto (the “Employment Agreements”), which agreements shall become effective only upon the Closing.

D. As of the date hereof, and as a material inducement to the willingness of Buyer to enter into this Agreement, Best Buy executed and delivered the Warrant Exercise and Joinder Agreement attached hereto as Exhibit E (the “Best Buy Agreement”), pursuant to which Best Buy will become the owner of 42,639 Class A Units of the Company immediately prior to the Closing.

AGREEMENT

In consideration of the foregoing and the respective representations, warranties, covenants, agreements, and conditions set forth in this Agreement, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, each Party hereby agrees:

ARTICLE 1. PURCHASE

1.1 Purchase of the Purchased Units .

(a) Subject to the terms and conditions of this Agreement, at the Closing, the Sellers will and hereby do sell, assign, contribute, transfer and deliver to Buyer the Purchased Units, with each such Seller selling that number of Purchased Units as are set forth opposite such Seller's name on Schedule 1.1 of the Disclosure Schedules, free and clear of all Encumbrances.

(b) Any and all payments to the Sellers pursuant to this Agreement (whether pursuant to the Closing Date Payment, the Indemnity Escrow Funds, the Earnout Payments or otherwise) shall be made to the Sellers' Representative (on behalf of the Sellers).

1.2 Purchase Price; Closing Date Payment .

At the Closing, Buyer will deliver to the Sellers' Representative (on behalf of the Sellers based on the applicable Pro Rata Percentages for each such Seller as set forth on Schedule 1.1 (the "Pro Rata Percentages")) an aggregate amount as set forth below (the "Closing Date Payment"):

(a) Fifty Million Dollars (\$50,000,000) less the Estimated Closing Working Capital Shortfall, if any;

(b) less an amount equal to [***] (the "Indemnity Escrow Amount");

(c) less an amount equal to the aggregate amount of the Company Expenses (which amounts are set forth on Schedule 1.2(c) and shall be repaid at Closing through payments from Buyer to the parties owed such amounts pursuant to payoff letters reasonably acceptable to Buyer);

(d) less an amount equal to the aggregate amount of the Change of Control Payments (which amounts are set forth on Schedule 1.2(d) and shall be repaid at Closing through payments from Buyer to the parties owed such amounts pursuant to payoff letters reasonably acceptable to Buyer);

(e) less an amount equal to the aggregate amount of the Transaction Bonus Payments (which amounts are set forth on Schedule 1.8 and shall be paid at Closing as provided in Section 1.8(b));

(f) less an amount equal to the Company Closing Indebtedness (which amounts are set forth on Schedule 1.2(f) and shall be repaid at Closing through payments from Buyer to the lenders pursuant to payoff letters reasonably acceptable to Buyer); and

(g) less an amount equal to [***] to be placed in a Sellers' Representative administrative account as identified by the Sellers' Representative prior to Closing (the "Sellers' Representative Fund") (and to be used by the Sellers' Representative to pay any fees, costs or other expenses it may incur in

performing its duties or exercising its rights hereunder; with any amounts remaining in the Sellers' Representative Fund distributed to the Sellers in accordance with their applicable Pro Rata Percentages promptly following such time that the Sellers' Representative determines that its duties under this Agreement have concluded).

The aggregate amount to be paid by Buyer at Closing (that is the amount of the Closing Date Payment plus the amount set forth in Section 1.2(b) plus the amount set forth in Section 1.2(c) plus the amount set forth in Section 1.2(d) plus the amount set forth in Section 1.2(e) plus the amount set forth in Section 1.2(f) plus the amount set forth in Section 1.2(g)) (as adjusted pursuant to Sections 1.3 and 1.4 below) together with the Earnout Payments, prior to any application of Section 1.7(e), paid under Section 1.7 (if any) below are collectively the "Purchase Price". The Purchase Price payable to the Sellers will be paid in immediately available funds to an account, and pursuant to such payment instructions, as may be designated in writing by the Sellers' Representative no later than two (2) Business Days prior to the Closing Date (and which shall include the schedule amounts and computations set forth in this Section 1.2 above) or other payment date for the Earnout Payments.

1.3 Adjustment of Purchase Price

(a) No later than three (3) Business Days prior to the Closing Date, the Sellers' Representative shall deliver to Buyer a good faith estimate of Closing Working Capital of the Company ("Estimated Closing Working Capital") together with any related materials reasonably requested by Buyer, determined as of 11:59pm Mountain Daylight Time on the day immediately preceding the Closing Date. "Closing Working Capital" shall be calculated in the manner set forth on Schedule 1.3(a) attached hereto and reasonably acceptable to Buyer, shall be determined as of 11:59pm Mountain Daylight Time on the day immediately preceding the Closing Date and shall be defined as "Current Assets" (which means: cash, trade receivables; inventories (adjusted for current and future obsolescence in accordance with GAAP); inventory deposits; and prepaid expenses) less "Current Liabilities" (which means: the amount owed under the Working Capital Line of Credit (provided that such amount owed on the Working Capital Line of Credit shall not exceed Five Million Dollars (\$5,000,000), and to extent that it does, then any amount over Five Million Dollars (\$5,000,000) shall be included as Company Closing Indebtedness and be set forth on Schedule 1.2(f)); amounts owed under the ReadyActive Note and Supply Chain Note (provided that such amounts owed on the ReadyActive Note and Supply Chain Note, taken together, shall not exceed Eight Hundred and Fifty Thousand (\$850,000), and to extent that such amounts exceed Eight Hundred and Fifty Thousand (\$850,000), then such amounts over Eight Hundred and Fifty Thousand (\$850,000) shall be included as Company Closing Indebtedness and be set forth on Schedule 1.2(f)); accounts payable (including credit-card payable and sales tax payable); accrued provisions for product returns and warranty claims; accrued provisions for open purchase commitments; and accrued expenses). Additionally, any obligation of the Company to make any Transaction Bonus Payments listed on Schedule 1.8 shall not be included as Current Liabilities for purposes of determining Closing Working Capital; nor shall Buyer's assumption of the obligation to pay the Transaction Bonus Payments, the Company Expenses, the Change of Control Payments or the repayment of the Company Closing Indebtedness be deemed Current Assets for purposes of determining Closing Working Capital. "Estimated Closing Working Capital Shortfall" means the amount, if any, by which Estimated Closing Working Capital is less than [***] (the "Target Net Working Capital"). An example of the calculation of Closing Working Capital as of March 31, 2016 is set forth on Schedule 1.3(a). Within ninety (90) days after the Closing Date, Buyer shall prepare and deliver to the Sellers' Representative (i) a balance sheet of the Company as of the Effective Time, dated as of the Closing Date (the "Closing Balance Sheet"), prepared in accordance with GAAP (except with respect to year-end adjustments) and, to the extent consistent with GAAP, the Company's historic accounting practices used in the preparation of the December 31, 2015 balance sheet included in the Financial Statements; provided, that (i) no purchase accounting adjustments in respect

of the transactions contemplated by this Agreement shall be made, and (ii) its calculation of Closing Working Capital shall be prepared in a manner consistent with Schedule 1.3(a). The costs, fees and expenses of the preparation of Closing Balance Sheet and Closing Working Capital shall be paid by Buyer.

(b) The Sellers' Representative shall have forty-five (45) days to review the Closing Balance Sheet after delivery by Buyer and the calculation of the Closing Working Capital following their delivery to the Sellers' Representative, and Buyer and the Company shall reasonably cooperate with the Sellers' Representative and provide any other information used in preparing the Closing Balance Sheet and the calculation of Closing Working Capital reasonably requested by the Sellers' Representative, along with reasonably requested applicable accounting and other financial records and data. Following such review, if the Sellers' Representative disagrees with the Closing Balance Sheet or the calculations of Closing Working Capital, the Sellers' Representative will deliver to Buyer written notice of its disagreement including a reasonably thorough description of the basis for such disagreement (a "Notice of Working Capital Disagreement") on or before the end of the 45-day period. In the event such Notice of Working Capital Disagreement is not delivered to Buyer within such 45-day period, the Sellers' Representative (on behalf of Sellers) and the Sellers will be deemed to have agreed with the Closing Balance Sheet and the calculation of Closing Working Capital as provided by Buyer. The Sellers' Representative shall keep confidential any information provided by the Company under this Section 1.3(b) pursuant to the terms of Section 6.11.

(c) During the fifteen (15) business-day period following delivery of any Notice of Working Capital Disagreement, the Parties in good faith shall seek to resolve any such disagreement. Any disputed items resolved in writing between the Sellers' Representative and Buyer within such fifteen (15) business-day period shall be final and binding with respect to such items, and if the Sellers' Representative and Buyer agree in writing on the resolution of all disagreements, the Closing Balance Sheet and the amounts of Closing Working Capital, the amount so determined shall be final and binding on the Parties for all purposes hereunder.

(d) If Buyer and the Sellers' Representative are unable to resolve all disagreements set forth in such Notice of Working Capital Disagreement within such fifteen (15) Business Days (or such longer period as Buyer and the Sellers' Representative may mutually agree in writing), all matters in the Notice of Working Capital Disagreement that remain in dispute shall be submitted to and resolved by a nationally recognized accounting firm that is independent of Buyer and the Company and agreed upon by each of Buyer and the Sellers' Representative (or failing such agreement within ten (10) Business Days, then a selection agreed to by the auditor of Buyer and the most recent auditor of the Company within ten (10) Business Days after notice to each such auditor) (the "Independent Accounting Firm"). Buyer and the Sellers' Representative shall instruct the Independent Accounting Firm to select one of its partners experienced in purchase price adjustment disputes to make a final determination of the Closing Balance Sheet and Closing Working Capital. Each of Buyer and Sellers' Representative shall provide copies to the other of any materials provided to the Independent Accounting Firm and shall not have any discussions with the Independent Accounting Firm without the other present. Buyer and the Sellers' Representative shall further instruct the Independent Accounting Firm that, in resolving the items in the Notice of Working Capital Disagreement that are still in dispute and in determining the Closing Balance Sheet and Closing Working Capital, the Independent Accounting Firm shall (i) not assign to any item in dispute a value that is (A) greater than the greatest value for such item assigned by Buyer, on the one hand, or the Sellers' Representative, on the other hand, or (B) less than the smallest value for such item assigned by Buyer, on the one hand, or the Sellers' Representative, on the other hand, (ii) make its determination based on an independent review (which will be in accordance with Schedule 1.3(a) and the guidelines and procedures set forth in this Agreement) and at a conference concerning the dispute, at which conference each of Buyer and the Sellers' Representative shall have the right to present their respective positions with respect to the dispute and have present their respective advisors,

counsel and accountants, (iii) render a final resolution in writing to Buyer and the Sellers' Representative (which final resolution shall be requested by Buyer and the Sellers' Representative to be delivered not more than sixty (60) days following submission of such disputed matters), which shall be final, conclusive and binding on the Parties with respect to the Closing Balance Sheet and Closing Working Capital, and (iv) provide a written report to Buyer and the Sellers' Representative, if requested by either of them, which sets forth in reasonable detail the basis for the Independent Accounting Firm's final determination. The fees and expenses of the Independent Accounting Firm shall be allocated between Buyer, on the one hand, and the Sellers' Representative (on behalf of the Sellers based upon their applicable Pro Rata Percentages), on the other hand, based upon the percentage by which the portion of the contested amount not awarded to each of Buyer and the Sellers' Representative bears to the amount actually contested by such Party (for example, if a total of \$1,000 is in dispute and a total of \$600 is awarded to the Sellers, then Buyer pays 60% of the Independent Accounting Firm's fees and the Sellers' Representative pays 40%).

(e) If the amount of (i) Closing Working Capital, as finally determined pursuant to this Section 1.3 (the "Final Closing Working Capital") is less than (ii) Estimated Closing Working Capital (as determined pursuant to Section 1.3(a)) (such amount, the "Working Capital Shortfall"), the Sellers (or the Sellers' Representative on behalf of Sellers based on each Seller's applicable Pro Rata Percentage) shall pay the amount of the Working Capital Shortfall to Buyer (or its designee). Payment of the amount of the Working Capital Shortfall shall be due five (5) Business Days after the first to occur of (A) notification from the Sellers' Representative to Buyer that the Sellers' Representative has waived the 45-day period as provided in Section 1.3(b) and agrees with Buyer's Closing Balance Sheet and calculation of the Closing Working Capital, (B) the end of the 45-day period as provided in Section 1.3(b), if the Sellers' Representative does not deliver such a waiver or a Notice of Working Capital Disagreement prior to the end of such period, or (C) final resolution of the Closing Balance Sheet and the amount of Closing Working Capital in accordance with Section 1.3(c) or Section 1.3(d). Any such payment shall be made by wire transfer of U.S. dollars in immediately available funds to such accounts as may be designated in writing by Buyer at least two (2) Business Days prior to such payment date. Notwithstanding the foregoing, Buyer may elect in its sole discretion to recover any portion of the Working Capital Shortfall through any combination of the following: (A) in accordance with Section 1.7(e), Buyer, in its sole discretion, is entitled to offset on a dollar-for-dollar basis from any Earnout Payment otherwise payable by Buyer pursuant to Section 1.7 any amounts owed to Buyer (or any applicable Affiliate of Buyer) by the Sellers under this Section 1.3(e) and (B) Buyer may, in its sole discretion, elect to withdraw any portion of the Working Capital Shortfall from the Indemnity Escrow Amount, and in such event Buyer and the Sellers' Representative shall execute joint written instructions to the Escrow Agent in accordance herewith.

(f) The Parties understand and agree that all cash in the Company may be distributed or disbursed to the Sellers, in accordance with the Company LLC Agreement, on or prior to the Closing Date and that to the extent any cash remains in the Company at Closing it shall be included in the calculation of Closing Working Capital.

1.4 Escrow.

(a) At the Closing, Buyer, on behalf of the Sellers, will pay the Indemnity Escrow Amount, by wire transfer of immediately available funds, to an escrow account at Bank of America, National Association, or any other escrow agent agreed to by Buyer and the Company (the "Escrow Agent") pursuant to an escrow agreement agreed to by Buyer and the Company that contains substantially similar material terms as the escrow agreement attached as Exhibit C (the "Escrow Agreement"). Subject to Section 1.4(b), the Indemnity Escrow Amount plus all earnings thereon (the "Indemnity Escrow Funds") will be available to satisfy any indemnification obligations of Sellers under this Agreement occurring within one (1) year of

the Closing Date, and the remaining balance thereof shall be released and distributed to the Sellers' Representative (on behalf of the Sellers) on the first (1st) anniversary of the Closing Date.

(b) If Buyer or any Buyer Indemnified Party (acting in good faith) has submitted to Sellers' Representative a notice for indemnification under Article 9 of this Agreement on or prior to the release date to Sellers of the Indemnity Escrow Funds, then Buyer's right to recourse against the Indemnity Escrow Funds shall survive until such time as such claim is fully and finally resolved, at which time the remaining balance thereof shall be released and distributed to the Sellers' Representative (on behalf of the Sellers). Any amount due to a Buyer Indemnified Party pursuant to Article 9 hereof shall, at Buyer's option, be paid by the Escrow Agent from the Indemnity Escrow Funds to the extent of funds available thereunder and in accordance with the procedures set forth in the Escrow Agreement; provided, that nothing in this Section 1.4 shall limit or expand the rights of any Buyer Indemnified Party under Article 9 hereof. With respect to matters relating to disbursements from the Indemnity Escrow Funds, Buyer and the Sellers' Representative each agree to execute joint written instructions to the Escrow Agent in a manner consistent with the terms and conditions of this Agreement.

1.5 Tax Treatment of Transaction; Allocation of Purchase Price.

(a) The Parties acknowledge that for United States federal and state income Tax purposes: the Purchase will be treated under Revenue Ruling 99-6 as if (i) each of the Sellers had sold all their Purchased Units to Buyer; (ii) Buyer had purchased all of the assets of the Company; and (iii) the Company's classification as a partnership terminated as of the end of the Closing Date.

(b) To the extent relevant to the preparation of Tax Returns of Buyer, the Company, and/or the Sellers, including, without limitation, for purposes of (i) adjusting the Tax basis of the Company's assets after the Closing Date, and (ii) computing the amount of gain, if any, described in Code Section 751 with respect to the Sellers' sale of the Purchased Units, the Purchase Price (as adjusted hereunder) and any Company liabilities and other amounts deemed to be paid for the Company's assets shall be allocated among the assets of the Company based upon their relative fair market values and the Earnout Payments shall be allocated entirely to the Company's goodwill. Such fair market values shall be determined by the parties and the parties shall endeavor to agree on such values but shall be under no obligation to reach any such agreement. While given in connection with the Purchase, no portion of the Purchase Price is allocable to the Non-Competition Agreements or the Employment Agreements.

1.6 Withholding.

Buyer and the Company will be entitled to deduct, and withhold, from any amount payable pursuant to this Agreement (including payments of Purchase Price and Earnout Payments and releases of the Indemnity Escrow Funds) such amounts as Buyer or the Company (or any Affiliate thereof) shall reasonably determine in good faith they are required to deduct and withhold with respect to the making of such payment under the Code or any other provision of applicable Tax Law, provided that all amounts deducted and withheld are paid to appropriate Governmental Authorities. To the extent that amounts are so withheld by Buyer or the Company (or any Affiliate thereof), such withheld amounts will be treated for all purposes of this Agreement as having been paid to the Person in respect of whom such deduction and withholding were made.

1.7 Earnout Payments.

As additional, partial consideration for the Purchased Units, and subject to the provisions set forth in this Section 1.7, Buyer shall pay the Sellers contingent, additional earnout amounts (the "Earnout"), if any, of up to an aggregate amount of Forty-Five Million Dollars (\$45,000,000) (all such amounts, the "Earnout Payments") based upon the Net Revenue (as hereinafter defined) of the Jaybird Product Category (as hereinafter defined) for each period set forth in this Section 1.7, subject to the provisions of this section below. The Earnout Payments shall be determined as follows:

(a) Earnout Period One. If Net Revenue totals between [***] and [***] or more for the period beginning July 2, 2016 and ending June 30, 2017 (which is intended to be the start of Logitech International, S.A.'s second quarter of fiscal year 2017 through the end of its first quarter of fiscal year 2018) ("Earnout Period One"), then, subject to reduction under Section 1.7(e), Buyer will deliver to the Sellers' Representative (on behalf of the Sellers based on the applicable Pro Rata Percentage for each such Seller) such portion of Twenty-Five Million Dollars (\$25,000,000) in additional consideration that is equal to the proportion of which actual Net Revenue is between such [***] and [***] range, on a straight-line basis (such additional amount, before reduction under Section 1.7(e), the "2017 Earnout Amount"). If Net Revenue is equal to or less than [***] for Earnout Period One, then Buyer will pay no Earnout Payment with respect to such period. As examples, if Net Revenue is [***], then there will be no additional payment; if Net Revenue is [***] or more, then all \$25,000,000 shall be the additional payment; and if Net Revenue is [***] (i.e. exactly 50% through the range of [***] to [***]), then \$12,500,000 shall be the additional payment, and so forth.

(b) Earnout Period Two. Additionally, if Net Revenue totals between [***] and [***] or more for the period beginning July 1, 2017 and ending June 29, 2018 (which is intended to be the start of Logitech International, S.A.'s second quarter of fiscal year 2018 through the end of its first quarter of fiscal year 2019) ("Earnout Period Two"), then, subject to reduction under Section 1.7(e), Buyer will deliver to the Sellers' Representative (on behalf of the Sellers based on the applicable Pro Rata Percentage for each such Seller) such portion of Twenty Million Dollars (\$20,000,000) in additional consideration that is equal to the proportion of which actual Net Revenue is between

such [***] and [***] range, on a straight-line basis (such additional amount, before reduction under Section 1.7(e), the “2018 Earnout Amount”). If Net Revenue is equal to or less than [***] for Earnout Period Two, then Buyer will pay no Earnout Payment with respect to such period. As examples, for such period, if Net Revenue is [***], then there will be no additional payment, and if Net Revenue is [***] or more, then all \$20,000,000 shall be the additional payment, and if Net Revenue is [***] (i.e. exactly 50% through the range of [***] to [***]), then \$10,000,000 shall be the additional payment, and so forth. In the event that (i) the Net Revenue with respect to Earnout Period One is less than [***] and the Earnout Payment with respect to such period is less than Twenty-Five Million Dollars (\$25,000,000) and (ii) the Net Revenue with respect to Earnout Period Two is greater than [***], then Buyer will deliver to the Sellers’ Representative (on behalf of the Sellers based on the applicable Pro Rata Percentage for each such Seller) an additional Earnout Payment equal to the product of (x) the amount by which the Net Revenue with respect to Earnout Period Two exceeds [***] multiplied by (y) [***]. Notwithstanding any other provision in this Agreement, in no event shall (i) the sum of all Earnout Payments paid by Buyer with respect to Earnout Period One exceed Twenty-Five Million Dollars (\$25,000,000) and (ii) the sum of all Earnout Payments paid by Buyer with respect to both Earnout Period One and Earnout Period Two exceed Forty-Five Million Dollars (\$45,000,000); in both cases prior to any reductions pursuant to Section 1.7(e).

(c) The Sellers acknowledge and agree that Buyer, as the owner of the Company and the Business (including the Jaybird Product Category) after the Closing, has the power to direct the management, strategy and business decisions of the Company and the Business (including the Jaybird Product

Category) after the Closing. Notwithstanding the foregoing, Buyer agrees that Buyer and its Affiliates will make decisions relating to the management and strategy of the Company and the Business (including the Jaybird Product Category) in good faith and not with the sole or primary purpose of reducing or avoiding the Earnout Payments. The Sellers agree that they will have no claim or other rights (other than the dispute rights of the Sellers' Representative set forth in Section 1.7(d)) related to decisions made or actions taken by Buyer and its Affiliates after the Closing made in accordance with this Section 1.7(c), even if such decisions or actions result in a reduction or elimination of the Earnout Payments. "Net Revenue" shall, for a particular period, mean all revenue of the Jaybird Product Category for such period, as a stand-alone business group, calculated in accordance with GAAP, and shall include discounts, promotions and returns as reported as part of the audited financial statements of Logitech International, S.A. "Jaybird Product Category" means all "JayBird" branded products existing as of the Closing (including any such products that Buyer rebrands after the Closing) and all products listed in the JayBird product roadmap set forth on Schedule 1.7(c).

(d) Buyer shall prepare, or cause to be prepared, and delivered to the Sellers' Representative a written statement setting forth the computation of Net Revenue for each of Earnout Period One and Earnout Period Two (each, an "Earnout Statement"), on or before the later of (i) the date that is forty-five (45) days after the end of such Earnout period and (ii) five (5) Business Days after the date following the end of such Earnout period on which Logitech International, S.A. files a quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-Q with the Securities and Exchange Commission for the first quarter of its fiscal year. The Net Revenue set forth in such Earnout Statement shall become final and binding upon the Parties thirty (30) days following receipt by the Sellers' Representative unless the Sellers' Representative gives written notice of disagreement to Buyer prior to the end of such thirty (30)-day period. Any such notice of disagreement must contain a statement of the basis for Sellers' disagreement. Any portion of the Earnout which is undisputed must be paid by the seventy-fifth (75th) day following the end of the applicable Earnout period (or thirty (30) days following final resolution of the Earnout amount if later). With respect to any disputed Earnout portion, Buyer and the Sellers' Representative each agree to attempt in good faith to reach an agreement with respect to the disputed amounts. If Buyer and the Sellers' Representative shall have failed to resolve such disputed amounts within thirty (30) days after receipt of the notice of disagreement (or such longer period as the Parties mutually agree to in writing), then such dispute may at any time thereafter be referred to the Independent Accounting Firm by either Buyer or the Sellers' Representative for resolution in a manner substantially similar to the procedures set forth in Section 1.3(d) (and the other reasonably applicable provisions of Section 1.3) above.

(e) Notwithstanding anything in this Agreement to the contrary, Buyer, in its sole discretion, is entitled to offset on a dollar-for-dollar basis from any Earnout Payment otherwise payable by Buyer pursuant to this Section 1.7 (i) amounts that are or reasonably may be owed to Buyer (or any applicable Affiliate of Buyer) by the Sellers under Section 1.3(f) and (ii) amounts that are or reasonably may be owed to any Buyer Indemnified Party by the Sellers in their capacity as the Indemnifying Parties under Article 9.

(f) The Parties hereto hereby acknowledge and agree that the right of the Sellers to any portion of any Earnout Payment, if any, shall not be represented by a certificate or any negotiable or other instrument, shall not represent an ownership interest in the Company, Buyer or any of their respective Affiliates or their respective businesses or assets (including, from and after the Closing, the assets of the Business) and shall not entitle the Sellers to any rights common to any holder of any equity security of the Company, Buyer or any of their respective Affiliates. Nothing in this Section 1.7 or elsewhere in this Agreement shall create or be deemed to create a fiduciary duty on the part of the Company, Buyer or any of their respective Affiliates to any Seller in respect of any Earnout Payment. The Parties hereto hereby acknowledge and agree that the right of any Seller to any portion of any Earnout Payment, if any, shall not be transferrable or assignable without the prior written consent of Buyer, which shall not be unreasonably

withheld or delayed; provided, however, that any attempted transfer or assignment of such rights by any Seller (other than as permitted by the provisions of this Section 1.7(f)) shall be null and void; and provided, further, that any such assignment shall be subject to the restrictions set forth below:

(i) such assignment shall not take effect unless and until the proposed assignor shall have delivered a reasonably detailed notice to Buyer setting forth the terms of such proposed assignment not less than (i) in the case of a proposed assignment by Sellers for estate or tax planning purposes, twenty (20) days, or (ii) in the case of all other proposed assignments, thirty (30) days, prior to the proposed effective date thereof;

(ii) such assignment shall not be for the purpose of avoiding any provisions of this Agreement;

(iii) such assignment shall not entitle such permitted assignee to any rights under this Agreement other than the particular economic rights explicitly assigned to such assignee in writing (with such written assignment instrument reviewed and approved in writing by Buyer in advance), and the assignment of such economic rights shall automatically and permanently eliminate any claim or entitlement of such assignor with respect to such economic rights; and

(iv) prior to the effectiveness of such proposed assignment, the proposed assignor shall deliver to Buyer an executed agreement giving effect to such assignment and to indemnify Buyer, in form and substance reasonably satisfactory to Buyer, with respect to any Losses imposed on, sustained, incurred or suffered by or asserted against Buyer or any Buyer Indemnified Party arising from, relating to or with respect to such assignment, including any claims or assertions by any other Person that such Person is entitled to any such amounts or payments.

(g) Notwithstanding anything in this Agreement to the contrary, with respect to any Earnout Payment, each Seller hereby agrees that (i) the amount of any applicable Stifel Fee shall reduce the aggregate amount of any Earnout Payment otherwise payable by the Sellers' Representative to the Sellers under this Agreement and (ii) the Sellers' Representative is entitled to pay any applicable Stifel Fee out of the amount of any Earnout Payment prior to the Sellers' Representative effecting payments to the Sellers based on their respective Pro Rata Percentages of such reduced amount.

1.8 Transaction Bonus Payments

(a) Schedule 1.8 to this Agreement sets forth the names of certain employees and contractors of the Company (“Bonus Payees”) to whom the Company intends to make Transaction Bonus Payments contingent on the Closing of the transactions contemplated by this Agreement, on the Bonus Payee's execution and delivery to the Company before Closing of an award agreement and release, which shall be in the form reviewed and approved by Buyer and attached to Schedule 1.8 (an “Award Agreement”) and on the Bonus Payee's satisfaction of the other terms and conditions for payment set forth in his or her Award Agreement. The Transaction Bonus Payments shall be treated as a liability of the Company incurred before the Closing Date and will be included on the Company's financial accounts as of the Closing Date. Schedule 1.8 also sets forth for each Bonus Payee the amount of the Transaction Bonus Payment, if any, to be made to the Bonus Payee on the Closing Date.

(b) The Company may, prior to the Closing Date, modify Schedule 1.8 to change the designation of Bonus Payees or the amounts of Transaction Bonus Payments to which any or all Bonus Payees may become entitled at Closing by providing a modified Schedule 1.8 to Buyer and Sellers' Representative not less than three (3) Business Days before the Closing Date. Following the Closing, the

Company shall not modify or amend any Award Agreement without the written consent of the Sellers' Representative, not to be unreasonably withheld.

(c) At or promptly following the Closing, Buyer shall pay or cause the Company or any Affiliate of Buyer to pay to each Bonus Payee his or her applicable Transaction Bonus Payment, net of any applicable withholding Taxes.

(d) The Company's obligation to make Transaction Bonus Payments listed on Schedule 1.8 shall not be deemed a Current Liability for purposes of determining the Final Closing Working Capital under Section 1.3; nor shall Buyer's assumption of the obligation to pay the Transaction Bonus Payments be deemed a Current Asset of the Company for purposes of determining Final Closing Working Capital under Section 1.3.

ARTICLE 2. CLOSING

2.1 Time and Place of Closing.

Upon the terms set forth in this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") will take place by coordinated delivery of signature pages and other relevant documents (via overnight delivery, facsimile, electronic transmission and other similar means for exchanging documentation) as promptly as possible, and in any event no later than three (3) days following the satisfaction or waiver of the conditions to the obligations of the Parties set forth in Article 7 (other than those conditions that by their nature are to be fulfilled at Closing, but subject to the satisfaction or waiver of such conditions) or on such date as the Sellers' Representative and Buyer may agree in writing. The date of the Closing shall be referred to herein as the "Closing Date." The consummation of the transactions contemplated by this Agreement will be deemed to take place as of 12:01 a.m. on the Closing Date (the "Effective Time").

2.2 Closing Deliveries of the Company or the Sellers.

At the Closing, the Sellers and the Company will execute and deliver or cause to be executed and delivered, as applicable, to Buyer:

- (g) An assignment, substantially in the form of Exhibit D attached hereto, duly executed by the applicable Seller with respect to the Purchased Units.
- (h) A certificate of an officer of the Company certifying that attached thereto are true and complete copies of (i) the Charter Documents of the Company, as amended through and in effect on the Closing Date, and (ii) resolutions of the managers of the Company authorizing the Company's execution, delivery and performance of this Agreement, the other agreements contemplated hereby to which it is a party, and consummation of the transactions contemplated hereby by the Company.
- (i) A certificate of good standing or existence for the Company from the Division of Corporations and Commercial Code of the State of Utah dated not more than two (2) Business Days prior to the Closing Date.
- (j) The resignations, effective as of the Closing Date, of each of the managers and officers of the Company.
- (k) The Escrow Agreement executed by the Sellers' Representative.
- (l) A statement of the Company executed by its manager under Treasury Regulation Section 1.1445-11T(d)(2)(i) that less than 50% of the fair market value of the assets of the Company consists of interests in United States real property.
- (m) IRS Forms W-9 or W-8 executed by each of the Sellers.
- (n) The payoff letters in respect of Company Closing Indebtedness, Company Expenses and Change of Control Payments (if any) that are reasonably acceptable to Buyer, executed by the Company's counterparties thereto.
- (o) The consents, approvals, assignments, notices, waivers, authorizations or other certificates set forth on Schedule 2.2(i).
- (p) A certificate of an officer of the Company certifying the calculation of the Closing Date Payment and each component thereof, a draft of which shall be provided to Buyer no later than two (2) Business Days prior to the Closing.
- (q) Award Agreements pursuant to Section 1.8(a), executed by each of the recipients of Transaction Bonus Payments.
- (r) Evidence reasonably satisfactory to Buyer that each of the agreements set forth on Schedule 2.2(l) shall have been terminated without further force or effect with respect to the Company prior to the Closing.
- (s) A list of each of the assets and liabilities of the Company and the jurisdiction in which each of the assets and liabilities

is located as of the Closing, containing at least the information set forth in Schedule 2.2(m), in a form reasonably acceptable to Buyer.

2.3 Closing Deliveries of Buyer.

At the Closing, Buyer will execute and deliver or cause to be executed and delivered, as applicable, to the Sellers' Representative:

- (c) The Escrow Agreement executed by Buyer.
- (d) Payment of the Closing Date Payment, as set forth in Section 1.2.
- (e) Evidence in form and substance reasonably satisfactory to the Sellers' Representative of the payment of the Indemnity Escrow Amount as contemplated by Section 1.4.

**ARTICLE 3.
REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as set forth in the correspondingly numbered Schedule of the Disclosure Schedules delivered by the Company to Buyer concurrently with the execution and delivery of this Agreement (the "Disclosure Schedules"), the Company represents and warrants to Buyer that the following are true and correct as of the date hereof and as of the Closing Date:

3.1 Organization; Power .

The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Utah. The Company has all requisite power and authority to conduct its business as it is now being conducted and to own, lease and operate its property and assets as now owned, leased and operated. The Company is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction where the nature of its activities or character of the properties owned, leased or operated by it requires such qualification, except where the failure to be so qualified and in good standing would not be reasonably likely to have a Material Adverse Effect. The Company has delivered a true and correct copy of its Charter Documents, as amended to date, each in full force and effect on the date hereof, to Buyer. The Company is not in violation of any of the provisions of its Charter Documents, and no changes thereto are pending.

3.2 Capitalization .

(a) The Company's authorized, issued and outstanding ownership equity as of the date of this Agreement is as set forth on Schedule 3.2(a) of the Disclosure Schedules, which schedule sets forth the name and last known address of each holder of Company equity interests and the number and class or series of Company units held thereby.

(b) Any warrants to purchase equity interests in the Company as of the date of this Agreement are as set forth on Schedule 3.2(b), which schedule sets forth the name and last known address of each holder of such a warrant and number and class or series of Company units to which the warrant entitles the holder.

(c) All of the Company's membership units have been duly authorized and validly issued and are fully paid and non-assessable. Other than the Purchased Units, there are not outstanding any (i) membership, equity, capital stock or other ownership interests, units, stock or securities in the Company, (ii) securities convertible into or exchangeable for equity interests in the Company, (iii) options, warrants or other rights issued by the Company to purchase or subscribe for equity interests in the Company or any securities convertible into or exchangeable for such equity interests, (iv) contracts, understandings or arrangements relating to the issuance of, or obligating the Company to issue, equity interests in the Company or any securities convertible into or exchangeable for any of the same (including preemptive rights), or (v) equity appreciation, phantom equity, calls or commitments or similar rights with respect to and issued by the Company. There are no agreements or other obligations (contingent or otherwise) which may require the Company to repurchase or otherwise acquire any equity interests in the Company. All information set forth on Schedule 1.1 (including the Pro Rata Percentages) will be complete and correct as of the Closing Date.

3.3 No Subsidiaries .

The Company does not own and has never owned, directly or indirectly, any equity interests in any Person.

3.4 Authority Relative to this Agreement .

The Company has all requisite limited liability company power and authority to execute and deliver this Agreement, the other agreements contemplated hereby and any ancillary documents hereto and thereto to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other agreements contemplated hereby to which the

Company is a party have been duly authorized by all necessary limited liability company action and no other approval of any of the Company's Affiliates or related persons (including equityholders, directors, officers and otherwise) is necessary for the Company to enter into this Agreement and any other agreements contemplated hereby or to consummate the transactions contemplated hereby or thereby. This Agreement and the other agreements contemplated hereby to which the Company is a party have been duly and validly executed and delivered by the Company and constitute the legal, valid and binding agreements of the Company, enforceable against it in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether considered in a proceeding at law or in equity).

3.5 Consents and Approvals; No Violations .

(a) No action, approval, consent, permit, license, order or authorization by, or other order of, or registration or filing with, or notification to, any Governmental Authority or any other Person by, with respect to or on behalf of the Company, is or will be necessary in connection with the execution, delivery and performance of this Agreement, the consummation by the Company of the Purchase and the operation of the Business following the Closing, other than: (i) those filings, consents and notifications that are disclosed in Schedule 3.5 of the Disclosure Schedules and (ii) any such action, approval, consent, authorization, filing or notification that, if not made or obtained, would not materially affect the Business or the ability of the Company to consummate the Purchase.

(b) Neither the execution and delivery of this Agreement by the Company, nor the other agreements contemplated hereby to which it is a party, nor the performance by the Company of any of the terms hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will:

(i) violate, conflict with or result in a breach of any provision of any Law applicable to the Company or the Company's Charter Documents, to the extent applicable;

(ii) result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of acceleration, termination or cancellation) under, any of the terms, conditions or provisions of any Contract to which the Company is a party or by which the Company or any of its property or assets may be bound;

(iii) result in the creation of any Encumbrance on any of the Purchased Units; or

(iv) violate any Governmental Regulation applicable to the Company.

3.6 Financial Statements; Absence of Certain Changes .

(a) Schedule 3.6(a) of the Disclosure Schedules includes: true and complete copies of (i) the balance sheet of the Company as of December 31, 2015, and the related statements of income, members' capital and cash flows for the year then ended, as audited by CBIZ MHM, LLC (including the notes therein) (which financial statements shall be attached in draft form as of the date of this Agreement in Schedule 3.6(a)(i) and in final form as of the Closing Date in Schedule 3.6(a)(ii)); and (ii) the unaudited balance sheet for the three-month period ended March 31, 2016 (the "Interim Balance Sheet"), and the related unaudited statements of income, members' capital and cash flows for the three-month period then ended (all statements described in this Section 3.6(a), collectively, the "Financial Statements"). The December 31, 2015 balance sheet of the Company is referred to herein as the "Reference Balance Sheet".

(b) Except as otherwise set forth in Schedule 3.6(b) of the Disclosure Schedules: (i) the Financial Statements have been prepared in accordance with GAAP on a consistent basis over the periods covered thereby), (ii) the Financial Statements have been prepared in accordance with the Company's books and records, and (iii) the Financial Statements present fairly, in all material respects, the respective financial positions and results of operations and cash flows of the Company as of the dates indicated or for the periods indicated. The Company has not received any advice or notification from any of its present or prior independent certified public accountants that it has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Financial Statements, or the books and records of the Company, any properties, assets, liabilities, revenues or expenses. To the Knowledge of the Company, there have been no instances of fraud by any officer or employee of the Company, whether or not material, that occurred during any period covered by the Financial Statements. The Company has in place a revenue recognition policy consistent with GAAP. Except for liabilities reflected in the Financial Statements, the Company has no off-balance sheet liability of any nature to, or any financial interest in, any third party or entities, the purpose or effect of which is to defer, postpone, reduce or otherwise avoid or adjust the recording of debt expenses incurred by the Company. Buyer acknowledges and agrees that certain post-Closing write-downs of the Company's inventory that result solely from a change in the Company's accounting methods (and not from a misapplication of GAAP nor from inaccurate or incomplete records or reports of the Company's inventory) will not be deemed a violation of the representations in this Section 3.6(b).

(c) Since December 31, 2015, (i) except as disclosed in Schedule 3.6(c) of the Disclosure Schedules, and activities related to the sales and marketing efforts involving the contemplated sale of the Company (including the transactions described in the above Recitals), or actions expressly permitted or required under this Agreement, (A) the Business has been conducted, in all material respects, in the ordinary course of business consistent with past practice, and (B) the Company has not taken any of the actions that it has agreed not to take from the date hereof through the Closing Date pursuant to Section 6.1(b) of this Agreement, and (ii) no Material Adverse Effect has occurred, or any changes, events, occurrences or circumstances that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(d) Since December 31, 2015, except as disclosed in Schedule 3.6(d) of the Disclosure Schedules, there has not occurred any increase in or modification of the compensation or benefits payable or to become payable by the Company to any of its directors, officers, employees or consultants, any material modification of any "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code and Internal Revenue Service Notice 2005-1, or any new loans or extension of existing loans to any such Persons (other than routine expense advances to employees of the Company consistent with past practice), and the Company has not entered into any Contract to grant or provide (nor has granted any) severance, acceleration of vesting or other similar benefits to any such Persons.

(e) Since December 31, 2015, except as disclosed in Schedule 3.6(e) of the Disclosure Schedules, there has not occurred the execution of any employment Contracts or service Contracts or the extension of the term of any existing employment Contract or service Contract with any Person in the employ or service of the Company.

(f) Since December 31, 2015, except as disclosed in Schedule 3.6(f) of the Disclosure Schedules, there has not occurred any change in title, office or position, or material reduction in the responsibilities of, or change in identity with respect to the management, supervisory or other key personnel of the Company, any termination of employment of any such key employees, or any labor dispute or claim of unfair labor practices, unlawful employment practices or breach of any employment Contract involving the Company.

(g) Since December 31, 2015, except as disclosed in Schedule 3.6(g) of the Disclosure Schedules, the Company has not incurred any Liability to its officers, members or managers (other than Liabilities to pay compensation or benefits in connection with services rendered in the ordinary course of business consistent with past practice).

3.7 Real Property

(a) Schedule 3.7(a) of the Disclosure Schedules sets forth a list of all of the Real Property leased by the Company, including with respect to each parcel of Leased Real Property, (a) the street address of such parcel of Leased Real Property, and (b) the identity of the lessor, or sublessor, as applicable, of such parcel of Leased Real Property. The Company does not own and has never owned any real property.

(b) The Company has made available to Buyer true, correct and complete copies of all Contracts providing for the leasing, use or occupancy of, the Leased Real Property (the "Leases"). Except as otherwise set forth in Schedule 3.7(b) of the Disclosure Schedules: (i) all Leased Real Property is leased by the Company under a written, valid, enforceable, effective and subsisting lease or sublease (as the same may have been amended or modified), (ii) the Company is not in material breach or default under any Lease, (iii) there exists no condition, event or circumstance which with notice or lapse of time, or both, would constitute a material breach or default under any Lease by the Company, (iv) the Company has not entered into a sublease with respect to any Lease, nor has it assigned or transferred any interest thereunder, (v) other than the Company, there are no parties claiming by, through or under the Company, occupying, or with a right to occupy, the Leased Real Property.

(c) All facilities located on or comprising the Leased Real Property (i) have been operated and maintained by the Company, to the extent the Company is responsible for such operation and maintenance, in all material respects in accordance with all applicable Laws, (ii) are or may be supplied with utilities and other services reasonably necessary for the operation of the Business, and (iii) are in good condition and the systems located therein are in good working order and condition. The Company has not received written notice that the facilities of such Leased Real Property encroach on any adjoining property owned by others or public rights of way. Except as set forth in Schedule 3.7(c), the Closing will not affect the enforceability against any Person of any Lease or the rights of the Company to the continued use and possession of the Leased Real Property for the conduct of the Business.

(d) The Leased Real Property constitutes all of the real property used by the Company in the conduct of the Business. All buildings, fixtures and leasehold improvements used by the Company in the Business are located on the Leased Real Property. To the Knowledge of the Company, there are no facts or conditions affecting any of the Leased Real Property which would interfere with the use or occupancy of such Leased Real Property in the operation of the Business after Closing.

3.8 Material Contracts

(a) Schedule 3.8(a) of the Disclosure Schedules sets forth a list of all Material Contracts to which the Company is a party or is bound as of the date of this Agreement. As used herein, "Material Contracts" means all of the following:

(i) all Contracts that require the purchase of materials, supplies, goods, services or equipment or other assets that provide for aggregate payment of \$200,000 or more;

(ii) all material sale, distribution, marketing, agent, franchise or similar Contracts relating to or providing for the marketing or sale of products or services by the Company and to which the Company is a party or by which it is otherwise bound;

(iii) all Contracts relating to, or evidences or guarantees of, or providing security for, Indebtedness or the granting of any Encumbrance;

(iv) all partnership, joint venture, or other similar material Contracts, arrangements or agreements (including any profit sharing agreements not constituting a Benefit Plan), other than the Charter Documents;

(v) all Contracts or commitments relating to the acquisition or disposition of any interest in any business enterprise (whether by merger, sale of stock, sale of assets or otherwise);

(vi) all Contracts of the Company restricting or otherwise affecting the ability of the Company (i) to engage, participate or compete with any other Person, in any line of business (including the Business) or to operate in any jurisdiction, market or geographic area (ii) to solicit any customer or employee, or (iii) restricting the ability of the Company to employ any Person;

(vii) all Contracts of the Company granting most-favored-nation (MFN) pricing, exclusive sales, distribution, marketing or other exclusive rights, rights of refusal, rights of first negotiation or similar rights and/or terms to any Person;

(viii) all Leases;

(ix) all Contracts under which the Company is lessor of, or permits any Third Party to hold or operate any, material property, real or personal, owned or controlled by the Company with aggregate annual receipts of at least \$100,000, that cannot be terminated on notice of 90 days or less without payment of any penalty by the Company;

(x) all Contracts between the Company and any of its officers, directors, employees, managers or members or any member of their immediate families (other than any Contract for employment by the Company that is immediately terminable by the Company without cost or Liability and that does not contain bonus, commissions or other payment provisions beyond base salary or hourly rate of pay), including Contracts relating to payments (including severance, retention, bonus, commissions or other remuneration payments or benefits) or loans to current or former officers, directors, employees, members, or Affiliates;

(xi) all Contracts with any labor union, works council or other representative of the Company's employees, and any collective-bargaining agreements;

- (xii) all Contracts for the engagement of one or more independent contractors who individually or, in the aggregate, receive more than \$20,000 per year, including but not limited to any agreements with any employee leasing or temporary staffing agencies;
- (xiii) the Intellectual Property Contracts;
- (xiv) all Contracts under which the Company agrees to indemnify, or share the Tax liability of, any Person;
- (xv) all Contracts relating to the sale of any property or assets, other than relating to the sale of inventory in the ordinary course of business;
- (xvi) Contracts with each of the twenty (20) largest customers of the Company taken as a whole, determined by revenue for the year ended December 31, 2015;
- (xvii) Contracts with each of the twenty (20) largest suppliers of the Company taken as a whole, determined by purchases for the year ended December 31, 2015;
- (xviii) all Contracts with any customer relating to the purchase of services with aggregate annual payments for 2015 of at least \$100,000;
- (xix) any Contract for capital expenditures or construction of fixed assets, in each case in excess of \$100,000;
- (xx) any Contract that settled or resolved any potential or actual claims, suits, proceedings, investigations or inquiries, including but not limited to any separation agreements with former employees or consultants;
- (xxi) all Contracts with investment bankers, brokers, advisors or similar parties;
- (xxii) all Contracts wherein or whereby the Company has agreed to, or assumed, any obligation or duty to indemnify, reimburse, hold harmless, guarantee or otherwise assume or incur any obligation or liability or provide a right of rescission with respect to the infringement or misappropriation by the Company or another Person of the Intellectual Property rights of any Person other than the Company; and
- (xxiii) all other existing Contracts to which the Company is a party, not otherwise covered by clauses (i) through (xxii), the termination or loss of which would be reasonably likely to be material to the Company.

(b) Except as disclosed in Schedule 3.8(b) of the Disclosure Schedules:

- (i) the Company is not a party to any Material Contract where it, nor, to the Knowledge of the Company, any other party thereto, is in material breach thereof or default thereunder, nor has given notice of material breach or default to any other party thereunder, nor is aware of any matters that with notice or the passage of time would create a material breach or default thereunder;
- (ii) each Material Contract is valid and binding on the Company, and, to the Knowledge of the Company, each respective counterparty thereto, and each Material Contract is in

full force and effect subject to general principles of equity and except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws of general application relating to creditors' rights;

(iii) the Company has fulfilled all material obligations required pursuant to each Material Contract to have been performed by the Company prior to the date hereof, and, to the Knowledge of the Company, without giving effect to the transactions contemplated by this Agreement, the Company will be able to fulfill, when due, all of its obligations under the Material Contracts that remain to be performed after the date hereof; and

(iv) the Company has made available to Buyer prior to the date hereof true, correct and complete copies of each Material Contract.

3.9 Compliance with Law; Permits.

(a) The Company is, and has been in the past five (5) years, in compliance in all material respects with all Governmental Regulations applicable to it or to the conduct or operation of the Business, except as disclosed on Schedule 3.9(a) of the Disclosure Schedules.

(b) The Company has, and is in material compliance with, all approvals, consents, licenses, permits, certificates, accreditations, waivers and other authorizations issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Governmental Regulation ("Governmental Authorizations") necessary to conduct the Business and own the Company's assets and properties.

(c) The Company has not received any written or, to the Company's Knowledge, other notification (i) asserting that the Company is not in compliance with any Government Regulations or (ii) threatening to revoke any Governmental Authorization owned or held by the Company.

(d) None of the Company or any director, manager, officer, consultant, employee, or other Person acting on behalf thereof has directly or indirectly (i) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, domestic or foreign, regardless of form, whether in money, property, or services in violation of any Law, (ii) violated any applicable export control, money laundering or anti-terrorism Law, or otherwise taken any action that would be in violation of the Foreign Corrupt Practices Act of 1977 ("FCPA"), (iii) established or maintained any fund or asset on behalf of the Company that has not been recorded in its books and records, (iv) made any illegal consideration to purchasing agents or other representatives of customers in respect of sales made or to be made by the Company, or (v) offered, paid, promised to pay or authorized a payment, of any money or other thing of value (including any fee, gift, sample, travel expense or entertainment) or any commission payment, or any payment related to political activity, to any of the following Persons for the purpose of influencing any act or decision of such Person in his official capacity, including such Person to do or omit to do any act in violation of the lawful duty of such official, securing any improper advantage, or inducing such Person to use his influence with a foreign government or an instrumentality thereof to affect or to influence any act or decision of such government or instrumentality, in order to assist the Company in obtaining or retaining business for or with, or directing the business to: (A) any Person who is an agent, representative, official, officer, director, or employee of any non-U.S. government or any department, agency, or instrumentality thereof (including officers, directors, and employees of state-owned, operated or controlled entities) or of a public international organization; (B) any Person acting in an official capacity for or on behalf of any such government, department, agency, instrumentality, or public international organization; (C) any political party or official thereof; (D) any candidate for political or political party office (such recipients in paragraphs (A),

(B), (C) and (D) of this subsection collectively, “ Government Officials ”); or (E) any other individual or entity while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to any Government Official.

(e) The Company has established sufficient internal controls and procedures to ensure compliance with FCPA and has made available to Buyer all such documentation. The books, records and accounts of the Company have at all times accurately and fairly reflected, in reasonable detail, the transactions and dispositions of their respective funds and assets. There have never been any false or fictitious entries made in the books, records or accounts of the Company relating to any illegal payment or secret or unrecorded fund, and the Company has not established or maintained a secret or unrecorded fund.

(f) The Company has not applied for nor received, and is not entitled to nor the beneficiary of, any grant, subsidy or financial assistance from any Governmental Authority.

(g) The Company has at all times conducted its export transactions in accordance with (1) all applicable U.S. export and re-export controls, including the United States Export Administration Act of 2001, as amended, and Regulations and Foreign Assets Control Regulations and (2) all other applicable import/export controls in other countries in which the Company conducts business.

3.10 Litigation

Other than as set forth on Schedule 3.10 of the Disclosure Schedules, there are no claims, charges, suits, litigations, arbitrations, inquiries, proceedings, investigations or legal actions of any nature (each, an “ Action ”) that have been brought by any Governmental Authority or any other Person pending or, to the Knowledge of the Company, threatened, (i) against or by the Company or the Business (or against any officer, director or, to the Knowledge of the Company, employee or agent of the Company in their capacity as such or relating to their employment, services or relationship with the Company), or (ii) that questions the validity of this Agreement or seeks to delay, enjoin or rescind the Purchase. Section 3.10 of the Disclosure Schedules sets forth any such Action to which the Company has been a party or subject to since January 1, 2010. There is no order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Authority or arbitrator to which the Company or any of the assets of the Company is subject.

3.11 Environmental Matters

(a) Except as disclosed in Schedule 3.11(a) of the Disclosure Schedules, the Company has timely obtained, renewed and maintained in full force and effect all material Permits that are required under any Environmental Law for the operation of the Business (collectively, the “ Environmental Permits ”).

(b) Except as set forth in Schedule 3.11(b) of the Disclosure Schedules, the Company is and has been in material compliance with all Environmental Laws and Environmental Permits and the Company has not incurred any material liabilities under Environmental Laws or Environmental Permits.

(c) Except as set forth in Schedule 3.11(c) of the Disclosure Schedules, the Company: (i) is not the subject of any written notice, citation, summons, government-issued information request or order arising under any Environmental Law or Environmental Permits related to the Business or the operations thereof, and (ii) has not received any written notice alleging any violation of or liability under any Environmental Law with respect to the operations of the Business or the Company, and there are no pending, or, to the Knowledge of the Company, threatened claims, suits, litigations or actions that have been brought by or against the Company or the Business.

(d) Except as set forth in Schedule 3.11(d) of the Disclosure Schedules, the Company has not caused or contributed to a Release of Hazardous Materials on any Real Property or any real property formerly owned, leased or used by it, including at any real property to which Hazardous Materials generated by the Business came to be located.

(e) All Phase One, Phase Two, and other environmental assessments or reports, and all environmental compliance audits in the possession of the Company, of facilities now or formerly leased, controlled or operated by the Company have been made available in the Data Room.

(f) The Company has not assumed by contract, agreement (including any administrative order, consent agreement, lease or sale lease-back) or operation of law, or otherwise agreed, to (i) indemnify or hold harmless any other Person for any material violation of any Environmental Law or any material obligation or liability thereunder, or (ii) assume any material liability for any Release of any Hazardous Materials, conduct any response, removal or remedial action with regard to any Release of any Hazardous Materials, or implement any institutional controls (including any deed restrictions) regarding any existing Hazardous Materials.

(g) The Company has not given any release or waiver of liability that would waive or impair any claim, demand, or action related to any material Release of any Hazardous Materials in, on, under, to or from any real property against a previous owner or operator of any real property or against any other Person who may be potentially responsible for such Release.

(h) Except as set forth in Schedule 3.11(h) of the Disclosure Schedules, the Company has not owned, leased or operated any underground storage tanks, and, to the Knowledge of the Company, there is no friable asbestos, lead-based paint, or polychlorinated biphenyls located at any currently or formerly leased or operated property for which the Company could reasonably have material liability

3.12 Taxes.

Except as set forth in Schedule 3.12 of the Disclosure Schedules:

(a) The Company has (i) timely filed all income Tax Returns and all other material Tax Returns required by applicable Law to be filed by it; (ii) paid all Taxes shown as due and payable on any such Tax Return; and (iii) paid all Taxes (including all applicable installments) due and payable by it (whether or not related to such Tax Returns).

(b) The Company has timely and properly withheld (i) all Taxes that it is required to withhold from payments to its employees, agents, contractors, and nonresidents or other Persons and (ii) all sales, use, ad valorem, royalty and value added Taxes. All withheld Taxes have been timely remitted to the proper Taxing Authority in accordance with applicable Law.

(c) No Tax audits or other legal proceedings are in progress, pending, or to the Knowledge of the Company, threatened in writing with regard to any Taxes or Tax Returns of the Company. The Company has not received in the past three (3) years a notice from any Taxing Authority that it is required to pay Taxes or file Tax Returns in a jurisdiction in which it does not file Tax Returns or pay Taxes. During the past three (3) years, the Company has not received from any Taxing Authority (including jurisdictions where it has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any Taxing Authority against the Company.

(d) The Company does not currently have in effect any waiver of an applicable statute of limitation with respect to Taxes, or agreement to extend the time within which any Tax may be assessed. There is no request for a private letter ruling, request for administrative relief, request for technical advice, request for a change of any method of accounting, or any other request that is pending with any Taxing Authority that relates to the Taxes or Tax Returns of the Company. No power of attorney granted by the Company with respect to any Taxes is currently in force.

(e) There are no Encumbrances for Taxes on any assets of the Company, other than Permitted Encumbrances.

(f) The Company is, and since its date of formation continuously has been, properly classified as a partnership for U.S. federal and state income Tax purposes. Neither the Company nor any of its unit holders has taken any action to cause the Company to be treated as a corporation for U.S. federal and state income tax purposes.

(g) The Company is not (nor has it ever been) a member of an affiliated group filing consolidated United States federal income Tax Returns or consolidated or combined state income Tax Returns, and the Company has no liability for the Taxes of any other Person, jointly or severally (including pursuant to Treasury Regulation Section 1.1502-6 (or any similar provision of applicable state, local or foreign Tax law)), or as a result of successor or transferee liability.

(h) The Company is not (nor has it ever been) a party to or bound by any agreement which requires it to allocate the responsibility for Tax liabilities, or share any Tax benefits or Tax attributes (other than pursuant to customary provisions included in contracts entered into in the ordinary course of business, the primary purpose of which is not related to Taxes, such as leases, licenses, or credit agreements (“Ordinary Course Tax Provisions”). All Taxes payable with respect to Ordinary Course Tax Provisions have been timely paid in accordance with the terms of such contracts.

(i) The Company is not (nor has it ever been) a party to any “listed transaction” (or a substantially similar transaction) as defined in Code Section 6707A(c)(2) and Treasury Regulation 1.6011-4(b)(2) (irrespective of the effective dates).

(j) Since the date of the Financial Statements, the Company has not (i) incurred any Taxes outside the ordinary course of business; (ii) changed a method of accounting for income Tax purposes, (iii) entered into any agreement with any Taxing Authority (including a “closing agreement” under Code Section 7121) with respect to any Tax matter, (iv) surrendered any right to a Tax refund, (v) changed an accounting period with respect to Taxes, (vi) filed an amended Tax Return, or (vii) made, changed, or revoked any election with respect to Taxes.

3.13 Employees; Labor Matters .

(a) Schedule 3.13(a) of the Disclosure Schedules accurately lists all current employees of the Company as of the date hereof, and for each such employee, his or her: (i) office or job location, (ii) job position, (iii) classification as full-time, part-time, temporary or seasonal, (iv) classification as exempt or non-exempt under applicable state, federal or foreign overtime Laws, (v) hourly rate of compensation or base salary (as applicable), (vi) total 2015 W-2 annual compensation, (vii) target incentive compensation for 2016 (commission and/or bonus, as applicable), (viii) accrued but unused vacation (or, as applicable, paid time off (“*PTO*”) as of March 31, 2016), (ix) hours of work per week (for non-exempt and part-time employees), (x) visa type (if any), (xii) the type of leave of absence (if applicable) and expected return to work date, and (xi) commencement date of employment with the Company. All employees of the Company are employed on an “at will” basis and the Company does not have any obligation to either provide any severance payments or benefits to any employee upon termination of employment or provide any particular form or period of notice prior to terminating the employment of any employee. Schedule 3.13(a)-2 of the Disclosures Schedules accurately lists all independent contractors of the Company as of the date hereof, and for each such independent contractor, his or her: (A) description of services or job function, (B) job location, (C) terms of compensation, (D) total 2015 compensation, (E) commencement date with the Company, and (F) amount of notice required to terminate such independent contractor relationship.

(b) Schedule 3.13(b) of the Disclosure Schedules sets forth a list of all employment, consulting, severance pay, bonus, commission, continuation pay or other similar Contracts (collectively, the “*Employment Agreements*”), whether written or unwritten, other than oral employment agreements terminable at will without continuing liability to the Company and that do not provide for any special prerequisites, promises or monetary compensation other than base salary or base rate of pay and benefits made generally available to employees of the Company, between the Company, on the one hand, and any current or former officer, director, employee or consultant of the Company, on the other hand, that are currently in effect. Except as set forth in Schedule 3.13(b)-2 of the Disclosure Schedules, there are no Employment Agreements to which the Company is a party under which consummation of the Purchase (i) will require any payment by the Company, or any consent or waiver from any other Person, or (ii) will result in any material change in the nature of any rights under any such Employment Agreement or other similar agreement of any of the parties thereto.

(c) During the past four (4) years, (i) there has been no unfair labor practice complaint brought against the Company or, to the Company’s Knowledge, threatened before the National Labor Relations Board or any other Governmental Authority or otherwise, (ii) there has been no labor strike, material dispute by the employees of the Company, slowdown, picketing or stoppage or, to the Company’s Knowledge, threatened against the Company, (iii) no labor union currently represents or has given the Company written

notice that it intends to organize its employees, nor does the Company have any knowledge that any efforts to organize are planned or underway.

(d) The Company is and has been in compliance in all material respects with all applicable Laws pertaining to employment and employment practices, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, worker classification, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, health and safety, workers' compensation, privacy, leaves of absence and unemployment insurance. During the past four (4) years, there have been no Actions brought or filed against the Company, or to the Company's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant or independent contractor of the Company. The Company has delivered or made available to Buyer accurate and complete copies of all employee manuals and handbooks, disclosure materials, policy statements and other material materials relating to the employment of the current employees of the Company.

(e) During the past three (3) years, the Company has not effectuated (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act (the "*WARN Act*") (or any similar state or local Law)) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Company or any of its Affiliates or (ii) a "mass layoff" (as defined in the WARN Act or any similar Law) affecting any site of employment or facility of any of the Company.

(f) No current or former employee of Company is, was, or could reasonably be deemed to be or have been improperly classified as exempt under applicable wage and hour Laws. No current or former service provider of the Company is, was or could be reasonably deemed to be or have been improperly classified as an independent contractor by the Company under applicable Laws or the Benefit Plans. No independent contractor is eligible to participate in any Benefit Plan.

(g) No current manager, officer, employee or consultant of the Company is subject to any Contract or any judgment, decree, or order of any court, administrative agency, or arbitrator that interferes with such individual's ability to engage in the Business. Since December 31, 2015, except as set forth on Schedule 3.13(g) of the Disclosure Schedules, no employee of the Company has given notice of his or her intention to terminate employment with the Company and the Company has not terminated any of its employees.

3.14 Employee Benefit Plans; ERISA .

Except as set forth in Schedule 3.14 of the Disclosure Schedules:

(a) Schedule 3.14(a) of the Disclosure Schedules is a true and complete list of all Benefit Plans. For each Benefit Plan, the Company has made available to Buyer true and complete copies of the following, as and to the extent applicable: the plan document, any amendments to the plan document, the summary plan description and any summary of material modification, the most recent Internal Revenue Service favorable determination letter or opinion letter, the IRS Form 5500 Annual Report with all attachments and financial statements for the last three plan years, all material correspondence to or from any Governmental Authority received in the last three years, and all material written agreements and contracts currently in effect, including (without limitation) any administrative service agreement, any trust agreement and any insurance contract.

(b) Neither the Company nor any ERISA Affiliate of the Company has maintained, sponsored or contributed to, or has had any obligation to contribute to, or has had any liability arising directly or indirectly under or with respect to, any multiemployer plan (within the meaning of Section 3(37) or 4001(a)(3) of ERISA), any plan subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA, or a "multiple employer plan" as defined in ERISA or the Code.

(c) Each Benefit Plan has been operated, administered and maintained (in form and operation) in accordance with its terms, ERISA (if applicable), the applicable provisions of the Code and all other applicable Governmental Regulations, in each case in all material respects. For each Benefit Plan, all contributions (including, where applicable, any insurance premiums or other payments) that are due have been made within the time periods prescribed by the Code, ERISA and the terms of the applicable Benefit Plan. No non-exempt prohibited transaction, as set forth in Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Benefit Plan.

(d) No Benefit Plan is intended to meet the requirements of a "qualified plan" under Code Section 401(a).

(e) The Company has no obligation to provide any post-employment medical, health, life or other welfare benefits with respect to any former or current employee (or any spouse or dependent of any such employee), other than as required under Section 4980B of the Code, Section 601 of ERISA or any similar applicable law and for which the beneficiary pays the entire premium.

(f) There do not exist any pending or, to the Company's Knowledge, threatened claims (other than routine undisputed claims for benefits), suits, actions, disputes, audits or investigations with respect to any Benefit Plan.

(g) The consummation of the transactions contemplated by this Agreement will not accelerate the time of the payment or vesting of, or increase the amount of, or result in the forfeiture of compensation or benefits under any Benefit Plan. The transactions contemplated by this Agreement will not result in the provision of any payment or benefit that would not be deductible by the Company by reason of Section 280G of the Code.

(h) Each Benefit Plan or other agreement or arrangement maintained by the Company, if any, that is a “non-qualified deferred compensation plan” (as such term is defined in Section 409(A)(d)(1) of the Code), has been maintained, in form and operation in compliance with the requirements of Section 409A of the Code and applicable guidance issued thereunder, no amounts under any such plan, agreement or arrangement are or have been subject to the interest and additional tax set forth under Section 409(A)(a)(1)(B) of the Code and the Company does not have any obligation to gross up or indemnify any individual with respect to any such Tax.

3.15 Intellectual Property Rights.

(a) Company Products. Schedule 3.15(a) of the Disclosure Schedules lists all products and services sold, licensed, distributed or otherwise offered by the Company (“Company Products”), during the last five (5) years including version number if applicable.

(b) Registered IP Rights. Schedule 3.15(b) of the Disclosure Schedules lists (i) all items of Registered Intellectual Property owned by or filed in the name of the Company or any Company Affiliate (the “Registered IP Rights”), including, for each item, the recorded owner of such Registered IP Right, the jurisdictions in which the Registered IP Rights have been issued or registered or in which any application for such issuance and registration has been filed; the application and/or registration number, and the application and/or registration date, and, for any Internet domain names, the registrar name and expiration date of such Internet domain name registration; (ii) any actions or proceedings before any Governmental Authority related to the Registered IP Rights (except for actions or proceedings in connection with routine patent and trademark prosecution before the United States Patent and Trademark Office or equivalent authority anywhere in the world); and (iii) any actions that must be taken within 180 days after the Closing Date for the purposes of obtaining, maintaining, perfecting or renewing any Registered IP Rights, including the payment of any registration, maintenance, or renewal fees, or the filing of any responses to office actions, documents, applications or certificates.

(c) Validity of Registered IP Rights. Each item of Registered IP Rights is subsisting, and to the Knowledge of the Company, valid and enforceable. All necessary registration, maintenance, and renewal fees currently due in connection with the Registered IP Rights have been made. All necessary documents, recordations, and certificates in connection with the Registered IP Rights have been filed with the relevant patent, copyright, trademark, or other authorities in the United States or foreign jurisdictions (as applicable), for the purposes of prosecuting, perfecting, and maintaining the Registered IP Rights in the name of the Company or a Company Affiliate (if applicable). Except for claiming “small entity status” on its patent applications identified on Schedule 3.15(b) of the disclosure Schedules, neither the Company nor any Company Affiliate has claimed any status in the application for or registration of any Registered IP Rights, that would not be applicable to Buyer. To the Knowledge of the Company, there is no information, materials, facts, or circumstances, including any information or fact that would constitute prior art, that would render any of the Registered IP Rights invalid or unenforceable, or would materially affect any pending application for any Registered IP Rights and the Company and its Affiliates have not knowingly misrepresented, or knowingly failed to disclose, any facts or circumstances in any application for any Registered IP Rights that would constitute fraud or a misrepresentation with respect to such application or that would otherwise affect the validity or enforceability of any Registered IP Rights.

(d) Ownership; Exclusive Licenses. All Company-Owned Intellectual Property is exclusively owned by the Company and/or its Affiliates free and clear of all liens and Encumbrances other than Permitted Encumbrances. After the Closing, the Company-Owned Intellectual Property will be fully transferable, alienable, and licensable by or at the direction of Buyer without restriction and without payment of any kind to any Person. Neither the Company nor any Company Affiliate has (i) transferred ownership of, granted any exclusive license of or exclusive right to use or exploit, authorized the retention of any exclusive rights to use or exploit, or agreed to joint ownership of, any Company-Owned Intellectual Property to any Third Party, or (ii) permitted the Company’s or any Company Affiliate’s rights in any Company-Owned Intellectual Property to lapse or enter the public domain.

(e) Intellectual Property Contracts .

(i) Schedule 3.15(e)(i) of the Disclosure Schedules contains a complete and accurate list of all Contracts pursuant to which the Company or a Company Affiliate has assigned, licensed, or granted (or agreed to assign, license, or grant) any right with respect to any Company-Owned Intellectual Property to any third party, except for (A) non-disclosure agreements entered into in the ordinary course of business on the Company's or an applicable Company Affiliate's standard form or (B) any rights granted to distributors or resellers of Company Products solely in connection with such distributors' or resellers' marketing, distribution, or resale of such Company Products (such listed Contracts, excluding the exceptions, collectively, the "Outbound Intellectual Property Contracts").

(ii) Schedule 3.15(e)(ii) of the Disclosure Schedules contains a complete and accurate list of all Contracts pursuant to which a Third Party has assigned, licensed, or granted (or agreed to assign, license, or grant) any right with respect to any Intellectual Property Rights to the Company or a Company Affiliate, except for non-disclosure agreements entered into in the ordinary course of business on the Company's or an applicable Company Affiliate's standard form, licenses to Shrink-Wrap Code, and Open Source Licenses (such listed Contracts, collectively, the "Inbound Intellectual Property Contracts", and together with the Outbound Intellectual Property Contracts, the "Intellectual Property Contracts").

(iii) All Intellectual Property Contracts are in full force and effect and the Company is not in breach of any of the Intellectual Property Contracts. To the Knowledge of the Company, no Third Party is in breach of any Intellectual Property Contract.

(iv) The consummation of the transactions contemplated by this Agreement will neither violate nor result in the breach, modification, cancellation, termination, or suspension of any Intellectual Property Contract. None of the Intellectual Property Contracts require any Person to consent to the Closing or to any of the transactions contemplated by this Agreement.

(f) Effect of Transaction . Neither this Agreement nor the transactions contemplated by this Agreement will result in (i) Buyer or any of its Affiliates granting to any Third Party any right or license in or to any Intellectual Property Right, (ii) Buyer or any of its Affiliates being bound by, or subject to, any non-compete or other restriction on the operation or scope of its business, or (iii) Buyer or any of its Affiliates being obligated to pay any royalties or other amounts to any third party in excess of those payable by the Company prior to the Closing.

(g) Third-Party Claims .

(i) Except as set forth on Schedule 3.15(g) of the Disclosure Schedules, the Company's use and exploitation of the Company Intellectual Property does not violate any governmental prohibition or restriction.

(ii) No Claim to which the Company or any Company Affiliate is a party regarding any Company Intellectual Property is or was pending or, to the Knowledge of the Company, threatened. To the Knowledge of the Company, no Claim is or was pending or threatened against any other Person regarding any Company Intellectual Property who is or may be entities to be indemnified, defended, held harmless, or reimbursed by the Company or any Company Affiliate with respect to such claim or proceeding.

(iii) To the Knowledge of the Company, no Person is infringing, violating or misappropriating any Company-Owned Intellectual Property.

(iv) To the Knowledge of the Company, the operation of the business of the Company and its Affiliates as such business currently is conducted or is currently contemplated to be conducted, including, without limitation, the design, development, manufacture, use, import, sale, licensing or other exploitation of Company Products, does not, and will not, infringe, violate, or misappropriate any Intellectual Property Rights of any Third Party or constitute unfair competition or trade practices under the laws of any jurisdiction.

(v) Neither the Company nor any Company Affiliate has received any written charge, complaint, or notice alleging any infringement, misappropriation or violation by the Company or any Company Affiliate of the Intellectual Property Rights of any Person.

(vi) The Company Intellectual Property is not subject to any outstanding consent, settlement, decree, order, injunction, judgment or ruling restricting the ownership, use, exploitation, validity or enforceability thereof.

(h) Government Rights. No funding from any Governmental Authority, facilities of a university, college, other educational institution, or research center was used in the development of any Company Product or Company-Owned Intellectual Property. To the Knowledge of the Company, no current or former employee, consultant or independent contractor of the Company or any Company Affiliate, who was involved in, or who contributed to, the creation or development of any Company Product or Company-Owned Intellectual Property, has performed services for any Governmental Authority, university, college, other educational institution, or research center during a period of time during which such employee, consultant or independent contractor was also performing services for the Company or a Company Affiliate.

(i) Trade Secret Protection; Employees and Contractors. The Company and each Company Affiliate has taken commercially reasonable steps to protect the rights of the Company and the Company Affiliates in the Company's and the Company Affiliates' confidential information and trade secrets, and any trade secrets or confidential information of third parties provided to the Company or a Company Affiliate under an obligation of confidentiality. Without limiting the foregoing, the Company and each Company Affiliate has required each current and former employee, consultant, or independent contractor to execute a proprietary information/confidentiality agreement in the Company's or the applicable Company Affiliate's standard form as provided to Buyer and all current and former employees, consultants, and independent contractors of the Company and its Affiliates have executed such an agreement. Each current and former employee, consultant, and independent contractor of the Company and its Affiliates has executed and delivered to the Company or the applicable Company Affiliate a valid and enforceable assignment and waiver of any and all rights (including moral rights) that such employee or contractor may have in Company-Owned Intellectual Property.

(j) Source Code. Schedule 3.15(j) of the Disclosure Schedule lists all licenses granted by the Company or a Company Affiliate to the source code of any software owned or purported to be owned by the Company or a Company Affiliate ("Company Source Code"). No Company Source Code has been delivered, licensed, or made available to any escrow agent or other Person who is not, as of the date of this Agreement, or was not at the time, an employee of the Company or a Company Affiliate. The Company has no duty or obligation (whether present, contingent, or otherwise) to deliver, license, or make available any Company Source Code to any escrow agent or other Person. No event has occurred, and no circumstance

or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the delivery, license, or disclosure of any Company Source Code to any Person.

(k) Open Source Materials. All use and distribution of Company Products or any other Open Source Materials by or through the Company or any Company Affiliate is in full compliance with all Open Source Licenses applicable thereto, including without limitation all copyright notice and attribution requirements, and all requirements to offer access to source code. Schedule 3.15(k) of the Disclosure Schedules lists all Open Source Materials (including release number, if any) used by the Company or any Company Affiliate in any of the Company Products, or in the development or testing thereof, and (i) the Open Source License (including version number, if any) under which the Company or the applicable Company Affiliate uses such Open Source Materials, (ii) the location on the Internet, if any, where the Open Source Materials were downloaded by the Company or the applicable Company Affiliate, (iii) whether the Open Source Materials have been modified by or for the Company or a Company Affiliate, (iv) whether the Open Source Materials have been distributed by or for the Company or a Company Affiliate, and (v) for any Copyleft Materials, how any Copyleft Materials are integrated with or interact with the Company Products or any portion thereof. Neither the Company nor any Company Affiliate has used Copyleft Materials in a manner that requires the Company Products, or any portion thereof, to be subject to any Copyleft License.

(l) Systems. The computer, information technology and data processing systems, facilities and services used by the Company or its Affiliates, including all software, hardware, networks, communications facilities, platforms and related systems and services in the custody or control of the Company or its Affiliates (collectively, “Systems”), are reasonably sufficient for the existing and currently anticipated future needs of the Company and its Affiliates. The Systems are in good working condition to effectively perform all computing, information technology and data processing operations necessary for the operation of the Company and its Affiliates. Immediately following the Closing Date, the Company and its Affiliates will have and be permitted to exercise the same rights with respect to the Systems as the Company and its Affiliates would have had and been able to exercise had this Agreement not been entered into and the transactions contemplated hereby not occurred, without the payment of any additional amounts or consideration other than ongoing fees, royalties, or payments which the Company or its Affiliates would otherwise have been required to pay. The Company and each Company Affiliate has implemented and maintained, consistent with customary industry practices and its obligations to third parties, security and other measures to protect the Systems from unauthorized access, use, or modification and there has not been any such unauthorized access, use, or modification of the Systems by any Person.

(m) Privacy and Data

(i) Schedule 3.15(m)(i) of the Disclosure Schedules lists each privacy policy of the Company and its Affiliates (each a “Company Privacy Policy”) in effect at any time since the Company’s inception and identifies with respect to each Company Privacy Policy: (i) the period of time during which such privacy policy was or has been in effect; (ii) whether the terms of a later Company Privacy Policy apply to the data or information collected under such privacy policy; and (iii) if applicable, the mechanism (such as opt-in, opt-out or notice only) used to apply a later Company Privacy Policy to data or information previously collected under such privacy policy.

(ii) The Company and its Affiliates have complied at all times with all of the Company Privacy Policies, and, with all applicable law relating to privacy, or the collection or use of User Data or Personal Data.

(iii) Neither the execution, delivery or performance of this Agreement nor the consummation of transactions contemplated hereby, nor Buyer's possession or use (in accordance with the Company Privacy Policy) of any Company Data, will result in any violation of any Company Privacy Policy or any applicable law relating to privacy, or the collection or use of User Data or Personal Data.

3.16 Undisclosed Liabilities.

There are no material liabilities of the Company other than:

- (a) those reflected or otherwise expressly reserved against in the Reference Balance Sheet in amounts that have been established on a basis consistent with past practices of the Company and in accordance with GAAP;
- (b) those arising subsequent to the Reference Balance Sheet in the ordinary and usual course of business, consistent with past practice;
- (c) those liabilities not required to be reflected on the financial statements of the Company under GAAP; and
- (d) liabilities disclosed in Schedule 3.16(d) of the Disclosure Schedules.

3.17 Brokers and Finders.

Except as set forth on Schedule 3.17 to the Disclosure Schedules, the Company has not employed any investment banker, broker or finder or incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with any of the transactions contemplated by this Agreement.

3.18 Affiliate Transactions.

Schedule 3.18 of the Disclosure Schedules sets forth a list of all services provided (except pursuant to Employment Agreements) within the last twelve (12) months to the Company by its Affiliates and by the Company to its Affiliates, and the charges assessed for all services provided during such time. Except as disclosed in Schedules 3.8(a) or 3.18 of the Disclosure Schedules, or with respect to Employment Agreements, no Seller nor any Affiliate of the Company nor any current or former director, officer, member, shareholder, or employee of the Company (nor, to the Knowledge of the Company, any family member of any such Person or any trust, partnership or company in which any such Person has or has had an interest) has or has had, directly or indirectly, (a) any interest in any third party which furnished or sold, or furnishes or sells, services, products or technology that the Company furnishes or sells, or proposes to furnish or sell, (b) any interest in any third party that purchases from or sells or furnishes to the Company any goods or services or (c) any interest in any Contract to which the Company is a party; provided, however, that ownership of no more than one percent of the outstanding voting stock of a publicly traded company will not be deemed to be an "interest in any entity" for purposes of this Section 3.18.

3.19 Customers and Suppliers.

Schedule 3.19 of the Disclosure Schedules sets forth (a) each of the twenty (20) largest customers of the Company, determined by revenue for the year ended December 31, 2015 and the year ended December 31, 2014 ("Material Customers") and (b) each of the twenty (20) largest suppliers of the Company, determined by purchases for the year ended December 31, 2015 and the year ended December 31, 2014 ("Material Suppliers"). No Material Customer has provided the Company with notice that it is considering or intends, anticipates or otherwise expects to stop, materially decrease the volume of, or change, adjust, alter or otherwise modify in any material manner any of the terms (whether related to payment, price or otherwise) with respect to purchasing products or services from the Company (whether as a result of the consummation of the transactions contemplated hereby or otherwise). No Material Supplier has provided the Company with notice that it is considering or intends, anticipates or otherwise expects to stop, materially decrease the volume of, or change, adjust, alter or otherwise modify in any material manner any of the terms (whether related to payment, price or otherwise) with respect to supplying materials, products or services to the Business (whether as a result of the consummation of the transactions contemplated hereby or otherwise).

3.20 Insurance.

Schedule 3.20 of the Disclosure Schedules sets forth a complete and accurate list of all insurance policies in force with respect to the Company. All insurance premiums due on such policies have been paid in full when due, and no written notice of cancellation or termination has been issued or received by the Company. The policies have been complied with by the Company in all material respects. The Company is not in material breach or default, and it has not taken any action or failed to take any action which, with notice or the lapse of time, would constitute a material breach or default, or permit termination or modification, of any of the policies. No claims, suits, actions, disputes, audits or investigations are pending or, to the Company's Knowledge, threatened, to revoke, cancel, limit or otherwise modify such policies and no written notice of cancellation of any such policies has been received. There is no claim pending under any of such policies.

3.21 Accounts Receivable.

The accounts receivable reflected on the Interim Balance Sheet: (a) were acquired by the Company in the ordinary course of business and represent fully completed bona fide transactions that require no further act on the part of the Company to make such accounts receivable payable by the account debtors; (b) except as reserved against on the Reference Balance Sheet, are not subject to any claim, counterclaim, set-off or deduction; (c) represent valid obligations owing to the Company by account debtors (unless collected after the date of the Reference Balance Sheet); and (d) are owned by the Company free and clear of all Encumbrances (unless collected after the date of the Reference Balance Sheet).

3.22 Title to Properties .

The Company has good and marketable title to all of the assets and properties reflected on both the Reference Balance Sheet and the Closing Balance Sheet free and clear of all Encumbrances other than Permitted Encumbrances.

3.23 Equipment and Improvements .

All of the Leased Real Property, and all Tangible Assets included within such Leased Real Property are, in all material respects, in good condition, working order and repair, reasonable wear and tear incurred in the ordinary course of business excepted, and do not require repair or replacement in order to serve their intended purposes, including use and operation consistent with their present use and operation, except for scheduled maintenance, repairs and replacements conducted or required in the ordinary course of business.

3.24 Inventory .

All Inventory of the Company reflected in the Interim Balance Sheet (i) consists of quality and quantity usable and salable in the ordinary course of business of the Company, except for obsolete items and items of below-standard quality, all material amounts of which have been written off or written down to net realizable value in the Reference Balance Sheet and (ii) are carried at amounts which reflect valuations pursuant to a policy of stating net inventory or the lower of cost or market. Except as set forth on Schedule 3.24 of the Disclosure Schedules, the Company does not hold any Inventory on consignment or have title to any items of Inventory in the possession of others. Buyer acknowledges and agrees that certain post-Closing write-downs of the Company's inventory that result solely from a change in the Company's accounting methods (and not from a misapplication of GAAP nor from inaccurate or incomplete records or reports of the Company's inventory) will not be deemed a violation of the representations in this Section 3.24.

3.25 Officers and Directors; Bank Accounts .

Schedule 3.25 lists all managers, officers and directors of the Company, and all bank accounts, safety deposit boxes and lock boxes (designating each authorized signatory with respect thereto) of the Company.

3.26 Power of Attorney .

Except as set forth on Schedule 3.26 of the Disclosure Schedules, there are no outstanding powers of attorney executed on behalf of the Company.

3.27 Representations Complete .

No representation or warranty of the Company in this Agreement and no statements in the Disclosure Schedules, when taken as a whole, omits to state any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which made, not misleading, and there is no fact known to the Company that has specific application to the Company (other than general economic or industry conditions) and that could reasonably be expected to have a Material Adverse Effect on the Company that has not been set forth in this Agreement or the Disclosure Schedule.

ARTICLE 4.
REPRESENTATIONS AND WARRANTIES OF EACH SELLER

Except as set forth in the Disclosure Schedules, each Seller, severally as to such Seller only and not jointly and severally, hereby represents and warrants to Buyer that the following are true and correct as of the date hereof and as of the Closing Date:

4.1 Authority Relative to this Agreement .

Such Seller has all requisite power and authority to execute and deliver this Agreement and the other agreements contemplated hereby to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other agreements contemplated hereby to which such Seller is a party have been duly authorized by all necessary action on the part of such Seller. This Agreement and the other agreements contemplated hereby to which such Seller is a party have been duly and validly executed and delivered by such Seller and constitute the legal, valid and binding agreements of such Seller, enforceable against such Seller in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether considered in a proceeding at law or in equity). If such Seller is an individual, the execution and delivery by such Seller hereof and of the other agreements contemplated hereby to which such Seller is, or is specified to be, a party and the consummation by such Seller of the transactions contemplated hereby do not require any consent from any spouse or any related Person of such Seller, except as otherwise required by Law. If such Seller is not an individual, such Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has full power and authority and possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties and assets and to conduct its businesses as presently conducted, other than such franchises, licenses, permits, authorizations and approvals the lack of which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect.

4.2 Consents and Approvals; No Violations .

Neither the execution and delivery of this Agreement by such Seller and the other agreements contemplated hereby to which it is a party nor the performance by such Seller of any of the terms hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will:

- (c) violate, conflict with or result in a breach of any provision of any Law applicable to the Seller or such Seller's Charter Documents, to the extent applicable;
- (d) require any consent of any Governmental Authority or any other Person that has not been obtained;
- (e) result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of acceleration, termination or cancellation) under, any Contract to which such Seller is a party or by which such Seller or any of its property or assets may be bound;
- (f) result in the creation of any Encumbrance on any of the Purchased Units; or
- (g) violate any Governmental Regulation applicable to such Seller.

4.3 Litigation .

There is no claim, charge, suit, litigation, investigation, inquiry or Action pending, or to the Knowledge of such Seller, threatened, against or involving such Seller (i) by or before any court or other Governmental Authority which would reasonably be expected, if determined in a manner adverse to such Seller, to prevent or delay the consummation of the transactions contemplated by this Agreement or (ii) that questions the validity of this Agreement or the right of such Seller to enter into this Agreement or to consummate the transactions contemplated hereby.

4.4 Purchased Units .

Such Seller is the record owner of the Purchased Units listed opposite such Seller's name on Schedule 1.1, owning such Purchased Units free and clear of all Encumbrances. Such Seller has the full and unrestricted power to assign, transfer and deliver such Units pursuant to the terms of this Agreement. Such Seller is not a party to any option, warrant, purchase or other Contract or commitment that could (including upon the occurrence of any contingency or event) require such Seller to sell, transfer or otherwise dispose of any such Purchased Units or any interest therein, other than this Agreement and the Company LLC Agreement. Other than those set forth in the Company LLC Agreement, such Seller is not a party to any voting trust, proxy, members or other agreement or understanding with respect to its ownership, voting or transfer of, or otherwise relating to, the Purchased Units. Upon the consummation of the transactions contemplated hereunder, Buyer will acquire title to the Purchased Units listed opposite such Seller's name on Schedule 1.1 free and clear of all Encumbrances.

4.5 Brokers and Finders.

Except as set forth on Schedule 4.5 to the Disclosure Schedules, such Seller has not employed any investment banker, broker or finder or incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with any of the transactions contemplated by this Agreement.

4.6 Access to and Review of Company Information.

Such Seller has had available to him, her or it all information that he, she or it considers material in connection with the transactions contemplated by this Agreement, including without limitation information relating to the Company and Buyer and each of their respective present and future businesses, assets, liabilities, and financial condition, and has been afforded an opportunity to ask questions and receive answers from the Company and Buyer regarding the foregoing and regarding the transactions contemplated by this Agreement.

4.7 Investigations; etc.

Such Seller has entered into this Agreement based on his, her or its own knowledge, investigation and analysis. Such Seller is selling his, her or its Purchased Units of his, her or its own free will. Neither the Company nor Buyer has made any representation to such Seller about the advisability of this decision. Such Seller agrees that neither the Company nor Buyer is under any obligation to disclose to such Seller any information or opinion he, she or it may have about the potential future value of the Purchased Units, even if such information is material.

4.8 Tax Consequences.

Such Seller has reviewed with his, her or its own tax and other advisors the federal, state, and local Tax consequences of the sale of the Purchased Units held by such Seller to Buyer and the transactions contemplated by this Agreement. No Seller is relying on any statements or representations of the Company, Buyer or any of their respective agents about such Tax consequences to make a determination with respect to such Seller's Tax consequences. Such Seller understands that he, she or it (and not the Company or Buyer or their respective agents) shall be responsible for his, her or its own Tax liability that may arise as a result of the transactions contemplated by this Agreement.

4.9 Solvency.

Such Seller is not now insolvent, and such Seller will not be rendered insolvent by the Purchase. Immediately after giving effect to the consummation of the Purchase: (i) such Seller will be able to pay its liabilities as they become due in the ordinary course; (ii) such Seller will not have unreasonably small capital with which to conduct its present or proposed business; (iii) such Seller will have assets (calculated at fair market value) that exceed its liabilities; and (iv) taking into account all pending and threatened Actions and final judgments against such Seller, such Seller will be able 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 such Seller. The cash available to such Seller, after taking into account all other anticipated uses thereof, will be sufficient to pay all such debts and judgments promptly, in accordance with their terms.

4.10 Contracts Regarding Purchase Price.

Other than as set forth on Schedule 4.10, such Seller is not a party to or bound by any Contract providing for such Seller to pay or otherwise transfer to any other Person all or any portion of the Purchase Price to be paid to such Seller hereunder.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Company and the Sellers that the following are true and correct as of the date hereof and as of the Closing Date:

5.1 Organization; Power.

Buyer is a corporation duly formed, validly existing and in good standing under the laws of Switzerland and has all requisite power and authority to conduct its business as it is now being conducted and to own, lease and operate its property and assets as now owned, leased and operated.

5.2 Authority Relative to this Agreement.

Buyer has all requisite power and authority to execute and deliver this Agreement and the other agreements contemplated hereby to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Buyer of this Agreement and the other agreements contemplated hereby to which it is a party have been duly authorized by all necessary action. This Agreement and the other agreements contemplated hereby to which Buyer is a party have been duly and validly executed and delivered

by Buyer and constitute the legal, valid and binding agreements of Buyer, enforceable against Buyer in accordance with their terms except as may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether considered in a proceeding at law or in equity).

5.3 Consents and Approvals; No Violations.

Neither the execution and delivery by Buyer of this Agreement or the other agreements contemplated hereby to which it is a party, nor the performance by Buyer of any of the terms of this Agreement or the other agreements contemplated hereby to which it is a party (including the consummation of the transactions contemplated hereby), will:

- (j) materially violate, conflict with or result in a breach of any provision of Law or of the Charter Documents of Buyer;
- (k) require any material consent of any Governmental Authority or any other Person which has not been obtained;
- (l) result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of acceleration, termination or cancellation) under, any of the terms, conditions or provisions of any Contract to which Buyer is a party or by which Buyer or any of its property or assets may be bound; or
- (m) materially violate or contravene any Governmental Regulation applicable to Buyer.

5.4 Litigation.

There is no claim, suit, litigation, or action pending or, to the knowledge of Buyer, threatened, against or involving Buyer by or before any court or other Governmental Authority which would reasonably be expected, if determined in a manner adverse to Buyer, to prevent or delay the consummation of the transactions contemplated by this Agreement.

5.5 Investment Intent.

Buyer is acquiring the Purchased Units pursuant to this Agreement for its own account, for investment purposes and not with a view to, or for sale in connection with, any resale or other distribution thereof, nor with any present intention of distributing or selling the Purchased Units. Buyer acknowledges and agrees that the Purchased Units cannot be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of, and Buyer will not sell, transfer, offer for sale, pledge, hypothecate or otherwise dispose of any of the Purchased Units, without registration under the Securities Act of 1933, as amended, and any applicable state securities laws, except pursuant to an exemption from such registration under such act and laws. Buyer is able to bear the economic risk of holding the Purchased Units for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

5.6 Buyer's Expertise and Investigation.

(c) Buyer is an informed and sophisticated purchaser, possesses such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment under this Agreement and has engaged expert legal, financial, tax, business and other advisors, experienced in the evaluation and purchase of securities similar to the Purchased Units.

(d) Buyer has undertaken such investigation as it deems necessary or appropriate to enable it to make an informed decision with regard to this Agreement and the transactions contemplated by this Agreement.

(e) The Parties agree that nothing in this Section 5.6 shall limit any remedy or recourse that Buyer or its Affiliates have under this Agreement with respect to the representations and warranties of the Company the Sellers or otherwise.

5.7 Brokers and Finders.

Buyer has not employed any investment banker, broker or finder or incurred any liability for any investment banking fees, brokerage fees, commissions or finders' fees in connection with any of the transactions contemplated by this Agreement.

5.8 Sufficiency of Funds; Solvency.

Buyer has sufficient cash on hand or other sources of available funds to enable it to make payment of the Closing Date Payment and to consummate the transactions contemplated by this Agreement. Buyer is not now insolvent, and Buyer will not be rendered insolvent by the Purchase. Immediately after giving effect to the consummation of the Purchase: (i) Buyer will be able to pay its liabilities as they become due in the ordinary course; (ii) Buyer will not have unreasonably small capital with which to conduct its present or proposed business; (iii) Buyer will have assets (calculated at fair market value) that exceed its liabilities; and (iv) taking into account all pending and threatened Actions and final judgments against Buyer, Buyer will be able 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 Buyer. The cash available to Buyer, after taking into account all other anticipated uses thereof, will be sufficient to pay all such debts and judgments promptly, in accordance with their terms.

ARTICLE 6.
COVENANTS AND AGREEMENTS

6.1 Conduct of Business Prior to Closing.

(a) Except as disclosed in Schedule 6.1(a) of the Disclosure Schedules or with respect to actions expressly permitted or required herein to be taken with respect to this Agreement or the Purchase, the Company covenants that until the Closing it will use commercially reasonable efforts to continue, in a manner consistent with the past practice of the Business, to keep available the services of their officers and employees, to maintain and preserve intact the Business in all material respects and to maintain in all material respects the ordinary and customary relationships of the Business with its suppliers, customers, distributors and others having business relationships with it in order to preserve for Buyer, on and after the Closing Date, the Business and the goodwill associated therewith. Without limitation of the foregoing, the Company will, until the Closing:

(i) (A) pay all of its debts and Taxes when due, except to the extent such debts or Taxes are being contested in good faith by appropriate proceedings and for which adequate reserves according to GAAP have been established; (B) pay or perform its other obligations when due and use its commercially reasonable efforts to pay all accounts payable of the Company in accordance with the applicable terms; (C) use commercially reasonable efforts consistent with past practice and policies to collect accounts receivable when due and not extend credit outside the ordinary course of business; (D) sell products and services consistent with past practices as to license, service and maintenance terms and incentive programs; (E) recognize revenue consistent with past practice and policies and in accordance with GAAP; and (F) pay any accrued bonuses or commissions payable after the date hereof and before the Closing in the ordinary course of business;

(ii) promptly notify Buyer of any change, occurrence or event not in the ordinary course of business of the Company, and of any change, occurrence or event which, individually or in the aggregate with any other changes, occurrences and events, could reasonably be expected to have a Material Adverse Effect on the Company or which is reasonably likely to cause any of the conditions in Article 7 not to be satisfied; and

(iii) except as necessary for the operation of the Business in the ordinary course, assure that each of the Contracts entered into on or after the date hereof by the Company will not require the procurement of any consent, waiver or novation or provide for any payment of fees or material change in the obligations of any party in connection with, or terminate as a result of the consummation of, the transactions contemplated by this Agreement.

(b) Until the Closing, except with respect to actions expressly permitted or required by this Agreement, the Company shall continue to operate and conduct the Business in the ordinary course consistent with past practice, and the Company shall not without the prior written approval of Buyer (which approval shall not be unreasonably delayed or withheld) or as otherwise contemplated by this Agreement and Schedule 6.1(b) of the Disclosure Schedules, take any of the following actions:

(i) amend its Charter Documents, issue or agree to issue any equity interests of any class or series or issue or enter into or agree to issue or enter into any securities convertible into or exercisable or exchangeable for equity interests, or issue any options, warrants or other rights to acquire any equity interests, or sell, transfer or otherwise dispose of or encumber any equity interests of any class or series or declare, set aside, make or pay any distribution in respect of its equity interests, or split, combine, purchase, redeem or reclassify its equity interests;

- (ii) split, combine or reclassify any of its units or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for Company units, or repurchase, redeem or otherwise acquire, directly or indirectly, any Company units;
- (iii) except for transactions in the ordinary course of business consistent with past practices, sell, lease, license, transfer or otherwise dispose of or encumber any properties or assets with an aggregate replacement value greater than \$100,000;
- (iv) incur, assume, guarantee or otherwise become liable for any Indebtedness or become responsible for the obligations of any other Person;
- (v) (A) grant any increase in the compensation, benefits, commissions or bonus payable to any employee, director or consultant of the Company, or, except as required by the express provisions of a Benefit Plan as in effect on the date hereof, grant any severance or termination pay or benefits to any employee, director or consultant of the Company, (B) grant any new incentive awards, (C) hire new executive or management employees or any other employee or consultant whose annual compensation would reasonably be expected to exceed \$50,000 or, other than in the ordinary course of business consistent with past practice, hire any new non-executive or non-management level employees), (D) terminate employees or encourage employees to resign, (E) enter into or amend any employment, severance, bonus, commission, consulting or other compensation agreement with any Person, (F) adopt or amend in any respect or commit itself to amend in any respect any Benefit Plan, or (G) except for travel advances, and immaterial employee loans and advances, made in the ordinary course of business, loan or advance any money or other property to any current or former employee, director or consultant of the Company;
- (vi) enter into any Contract with a labor union, works council or other representative of any employees, or any collective bargaining agreement;
- (vii) enter into any Contract with any Person to provide temporary or leased employees;
- (viii) cancel any Third Party indebtedness owed to the Company, other than with respect to trade receivables of the Company in the ordinary course of business consistent with past practices;
- (ix) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof;
- (x) make or commit to make aggregate capital expenditures not set forth in Schedule 6.1(b)(x) of the Disclosure Schedules, other than capital expenditures in an aggregate amount not in excess of \$100,000;
- (xi) amend, modify or terminate or waive any rights under any Material Contract, or any contract that would be a Material Contract if in effect on the date of this Agreement, in a manner that would reasonably be expected to cause a Material Adverse Effect;
- (xii) enter into any Material Contract or contract that would be a Material Contract if in effect on the date of this Agreement other than (i) such contracts for the sale of products or the rendering of services by the Company to its customers in the ordinary course of business

consistent with past practices, (ii) any renewal of an existing Material Contract entered into in the ordinary course of business consistent with past practices, and (iii) insurance policies entered into in the ordinary course of business consistent with past policies with respect to insurance policies scheduled to expire after the date hereof and prior to Closing;

(xiii) settle any pending or threatened litigation or other proceeding involving the Company or the Business;

(xiv) acquire any new facility, whether for distribution, manufacturing or other purposes, and whether by purchase of real property, lease or otherwise;

(xv) enter into any lease, sublease or license of real property;

(xvi) make any change in accounting methods, principles or practices used by the Company, except insofar as may be contemplated by this Agreement or required by applicable Law or regulation or by a change in applicable accounting principles;

(xvii) accelerate the payment by the Company of any accounts payable, or defer the payment to the Company of any accounts receivable, of the Company;

(xviii) materially change the amount of any insurance coverage or fail to renew any insurance policy unless replaced by a substantially comparable insurance policy;

(xix) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(xx) terminate or waive any right or claim of material value;

(xxi) acquire or agree to acquire by merging or consolidating with, or by purchasing the assets of, or by any other manner, any business or any company, partnership, association or other business organization or division thereof;

(xxii) (A) incur any Taxes outside of the ordinary course of business; (B) enter into any agreement with any Taxing Authority (including a "closing agreement" under Code Section 7121) with respect to any Tax or Tax Returns of the Company; (C) surrender a right of the Company to a Tax refund; (D) file an amended Tax Return; (E) except as required by Law or a determination of a Taxing Authority that is final, revoke or otherwise change any election in respect of Taxes of the Company, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes of the Company; or (F) cause the Company to be treated as a corporation for U.S. federal and state income tax purposes; and

(xxiii) agree, whether in writing or otherwise, to do any of the foregoing actions.

6.2 Access to Records and Properties.

(n) From the date hereof until the Closing Date, upon reasonable notice, the Company shall afford Buyer and its officers, employees, agents, accountants, advisors, counsel, financing sources and other representatives (collectively, "Representatives") reasonable access to the properties, offices, plants and other facilities, books and records of the Business and its Representatives, and furnish Buyer with such financial, operating and other data and information regarding the Company as Buyer may reasonably request; provided, however, that any such access or furnishing of information shall be conducted during normal business hours, under the supervision of the Company's personnel and in such a manner as not to unreasonably interfere with the normal operations of the Company. No investigation by Buyer prior to or after the date of this Agreement shall diminish or obviate any of the representations, warranties, covenants or agreements of any Seller or the Company contained in this Agreement. For the purpose of facilitating such investigation, the Company shall promptly designate individuals, each of whom shall be empowered to receive and act upon such requests, and Buyer agrees that no communication shall be made by Buyer or any of its Representatives with any employee, officer or agent of the Company who has not been so designated in writing without the prior written consent of the designee, and Buyer additionally agrees that no communication shall be made by Buyer or any of its Representatives with any customer or supplier of the Company without the prior written consent of the chief executive officer of the Company. The Company will not remove any of the documents from the electronically accessible data room provided in connection with the Transactions (the "Data Room").

(o) From the date hereof until the Closing Date, the Company will cause its officers, counsel or other representatives to promptly notify Buyer of, and to confer from time to time as requested by Buyer with one or more representatives of Buyer during ordinary business hours to discuss any material changes or developments in the operational matters of the Company and the general status of the ongoing business and operations of the Company. To the extent Buyer requests further information or investigation of any potential violations of Law, the Company will cooperate with such request and will make available any personnel or experts engaged by the Company necessary to accommodate such request.

(p) Notwithstanding anything to the contrary in this Agreement, the Company shall not be required to disclose any information to Buyer or any of its Representatives if such disclosure would, in the Company's reasonable determination, (i) jeopardize any attorney-client or other legal privilege, (ii) be inappropriate because it relates to a job or service for which the Company has tendered or plans to tender bids that are competitive with Buyer, or (iii) contravene any applicable Law, fiduciary duty or binding agreement entered into and disclosed to Buyer prior to the date hereof; provided, however, that (A) the Company will reasonably cooperate with Buyer to avoid any non-disclosure pursuant to this Section 6.2(b) (other than clause (ii) hereof) and (B) the foregoing shall in no event mitigate, waive or modify any of the representations and warranties set forth in Articles 3 or 4 hereof.

(q) Notwithstanding anything to the contrary in this Agreement, from the date hereof until the Closing Date neither Buyer nor any of its Representatives shall, directly or indirectly, conduct without the written permission of the Company any sampling or laboratory analysis of environmental media, building materials or other substances at any facility of the Company, which permission shall not be unreasonably withheld, conditioned or delayed.

6.3 Commercially Reasonable Efforts.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Parties hereto (other than, with respect to clauses (ii), (iii) and (iv) only, Best Buy) shall use (and cause its Affiliates to use) its commercially reasonable efforts (subject to, and in accordance with, applicable Law) 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 Parties in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective the Purchase, including (i) taking of all actions commercially reasonable necessary or advisable to cause the conditions to Closing set forth in Article 7 to be satisfied or fulfilled at or prior to Closing (but, in the case of Best Buy, only such actions that are particular to Best Buy), (ii) obtaining all necessary actions or non-actions, waivers, consents and approvals from any Governmental Authority and making all necessary registrations and filings and taking all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Authority, (iii) obtaining, at the earliest practicable date, all necessary consents, approvals or waivers from Third Parties and all consents, approvals and waivers from Third Parties reasonably requested by Buyer to be obtained by the Sellers or the Company in respect of the Material Contracts in connection with this Agreement or the Purchase, (iv) defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Purchase, and (v) executing and delivering any additional instruments reasonably necessary to consummate the Purchase contemplated by this Agreement (but, in the case of Best Buy, only such instruments that are particular to Best Buy). The Sellers other than Best Buy shall assume, in accordance with their applicable Pro Rata Percentages, any obligations that would accrue to Best Buy pursuant to this Section 6.3(a) were it not for limitations or exceptions set forth in this Section 6.3(a) applicable to such obligations with respect to Best Buy.

(b) Subject to the terms and conditions herein provided and without limiting the foregoing, the Company and Buyer shall (i) use commercially reasonable efforts to cooperate with each other in (A) determining whether any filings are required to be made with, or consents, permits, authorizations, waivers or approvals are required to be obtained from, any Third Parties or other Governmental Authority in connection with the execution and delivery of this Agreement and the consummation of the Purchase and (B) timely make all such filings and timely seek all such required consents, permits, authorizations or approvals; (ii) use commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including taking all such action as reasonably may be necessary to resolve such objections, if any, as the United States Federal Trade Commission, the Antitrust Division of the United States Department of Justice, state antitrust enforcement authorities or competition authorities of any other nation or other jurisdiction or any other Person may assert under Regulatory Law with respect to the Business or the Purchase, and to satisfy, eliminate or avoid (but only in a manner that does not violate applicable Law) any impediment under any Law that may be asserted by any Governmental Authority relating to the Purchase so as to enable the Closing to occur as soon as reasonably possible; (iii) promptly inform the other Party upon receipt of any material communication from the United States Federal Trade Commission, the Antitrust Division of the United States Department of Justice, or any other Governmental Authority regarding any of the transactions contemplated by this Agreement; and (v) subject to applicable legal limitations and the instructions of any Governmental Authority, keep each other apprised of the status of matters relating to the completion of the transactions contemplated thereby, including promptly furnishing the other with copies of notices or other communications received by Sellers, the Company or Buyer, as the case may be, from any Third Party and/or any Governmental Authority with respect to such transactions.

(c) In furtherance and not in limitation of the foregoing, if any objections are asserted with respect to the transactions contemplated hereby under any Regulatory Law or if any administrative or

judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Regulatory Law or which would otherwise prohibit or materially impair or materially delay the consummation of the transactions contemplated hereby, each of the Company and Buyer shall use commercially reasonable efforts to resolve any such administrative or judicial action or proceeding so as to permit the consummation of the transactions contemplated hereby as expeditiously as possible; provided, however, that nothing herein requires the Company or Buyer to defend any such administrative or judicial action or proceeding through litigation in federal court, administrative litigation, or other judicial proceeding; provided, further, however, Buyer shall have the right, but not the obligation, in Buyer's sole discretion to propose, negotiate, offer to commit and effect, with the prior written consent of the Sellers Representative, by consent decree, hold separate order or otherwise, any remedies, including the divestiture of such assets of Buyer and/or the Company, as may resolve such objections or administrative or judicial action or proceedings.

(d) For purposes of this Agreement, "Regulatory Law" means the Sherman Act of 1890, the Clayton Antitrust Act of 1914, the HSR Act, the Federal Trade Commission Act of 1914 and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws, including any antitrust, competition or trade regulation Laws, that are designed or intended to (i) prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition or (ii) protect the national security or the national economy of any nation.

6.4 Public Announcements

On and after the date hereof through the Closing Date, the Company and Buyer shall consult with each other before issuing any press releases or otherwise making any public statements with respect to this Agreement or the Purchase, and none of the Parties shall issue any press release or make any public statement with respect to this Agreement or the Purchase prior to obtaining the written approval of the Company and Buyer, such approval not to be unreasonably withheld or delayed; provided, however, that no such approval shall be necessary to the extent disclosure may be required by Law or any market or exchange listing agreement or the rules or regulations promulgated by any market or exchange applicable to Buyer, any Seller or any of their respective Affiliates, or as reasonably necessary to seek any consent or approval or to complete any filings required or expedient in order to comply with Section 6.3.

6.5 No Solicitation of Negotiation

(a) From the date hereof until the Closing Date, none of the Sellers or the Company shall, directly or indirectly, take (and the Sellers and the Company shall cause their respective directors, managers, officers, employees, accountants, consultants, legal counsel, advisors, agents and other representatives or, to the extent within such Seller's or the Company's control, other Affiliates not to take) any direct or indirect action to (i) solicit, initiate, seek, entertain, encourage, support, assist or facilitate any Acquisition Proposal, (ii) enter into any agreement with respect to any Acquisition Proposal or enter into any agreement requiring it to abandon, terminate or fail to consummate the Purchase or any other transaction contemplated by this Agreement or (iii) participate in any way in negotiations or communications with, cooperate with any inquiry, proposal or offer from, or furnish any information to, any Person in connection with any proposal that may result in an Acquisition Proposal. Upon execution of this Agreement, the Sellers and the Company shall cease immediately and cause to be terminated any and all existing discussions or negotiations with any Persons conducted heretofore with respect to an Acquisition Proposal.

(b) The Parties hereto agree that irreparable damage would occur in the event that the provisions of this Section 6.5 were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed by the Parties hereto that Buyer shall be entitled to seek immediate injunction or injunctions, without the necessity of posting any bond or other security, to prevent breaches of the provisions of this Section 6.5 and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which Buyer may be entitled at law or in equity.

(c) From the date hereof until the Closing Date, the Company and the Sellers (other than Best Buy) will, and will cause the officers, directors, employees, financial advisors, representatives, agents and Affiliates of the Company to, promptly (and in no event later than one (1) Business Day after receipt thereof) notify Buyer orally and in writing of any proposal for, or inquiry respecting, any Acquisition Proposal. Such notice must be accompanied by a copy of any written proposal made by a third party or in the absence of such written proposal, indicate the identity of the Person making the proposal or inquiry, the total consideration and the terms and conditions of such proposal or inquiry in reasonable detail. The Company will keep Buyer informed on a reasonably current basis (and, in any event, within one (1) Business Day) of the status and details of any material modifications to any such proposal, offer or request.

6.6 Employee Matters.

For all purposes (including purposes of vesting, eligibility to participate and level of benefits) under the employee benefit plans of Buyer providing benefits to any employee of the Company as of the Closing Date (“Company Employees”) after the Closing Date (the “New Plans”), each Company Employee shall be credited with his or her years of service with the Company before the Closing Date, to the same extent as such Company Employee was entitled, before the Closing Date, to credit for such service under any similar Benefit Plan in which such Company Employee participated or was eligible to participate immediately prior to the Closing Date, provided, that no service shall be credited with respect to benefit accrual under any defined benefit pension plan (except as may be required with respect to any multiemployer plan) or to the extent that its application would result in a duplication of benefits with respect to the same period of service. In addition, and without limiting the generality of the foregoing, subject to any required consent of the applicable plan provider, (a) each Company Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent such eligibility is permitted in the New Plans and comparable to a Benefit Plan in which such Company Employee participated immediately before the consummation of the Purchase (such plans, collectively, the “Old Plans”), (b) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Company Employee, Buyer shall use commercially reasonable efforts to cause all preexisting condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his or her covered dependents, unless such conditions would not have been waived under the comparable Old Plans in which such Company Employee participated immediately prior to the Closing Date, and (c) Buyer shall use commercially reasonable efforts to cause any eligible expenses incurred by a Company Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such Company Employee’s participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Company Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with New Plan, but only to the extent such amounts were taken into account for each such purpose under the Old Plans. The provisions in this Section 6.6 are intended for the sole benefit of the Company and Buyer and, where the context so indicates, their respective Affiliates, and shall not inure to the benefit of any other entity or person (other than permitted assigns of the Parties hereto) either as a Third Party beneficiary or otherwise. Nothing contained in this Section 6.6 shall (i) change the status of any at-will employee or prevent the Company or Buyer from terminating the employment of any employee at any time (with or without cause) or otherwise taking any action it deems necessary with respect to the employees of the Company or (ii) be construed to prohibit Buyer, the Company or any of their respective Affiliates from amending or terminating any Benefit Plan.

6.7 Termination of Benefit Plans.

The Company will adopt, or will cause to be adopted, all necessary resolutions (which shall be subject to Buyer’s reasonable review and approval) to terminate each equity incentive plan (including, without limitation, the Equity Incentive Plan) and all then-outstanding awards thereunder other than the Purchased Units (all of which will be sold to Buyer upon the Closing), effective as of the Closing. The Company shall provide Buyer with a copy of resolutions duly adopted by the Company’s board of managers so terminating any such equity incentive plan and all such outstanding awards.

6.8 [RESERVED].

6.9 Tax Matters

(a) Indemnification for Tax Matters. Subject to the limitations set forth in Section 9.4, where applicable, and incorporated herein by reference, the Sellers will severally, based on their respective applicable Pro Rata Percentages, and not jointly and severally, pay, and indemnify and hold harmless Buyer, the Company and any other Buyer Indemnified Parties from and against any and all of the following Taxes and other Tax-related Losses (in each case, whether imposed, assessed, due or otherwise payable directly, as a successor or transferee, jointly and/or severally pursuant to a contract or other agreement entered (or assumed) by the Company on or prior to the Closing Date, in connection with the filing of a Tax Return, as a result of an assessment or adjustment by any Taxing Authority or for any other reason and whether disputed or not):

(i) Taxes of the Company for Pre-Closing Tax Periods or that portion of any Straddle Period ending on the Closing Date (other than Transfer Taxes (which are governed by (iv)));

(ii) Taxes for which the Company is liable as a result of their inclusion in (or their leaving) a consolidated, combined, affiliated or unitary group during a Pre-Closing Tax Period (including under Treasury Regulation 1.1502-6 (or analogous state, local or foreign Tax law));

(iii) Taxes of the Company resulting from (x) a breach of a representation or warranty contained in Section 3.12 (Taxes) or, to the extent relating to Taxes, Section 3.14 (Employee Benefit Plans; ERISA), or (y) a breach of a covenant or other agreement of any Seller or Sellers' Representative (or, prior to Closing, the Company) contained in this Agreement;

(iv) Transfer Taxes allocable to the Sellers as determined under Section 6.9(f); and

(v) Taxes imposed as a result of any loss, reduction, disallowance, or unavailability (in whole or in part) of any refund or Tax benefit (whether as cash or a credit or offset against Taxes otherwise payable) that was included in the computation of Closing Working Capital.

The items set forth in clauses (i) – (v), each an “Indemnified Tax” and, collectively, the “Indemnified Taxes”.

Notwithstanding the foregoing “Indemnified Taxes” for which the Sellers are liable shall not include any of the following: (A) Taxes to the extent included as current liabilities in the Closing Working Capital, as finally determined, or to the extent specifically identified as a Tax liability and included in the calculation of Company Closing Indebtedness, (B) to the extent attributable to or arising as a result of transactions that are (x) not contemplated by this Agreement, and (y) made by the Company outside the ordinary course of business on the Closing Date, but following the Closing, (C) Taxes resulting from any election by Buyer or the Company to cause the Company to be classified as a corporation for federal income Tax purposes, (D) Taxes arising from Buyer's breach of its covenants under Section 6.9, or (E) Taxes resulting from any Tax attribute of the Company arising prior to the Closing Date not being available in taxable periods ending after the Closing Date to Buyer or the Company.

(b) Allocation of Tax Items. For purposes of allocating Taxes under this Agreement, the Parties hereto will, to the extent permitted by applicable Law, treat for all purposes the end of the Closing Date as the end of the last day of a taxable period of the Company. In any case where applicable Law does not permit the Company to treat the Closing Date as the last day of a taxable period of the Company, then for purposes of this Agreement, the portion of such Taxes that is attributable to such Interim Period (as

defined below) shall be (i) in the case of property Taxes and other similar Taxes imposed on a periodic basis, the total amount of such Taxes for the entire Straddle Period in question multiplied by a fraction, the numerator of which is the number of days in the Interim Period, and the denominator of which is the total number of days in the entire Straddle Period in question, and (ii) in the case of all other Taxes (including those that are based on income gross receipts, employment, or sales and uses), the Taxes that would be due with respect to the Interim Period, if such Interim Period ended at the end of the day on the Closing Date; provided that, exemptions, allowances and deductions that are calculated on an annual or periodic basis shall be apportioned with respect to the Straddle Period based on the mechanics set forth in clause (i) for periodic Taxes. “Interim Period” means, with respect to any Taxes imposed on the Company on a periodic basis for which the Closing Date is not the last day of a taxable period, the period of time beginning on the first day of the Straddle Period and ending on and including the Closing Date. For avoidance of doubt, unless prohibited by applicable Law, any deduction from taxable income of the Company resulting from payment of the Transaction Bonus Payments at the Closing under Section 1.8 and from the exercise or cancellation of the Best Buy Warrant shall be allocated to the taxable period or Interim Period ending on the Closing Date.

(c) Tax Returns.

(i) After the Closing Date, the Sellers’ Representative shall prepare or cause to be prepared any income Tax Returns for the Company (including franchise and gross-receipts Tax Returns) that are required to be filed after the Closing Date with respect to any taxable period ending on or prior to the Closing Date. To the extent such Tax Returns are required to be filed by the Company, the Sellers’ Representative shall provide such Tax Returns to the Company at least fifteen (15) days prior to the date such Tax Returns are due. The Sellers shall be responsible, in proportion to their respective Pro Rata Percentages, for any Taxes due and payable with respect to such Tax Returns other than any such Taxes included as Current Liabilities in the calculation of Final Closing Working Capital.

(ii) After the Closing Date, Buyer shall prepare or cause to be prepared and file or cause the Company to file on a timely basis all other Tax Returns for the Company for any Pre-Closing Tax Period (and for any Straddle Period) that are first due after the Closing Date (collectively “Buyer Prepared Returns”). All such Buyer Prepared Returns shall be prepared and filed in a manner consistent with the past Tax accounting practices, Tax-related elections and Tax Returns of the Company, unless otherwise required by applicable Law. Buyer shall provide to the Sellers’ Representative copies of all such Buyer Prepared Returns (and the associated work papers) that show an Indemnified Tax in excess of \$20,000, for review by the Sellers’ Representative within such time period that is reasonable under the circumstances, and shall make such changes to those Buyer Prepared Returns before filing as are reasonably requested by the Sellers’ Representative; provided that such provision or review shall not, in Buyer’s sole discretion, have an adverse effect on Buyer’s Tax liability or ability to file in a timely manner any Buyer Prepared Returns. Unless required by applicable Law, Buyer shall not cause or allow the Company to file any amended Tax Returns for Pre-Closing Periods with respect to the Company without the prior written consent of the Sellers’ Representative (which shall not be unreasonably withheld, delayed, or conditioned). No failure or delay of the Buyer in delivering Buyer Prepared Returns to Sellers’ Representative to review shall reduce or otherwise affect the obligations or liabilities of Sellers pursuant to this Agreement.

(d) Audits.

(i) Whenever any Taxing authority initiates an audit, asserts a claim, makes an assessment or otherwise disputes the amount of any Tax for a Pre-Closing Tax Period (or portion

of any Straddle Period ending on the Closing Date) which, if successful, would result in an Indemnified Tax (a “Tax Contest”), the Company shall give prompt notice to Sellers’ Representative of such Tax Contest. No failure or delay of Buyer in the performance of the foregoing shall reduce or otherwise affect the obligations or liabilities of Sellers pursuant to this Agreement, except to the extent the Sellers are actually prejudiced by such failure or delay.

(ii) Buyer (or the Company) shall control any audit or other proceeding in respect of the Tax Contest; provided, however, that (a) the Sellers’ Representative, at the Sellers’ sole cost and expense, shall have the right to participate in any such audit or other proceeding in respect of the Tax Contest to the extent it relates to an Indemnified Tax and (b) Buyer shall not allow the Company to settle or otherwise resolve such audit or other proceeding in respect of the Tax Contest if such settlement or other resolution relates to an Indemnified Tax for a Pre-Closing Tax Period (or portion of any Straddle Period ending on the Closing Date) without the prior written consent of the Sellers’ Representative (which will not be unreasonably withheld, delayed, or conditioned).

(iii) Notwithstanding the foregoing, the Sellers’ Representative, at the Sellers’ sole cost and expense, shall control any Tax Contest with respect to the Income Tax Returns of the Company for any Pre-Closing Tax Period; provided, however, that (a) Buyer (and the Company), at Buyer’s (or the Company’s) sole cost and expense, shall have the right to participate in any such audit or other proceeding controlled by the Sellers’ Representative and (b) the Sellers’ Representative shall not settle or otherwise resolve such audit or other proceeding if such settlement or other resolution could result in any Taxes that are not Indemnified Taxes without the prior written consent of Buyer (which will not be unreasonably withheld, delayed, or conditioned).

(iv) In the event of any conflict between Section 9.2 and this Section 6.9(d), this Section 6.9(d) shall control.

(e) Cooperation on Tax Matters. Buyer and the Sellers’ Representative shall (and Buyer shall cause the Company to) cooperate fully, as and to the extent reasonably requested by any other Party, in connection with the filing of Tax Returns pursuant to this Section 6.9 and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include (i) providing certificates or forms, and timely executing any Tax Returns, that are necessary or appropriate to establish an exemption for (or reduction in) any withholding Tax or Transfer Tax, and (ii) the retention and, upon any other Party’s request, the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Buyer and the Company agree to retain information with respect to non-income Tax matters pertinent to the Company relating to Pre-Closing Tax Periods and Straddle Periods until the earlier of expiration of the applicable statute(s) of limitation or six (6) years after the Closing.

(f) Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) (“Transfer Taxes”) incurred in connection with consummation of the transactions contemplated by this Agreement shall be paid 50% by Buyer and 50% by the Sellers severally, in proportion to their respective applicable Pro Rata Percentages, and remitted by Buyer (or Sellers, as required by applicable Law) when due. Buyer and the Sellers’ Representative will jointly file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, and will, and as applicable will cause their

Affiliates to, join in the execution of any such Tax Returns and other documentation as required by applicable Law.

(g) Tax Attributes. For avoidance of doubt, no Seller shall have any indemnity obligation or liability to Buyer or the Company under this Agreement as a result of any Tax attribute of the Company arising prior to the Closing Date not being available in taxable periods after the Closing Date to Buyer or the Company.

(r) Taxes on Company Asset/Liability Transfers by Buyer and its Affiliates. Any provision in this Section 6.9 to the contrary notwithstanding, transfers of Company assets or liabilities between the Company (as an affiliate of Buyer), Buyer and Buyer's Affiliates simultaneous with or following Closing on the Closing Date outside the ordinary course of business are not transactions "contemplated by this Agreement" and no Taxes resulting from such asset or liability transfers shall be allocated to Pre-Closing Tax Periods or borne by Sellers, provided that the information provided pursuant to Section 2.2(m) is true and correct at Closing.

(h) Resale Certificates. The Company shall provide to Buyer copies of any resale exemption certificates obtained prior to Closing based on its use of the general sale-for-resale exemption, including use of that exemption prior to the date of this Agreement.

6.10 Release of Liability

(a) Effective as of the Closing, each Seller, for and on behalf of himself, herself or itself and his, her or its family members, trustees, beneficiaries, directors, officers, managers, subsidiaries, stockholders, members, partners, Affiliates, successors, assigns, representatives, agents, estate, heirs, executors and administrators (each, including each Seller, a "Releasor"), hereby unconditionally, irrevocably and forever releases, acquits and discharges Buyer, the Company and their respective subsidiaries, officers, directors, members, stockholders, employees, partners, managers, members, agents, attorneys, successors and assigns, and each of their respective Affiliates other than the Releasor (collectively, the "Company Released Parties"), from any and all liabilities, claims, demands, suits, actions, causes of action, contracts, debts, sums of money, commissions, damages and rights whatsoever at law or in equity, now existing or which may hereafter accrue (each, a "Claim") in favor of such Releasor against any of the Company Released Parties relating to, arising out of or in connection with any facts or circumstances relating to the Company which existed on or prior to the Closing, whether known or unknown to such Releasor, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, and including, but not limited to, those based upon, arising out of or in connection with (i) the Releasor's ownership of Purchased Units or other securities of the Company, (ii) the fairness and sufficiency of the consideration set forth in this Agreement for the sale of the Releasor's Purchased Units to Buyer, and (iii) the issuance by the Company of any debt or equity securities, convertible or otherwise, or options, warrants or rights to purchase such securities, to the Releasor and the termination or cancellation thereof; provided, however, that the foregoing release shall not apply to (i) any Claim under this Agreement or any other agreement entered into with Buyer or the Company (and approved in writing by Buyer) in connection with the transactions contemplated hereby or thereby (except any Claim by such Seller relating to the adequacy of the consideration received by such Seller pursuant to this Agreement for the purchase of the Purchased Units owned by such Seller, which Claim such Seller hereby releases and discharges as provided above), (ii) any Claim by a Seller who is also (A) an employee of the Company for accrued but unpaid wages or other accrued but unpaid employee benefits payable in the ordinary course of business and arising from such Sellers' employment with the Company or (B) a director, officer, manager, employee or agent of the Company with respect to any indemnity and exculpation rights relating to service as such and in accordance with Section 6.8, or (iii) with respect to Best

Buy only, any Claim other than Claims to the extent related to Best Buy's ownership of Purchased Units or securities of the Company or to any of its obligations under this Agreement (provided that any Claims arising out of or in connection with any existing commercial agreement between Best Buy, on the one hand, and the Company, Buyer or any of their respective Affiliates, on the other hand, are to be governed by the applicable agreement).

(b) The Releasor hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any action, suit or proceeding of any kind against any Company Released Party based upon, arising out of or in connection with any Released Claim released and discharged as described in Section 6.10(a).

(c) The Releasor represents and warrants that (i) the Releasor has not assigned, transferred, conveyed or otherwise disposed of any interest in any Released Claim and (ii) this Release has been duly and validly executed and delivered by the Releasor and constitutes a valid and binding obligation of the Releasor, enforceable against the Releasor in accordance with its terms. The Releasor understands that Buyer is relying on this Release in connection with the consummation of the transactions under this Agreement, and the Releasor hereby consents to such reliance.

(d) The Releasor understands that the facts in respect of which this Release is made may be other than or different from the facts now known or believed by the Releasor to be true. The Releasor hereby accepts and assumes the risk that said facts, or any of them, may be different from the facts now known or believed by the Releasor to be true. The Releasor agrees that this Release will remain in effect as fully, completely and legally binding, notwithstanding the discovery or existence of any additional or different facts.

6.11 Confidentiality

From and for five (5) years after the Closing Date, each Seller (other than Best Buy) and the Sellers' Representative shall hold, and shall cause their respective Affiliates and Representatives to hold, in confidence any and all information, whether written or oral, concerning the Company or the Business, including any information relating to or connected with customers or suppliers of the Company or the Business, the financial affairs of the Company and the Business, the financial, economic and other terms of the transactions contemplated by this Agreement or any of the other agreements contemplated hereby, and any information delivered to the Sellers or their respective Affiliates or Representatives pursuant to this Agreement or any of the other agreements contemplated hereby, as well as the terms of this Agreement (collectively, "Confidential Information"), except to the extent that such Seller or the Sellers' Representative, as the case may be, can show that such information (a) is generally available to and known by the public without any breach of this Section 6.11 by such Seller, the Sellers' Representative, or any of their Affiliates or their respective Representatives; (b) is lawfully acquired by such Seller, the Seller Representative, or any of their respective Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation; (c) is disclosed with Buyer's prior written approval; (d) is disclosed pursuant to the requirement of a court, administrative agency, or governmental body or in connection with any dispute resolution proceedings between the Parties after the Closing; or (e) is disclosed pursuant to applicable Law. If such Seller or the Sellers' Representative or any of their respective Affiliates or their respective Representatives are compelled to disclose any Confidential Information by judicial or administrative process or by other requirements of Law, such Seller or the Sellers' Representative, as the case may be, shall promptly first notify Buyer in writing and shall disclose only that portion of such information which such Seller or the Sellers' Representative is advised by his, her or its counsel in writing is legally required to be disclosed; provided, however, that if requested by Buyer in writing (and at Buyer's expense), such Seller or the Sellers' Representative shall use his, her or its reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information. In the event of a breach of the obligations hereunder by any Seller or the Sellers' Representative, Buyer, in addition to all other available remedies, shall be entitled to injunctive relief to enforce the provisions of this Section 6.11 in any court of competent jurisdiction. Best Buy will remain subject to all confidentiality obligations pursuant to any agreement in effect between Best Buy and Buyer, the Company or any of their respective Affiliates, including with respect to any Confidential Information regarding the Company.

6.12 Intellectual Property Non-Assertion

The Sellers (other than Best Buy) agree that they and their respective Affiliates shall not, after the Closing Date, assert against the Company, Buyer, any of their respective Affiliates, or any of their employees, contractors, successors or assigns, or with respect to any products or services of such parties, any of such parties' resellers, distributors, OEMs, customers or end users, any Intellectual Property Rights held by any Seller or any of their respective Affiliates as of the Closing Date. Best Buy will remain subject to any obligations not to assert any Intellectual Property Rights contained in any agreements between Best Buy and Buyer, the Company or any of their respective Affiliates.

6.13 Covenant to Support

(a) At any meeting of the Company's board of managers or with respect to any action of the Company's board of managers taken without a meeting, or in any other circumstance upon which any Seller Manager's (as defined below) vote, consent or other approval is sought, such Seller Manager shall vote (or cause its vote to be voted) in approval of this Agreement and the Purchase and against (i) any merger agreement or merger, consolidation, combination, sale of substantial assets, reorganization, recapitalization, dissolution, liquidation or

winding up of or by the Company (other than this Agreement and the Purchase and other than in accordance with this Agreement), (ii) any Acquisition Proposal and (iii) any other proposal or transaction involving the Company (other than in accordance with this Agreement) which would in any manner be reasonably expected to (x) impede, frustrate, or prevent the performance by the Company and the Sellers of their respective obligations under this Agreement or the consummation of the Purchase or (y) change in any manner the voting rights of any class of Company equity. “Seller Manager” means any Seller or who is a member of the Company’s board of managers.

(b) At any meeting of the Company’s members or with respect to any action of the Company’s members taken without a meeting, or in any other circumstance upon which any Seller’s vote, consent or other approval is sought, such Seller shall vote (or cause its votes to be voted) in approval of this Agreement and the Purchase and against (i) any merger agreement or merger, consolidation, combination, sale of substantial assets, reorganization, recapitalization, dissolution, liquidation or winding up of or by the Company (other than this Agreement and the Purchase and other than in accordance with this Agreement), (ii) any Acquisition Proposal and (iii) any other proposal or transaction involving the Company (other than in accordance with this Agreement) which would in any manner be reasonably expected to (x) impede, frustrate, or prevent the performance by the Company and the Sellers of their respective obligations under this Agreement or the consummation of the Purchase or (y) change in any manner the voting rights of any class of Company equity.

6.14 Company LLC Agreement.

Effective as of immediately prior to the Closing (but following the issuance of 42,639 units to Best Buy), each Seller (including, for the avoidance of doubt, Best Buy), together constituting all of the members of the Company and having the authority to waive, amend or otherwise modify any provision of the Company LLC Agreement under Section 18.1 thereof, hereby irrevocably agrees to the following:

(a) any provision of the Company LLC Agreement that (i) is inconsistent with or otherwise not in accordance with the terms and conditions of this Agreement or (ii) would require notice to any Seller or would impose any restriction on any transaction contemplated hereunder shall, in any such case, be waived and shall have no force or effect in connection with the Purchase and the other transactions contemplated under this Agreement, and the Sellers hereby expressly agree that in the event of any conflict between the terms and conditions of the Company LLC Agreement and this Agreement, the terms and conditions set forth in this Agreement shall prevail;

(b) (i) the consideration payable to the Sellers in respect of their equity interests in connection with the Purchase shall be determined solely in accordance with the applicable terms and conditions of this Agreement, including Schedule 1.1 and the Pro Rata Percentages set forth therein, and (ii) any provision of the Company LLC Agreement that is not consistent with the foregoing clause (i) shall be waived and shall have no force or effect in connection with the Purchase and the other transactions contemplated under this Agreement;

(c) all Board Members (as defined in the Company LLC Agreement) shall be deemed to have been removed as a member of the Board of Managers (as defined in the Company LLC Agreement) effective immediately upon the Closing and no reimbursements or other compensation shall be payable to any Board Member from and after the Closing Date;

(d) the rights of any Indemnified Person (as defined in the Company LLC Agreement) and the obligations of the Company pursuant to Section 15.3 of the Company LLC Agreement shall cease and have no further effect; and

(e) Buyer shall automatically be admitted to the Company as the sole Member (as defined in the Company LLC Agreement) and shall thereafter be entitled to amend the Company LLC Agreement by its sole action.

6.15 Further Actions.

Each of the Parties hereto shall use all commercially reasonable efforts to take, or cause to be taken, all appropriate action, and do or cause to be done all things necessary, proper and advisable under applicable Law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the Closing.

ARTICLE 7.

CONDITIONS TO OBLIGATIONS OF THE PARTIES

7.1 Conditions to Each Party’s Obligations.

The respective obligation of each Party to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or written waiver by each Buyer and Sellers’ Representative (on behalf of each Seller)) at or prior to the Closing of the following conditions:

(r) Injunction. There will be no effective injunction, writ or preliminary restraining order or any order of any nature issued by any Governmental Authority of competent jurisdiction to the effect that the transactions contemplated by this Agreement may not be consummated as provided in this Agreement, no proceeding or lawsuit will have been commenced by any Governmental Authority for the purpose of obtaining any such injunction, writ or preliminary restraining order and no written notice will have been received from any Governmental Authority indicating an intent to restrain, prevent, materially delay or restructure the transactions contemplated by this Agreement; and

(s) Governmental Consents and Approvals. The consents and approvals disclosed in Schedule 3.5 of the Disclosure Schedules shall have been obtained.

7.2 Conditions to Obligations of the Sellers and the Company.

The obligations of the Sellers and the Company to consummate the transactions contemplated by this Agreement are further subject to the satisfaction (or written waiver by the Sellers' Representatives on behalf of the Sellers and the Company) at or prior to the Closing of the following conditions:

(p) **Representations and Warranties.** The representations and warranties of Buyer contained in Article 5 that are qualified by materiality shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date (except for representations and warranties that speak as of a specific date prior to the Closing Date, in which case such representations and warranties shall be true and correct as of such earlier date) and the representations and warranties of Buyer contained in Article 5 that are not qualified by materiality shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date (except for representations and warranties that speak as of a specific date prior to the Closing Date, in which case such representations and warranties shall be true and correct as of such earlier date);

(q) **Performance of Obligations.** Buyer shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Closing pursuant to the terms hereof;

(r) **Buyer Officer's Certificate.** An authorized officer of Buyer shall have executed and delivered to the Company a certificate (the "**Buyer Closing Certificate**") as to compliance with the conditions set forth in Sections 7.2(a) and 7.2(b) hereof; and

(s) **Closing Deliverables.** Buyer shall have delivered duly executed copies of the certificates, documents, instruments, and agreements to be delivered by it pursuant to Section 2.3 above.

7.3 Conditions to Obligations of Buyer.

The obligations of Buyer to consummate the transactions contemplated by this Agreement are further subject to the satisfaction (or written waiver by it) at or prior to the Closing of the following conditions:

(a) **Representations and Warranties.** The representations and warranties of the Company contained in Article 3 and the representations and warranties of the Sellers contained in Article 4 that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date (except for representations and warranties that speak as of the specific date prior to the Closing Date, in which case such representations and warranties shall be true and correct as of such earlier date) and the representations and warranties of the Company contained in Article 3 and the representations and warranties of the Sellers contained in Article 4 that are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date (except for representations and warranties that speak as of the specific date prior to the Closing Date, in which case such representations and warranties shall be true and correct as of such earlier date);

(b) **Performance of Obligations.** The Company and the Sellers shall have performed in all material respects their respective obligations under this Agreement required to be performed by them at or prior to the Closing pursuant to the terms hereof;

- (c) Company's Officer's Certificate. An authorized officer of the Company shall have executed and delivered to Buyer a certificate (collectively, the "Company's Closing Certificate") as to the Company's compliance with the conditions set forth in Sections 7.3(a) and 7.3(b);
- (e) Sellers' Certificate. The Sellers' Representative shall have executed and delivered to Buyer a certificate (the "Sellers' Closing Certificate") as to the Sellers' compliance with the conditions set forth in Sections 7.3(a) and 7.3(b);
- (e) No Material Adverse Effect. Since the date of this Agreement, there shall have not occurred a Material Adverse Effect.
- (f) Closing Deliverables. The Sellers and the Company shall have delivered duly executed copies of the certificates, documents, instruments, and agreements to be delivered by each of them pursuant to Section 2.2 above; provided that such receipt shall not be deemed to be an agreement by Buyer that the amounts set forth on any of such certificates, documents, instruments, and agreements set forth in Section 2.2 is accurate and shall not diminish Buyer's remedies hereunder if any of the foregoing certificates, documents, instruments, and agreements is not accurate.
- (g) Non-Competition Agreements. None of the Non-Competition Agreements shall have been rescinded or terminated, and each such Non-Competition Agreement shall become effective as of the Closing.
- (h) Employment Agreements. None of the Employment Agreements (including non-competition clauses, as applicable, and customary confidentiality and assignment of inventions agreements) shall have been rescinded or terminated, and each such Employment Agreement shall become effective as of the Closing.
- (i) Employee Offer Letters. At least 50% of the Company's employees shall have executed offer letters (including customary confidentiality and assignment of inventions agreements) for employment with Buyer or one of its Affiliates effective as of the Closing.
- (j) Best Buy Warrant. (i) The Company and Best Buy shall have executed (prior to the signing of this Agreement) the Best Buy Agreement attached hereto as Exhibit E, and pursuant to which 42,639 Class A Units shall have been issued to Best Buy immediately prior to the Closing and Best Buy shall become a party to this Agreement as a Seller, and (ii) Best Buy shall have executed and delivered this Agreement as a Seller. The Best Buy Agreement shall not have been rescinded or terminated.
- (k) Stifel Letter. The Stifel Letter shall have been amended in a form acceptable to Buyer in its sole discretion to provide that effective immediately prior to the Closing (i) the Company ceases to be a party to the Stifel Letter, (ii) the Sellers shall be the counterparties to Stifel under the Stifel Letter and shall be liable for any liabilities and obligations arising thereunder and (iii) neither Buyer nor any of its Affiliates (including the Company) shall have any liability or obligation under the Stifel Letter.

ARTICLE 8.

TERMINATION

8.1 Termination

This Agreement may be terminated at any time at or prior to the Closing (the "Termination Date") according only to the following:

(a) in writing, by mutual consent of Buyer and the Sellers' Representative (on behalf of the Sellers);

(b) by Buyer (provided that Buyer is not then in material breach of any of its obligations under this Agreement and none of the representations and warranties of Buyer have become untrue, in each case in such a manner as would result in Section 7.2(a) or 7.2(b) not being satisfied) if there has been a material breach of any representation, warranty, covenant or other agreement made by the Company or the Sellers in this Agreement, in each case which breach (i) would result in Section 7.3(a) or Section 7.3(b) not being satisfied (a “Terminating Company Breach”) and (ii) shall not have been cured within twenty (20) days after written notice from Buyer of such Terminating Company Breach is received by the Company and the Sellers' Representative (on behalf of the Sellers) (such notice to describe such Terminating Company Breach in reasonable detail), or which breach, by its nature, cannot be cured prior to the Outside Date;

(c) by the Sellers' Representative (provided that none of the Company or the Sellers is then in material breach of any of their respective obligations under this Agreement and none of the representations and warranties of the Sellers or the Company have become untrue, in each case in such a manner as would result in Section 7.2(a) or Section 7.2(b) not being satisfied) if there has been a material breach of any representation, warranty, covenant or other agreement made by Buyer in this Agreement, or any such representation and warranty shall have become untrue or inaccurate after the date of this Agreement, in each case which breach (i) would result in Section 7.2(a) or 7.2(b) not being satisfied (a “Terminating Buyer Breach”) and (ii) shall not have been cured within twenty (20) days after written notice from the Sellers' Representative of such Terminating Buyer Breach is received by Buyer (such notice to describe such Terminating Buyer Breach in reasonable detail), or which breach, by its nature, cannot be cured prior to the Outside Date; or

(d) by written notice by Buyer or the Sellers' Representative (on behalf of the Sellers and the Company) if the Closing has not occurred on or prior to the date that is one hundred and twenty (120) days after the date hereof (the “Outside Date”), for any reason other than nonperformance by the Party seeking such termination of its obligations under this Agreement.

8.2 Procedure and Effect of Termination

In the event of the termination of this Agreement and the abandonment of the transactions contemplated hereby pursuant to Section 8.1, written notice thereof shall forthwith be given by the Party so terminating to the other Parties, and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned without further action by any Party. If this Agreement is terminated pursuant to Section 8.1:

(a) each Party shall (i) redeliver all documents, work papers and other materials of the other Party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the Party furnishing the same or (ii) destroy all such documents, work papers and other materials of the other Party and deliver notice to such Party that such destruction has been completed, in each case in accordance with the requirements of the Confidentiality Agreement;

(b) all filings, applications and other submissions made pursuant hereto shall, at the option of the Parties, and to the extent practicable, be withdrawn from the agency or other Person to which made;

(d) there shall be no liability or obligation hereunder on the part of the Company, any Seller, Buyer or any of their respective directors, officers, employees, Affiliates, agents or representatives,

except that (i) if the basis of termination is a material breach by the Company, by Seller, or by Buyer, as the case may be, of one or more of the provisions of this Agreement, then the breaching Party shall be liable to the non-breaching Party, and (ii) the obligations provided for in this Section 8.2 and Sections 6.4 (Public Announcements), 9.4 (Liability Limits), 10.4 (Severability), 10.5 (Notices), 10.8 (Expenses), 10.14 (Governing Law), and 10.16 (Consent to Jurisdiction) hereof, and the obligations in the Confidentiality Agreement, shall each survive any such termination; and

(d) notwithstanding the foregoing, if the Closing does not occur (and including if this Agreement is terminated for any reason) (i) to the extent that any Seller or the Company have any liability or obligation to Buyer, Buyer's sole recourse with respect to any such liability shall be to the Company, and (ii) no recourse hereunder or under any documents or instruments delivered in connection herewith may be made against any Seller or any officer, agent or employee of Buyer or any Seller or any direct or indirect holder of any equity interests or securities of Buyer or any Seller, any Affiliate of Buyer or any Seller, or any direct or indirect director, officer, employee, partner, affiliate, member, controlling person or representative of any of the foregoing. From and after the Closing, the liabilities and obligations of the Sellers to Buyer shall be in accordance with Article 9 hereof. Notwithstanding any of the foregoing, nothing contained in this Agreement shall relieve any Party from liability for fraud or for any willful and intentional breach of this Agreement.

ARTICLE 9. **INDEMNIFICATION**

9.1 Indemnification by the Sellers .

(t) Subject to the terms and conditions of this Article 9 and Section 6.9, the Sellers (the "Indemnifying Parties") shall severally, based on their respective applicable Pro Rata Percentages in effect at such time as indicated on Schedule 1.1, and not jointly and severally, defend, indemnify and hold harmless Buyer and the Company (following the Closing) and their respective members, stockholders, officers, managers, directors, employees, Affiliates, equityholders, successors and permitted assigns (the "Buyer Indemnified Parties") from and against any losses, liabilities, Taxes, damages, costs, claims, judgments and expenses, including reasonable attorneys', consultants' and experts' fees and expenses, whether involving a Third-Party Claim or a claim solely between the parties (each, a "Loss" and collectively, the "Losses"), arising out of or resulting from:

(i) any breach or inaccuracy of any representation, warranty or certification made by the Company in this Agreement or in any certificate or other document required to be delivered to Buyer in accordance with this Agreement; provided that the determination of the amount of Losses arising out of, related to or resulting from the failure of any such representation, warranty or certification to be true and correct, in each case, will be made as if "material," "in all material respects," "Material Adverse Effect" or similar terms were not included therein;

(ii) any breach or nonperformance prior to the Closing Date of any covenant, agreement or undertaking made by the Company in this Agreement or in any certificate or other document required to be delivered to Buyer in accordance with this Agreement;

(iii) any Indemnified Tax;

(iv) any Company Expenses, Change of Control Payments, Transaction Bonus Payments and/or Company Closing Indebtedness other than any such items that are taken into account in the calculation of the Closing Date Payment or the Final Closing Working Capital;

- (v) any Equityholder Claim;
- (vi) any matter identified on Schedule 9.1(a)(vi); and
- (vii) fraud by the Company.

(u) Subject to the provisions of this Article 9, from and after the Closing, each Seller shall severally, and not jointly and severally, defend, indemnify and hold harmless each of the Buyer Indemnified Parties from, against and in respect of any and all Losses arising out of:

(iv) any breach or inaccuracy of any representation, warranty or certification made by such Seller (and only by such Seller) in Article 4 or in any certificate or other document required to be delivered to Buyer in accordance with this Agreement (only to the extent such certificate or other document relates to any representation, warranty or certification of such Seller); and

(v) any breach or nonperformance of any covenant, agreement or undertaking made by such Seller (and only by such Seller) in this Agreement or in any certificate or other document required to be delivered to Buyer in accordance with this Agreement (only to the extent such certificate or other document relates to any covenant, agreement or undertaking of such Seller).

The Losses of the Buyer Indemnified Parties described in this Section 9.1 as to which the Buyer Indemnified Parties are entitled to indemnification are collectively referred to as “Buyer Losses”. No Buyer Indemnified Party’s rights under this Article 9 will be adversely affected by any investigation conducted, or any knowledge acquired or capable of being acquired, by such Buyer Indemnified Party at any time, whether before or after the execution or delivery of this Agreement or the Closing, or by the waiver of any condition to Closing. No Buyer Indemnified Party will be required to show reliance on any representation, warranty, certificate or other agreement in order for such Indemnified Person to be entitled to indemnification hereunder. No Indemnifying Party will have any right of contribution, right of indemnity or other right or remedy against Buyer or the Company in connection with any indemnification obligation or any other liability to which such Indemnifying Party may become subject under or in connection with this Agreement.

9.2 Indemnification Procedure

(a) Promptly after receipt by any Buyer Indemnified Party of written notice from a Third Party of a threatened in writing or filed complaint, or the threatened or actual commencement of any audit, investigation, action or proceeding (a “Third-Party Claim”) with respect to which such Buyer Indemnified Party may be entitled to indemnification hereunder, such Buyer Indemnified Party shall provide written notification to the Sellers’ Representative (on behalf of the Sellers) within ten (10) Business Days after such Buyer Indemnified Party has received written notice of such Third-Party Claim; provided, however, that the failure to so notify the Sellers’ Representative shall not relieve the Indemnifying Parties from liability under this Agreement with respect to such claim except to the extent that such failure to notify the Sellers’ Representative materially prejudices the Indemnifying Parties with respect to such claim. The Sellers’ Representative on behalf of the Indemnifying Parties shall have the right, upon written notice delivered to the Buyer Indemnified Party within thirty (30) days thereafter, to assume the defense of such Third-Party Claim, including the engagement of counsel reasonably satisfactory to the Buyer Indemnified Party and the payment of the fees and disbursements of such counsel; provided that (A) any such assumption of a claim by the Sellers’ Representative on behalf of the Indemnifying Parties shall conclusively establish for purposes of this Agreement that such Third-Party Claim is within the scope of and subject to indemnification under Article 9 and (B) the Indemnifying Party shall have no such right to assume the defense of any Third-Party

Claim that (i) involves non-monetary relief including any injunctive or other equitable relief against the Buyer Indemnified Party, (ii) asserts a criminal violation against the Buyer Indemnified Party or is a civil or administrative proceeding brought by a Governmental Authority or relates to such a proceeding, (iii) seeks an amount of Losses in cash in excess of the amount of the Indemnity Escrow Funds available at such time, (iv) seeks any intellectual property license, Encumbrance or royalties or alleges infringement by the Company of such third party's intellectual property, (v) relates to Tax matters, and/or (vi) relates to the present or future material business operations of Buyer, the Business or the Jaybird Product Category. If the Indemnifying Parties decline or fail to assume the defense of such Third-Party Claim within such thirty (30) day period, however, the Buyer Indemnified Party may engage counsel to represent or defend it in any such Third-Party Claim and, if such Third-Party Claim is a matter with respect to which the Buyer Indemnified Party is entitled to receive payment from the Indemnifying Parties for the Loss in question, the Indemnifying Parties will pay the reasonable fees and disbursements of such counsel as incurred; provided, however, that the Indemnifying Parties will not be required to pay the fees and disbursements of more than one counsel for all Buyer Indemnified Parties in any jurisdiction in any single Third-Party Claim unless the Indemnifying Parties have assumed the defense of such claim and the Buyer Indemnified Party reasonably concludes, based upon the written opinion of independent outside counsel, that the Indemnifying Parties and the Buyer Indemnified Party have actual conflicting interests with respect to such Third-Party Claim, in which case the reasonable fees and expenses of one counsel to the Buyer Indemnified Party solely in connection therewith shall be borne by the Indemnifying Parties to the extent constituting indemnifiable Losses under this Article 9. In any Third-Party Claim with respect to which indemnification is being sought hereunder, the Buyer Indemnified Party or the Indemnifying Party, whichever is not assuming the defense of such action, shall have the right to participate in such matter and to retain its own counsel at such Party's own expense. The Indemnifying Party or the Buyer Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the Indemnifying Party or the Buyer Indemnified Party, as the case may be, reasonably apprised of the status of any matter the defense of which they are maintaining and to cooperate in good faith with each other with respect to the defense of any such matter.

(b) No Indemnifying Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Buyer Indemnified Party unless such settlement or compromise (x) completely, finally and unconditionally releases the Buyer Indemnified Party from all liability with respect to such Third-Party Claim and would not otherwise adversely affect the Buyer Indemnified Party in any material respect, (y) results in no finding or admission of any violation of Law by the Buyer Indemnified Party or any violation of the rights of any Person and would not have any adverse effect on any other claims that may be made against the Buyer Indemnified Party and (z) solely involves the payment of money which the Indemnifying Parties shall fund in full. In the event the Indemnifying Parties have not assumed the defense of the Third-Party Claim pursuant to Section 9.2(a), the Buyer Indemnified Party may settle or compromise such Third-Party Claim in its discretion.

(c) If a Buyer Indemnified Party claims a right to an indemnification payment pursuant to this Article 9, such Buyer Indemnified Party shall send written notice of such claim to the Sellers' Representative on behalf of the Indemnifying Party and shall provide a copy of such notice to the Escrow Agent. Such notice shall specify in reasonable detail the basis for such claim and the estimated amount of Losses arising from the claim. From and after receipt of such claim notice, the Sellers' Representative shall have a period of thirty (30) days to deliver to the Buyer Indemnified Party a response, in which the Seller's Representative shall (i) agree that the Buyer Indemnified Party is entitled to receive all or any portion of the requested Losses (in which case the response shall be accompanied by written notice to the Escrow Agent executed by the Sellers' Representative on behalf of the Sellers and by Buyer, instructing the Escrow Agent to release any relevant amount of the Indemnity Escrow Funds to Buyer in accordance with the terms of

such memorandum) or (ii) dispute that the Buyer Indemnified Party is entitled to receive all or some portion of the requested Losses. If no such response is received by Buyer from Sellers' Representative within such thirty (30)-day period, then the amount of Losses claimed by Buyer as set forth in its notice shall be deemed established for purposes of this Agreement and the Escrow Agreement and, at the end of such thirty (30)-day period, Buyer and the Sellers' Representative agree that the Escrow Agent shall pay to Buyer or its designee the amount claimed in the Buyer's notice from the Escrow Fund or otherwise. If the Indemnifying Party disputes any claim or claims made in the claim notice, the Buyer Indemnified Party shall have thirty (30) days to respond in a written statement to the objection of the Indemnifying Party. If the Indemnifying Party disputes only a portion of the amount of the claim or claims made in the claim notice, the amount of Losses claimed by Buyer with respect to the undisputed portion of such claim or claims as set forth in its notice shall be deemed established for purposes of this Agreement and the Escrow Agreement and Buyer and the Sellers' Representative agree that the Escrow Agent shall promptly pay to Buyer or its designee such undisputed amount claimed in the Buyer's notice from the Escrow Fund or otherwise. If, after such thirty (30) day period there remains a dispute as to any claims, the Buyer Indemnified Party and the Indemnifying Party shall attempt in good faith for thirty (30) days to agree upon the rights of the respective parties with respect to each of such claims. If the Buyer Indemnified Party and the Indemnifying Party should so agree, a memorandum setting forth such final agreement shall be prepared and signed by Buyer and the Sellers' Representative and such memorandum shall be delivered to the Escrow Agent and the Escrow Agent shall be entitled to rely on any such memorandum for the release of any of the Indemnity Escrow Funds to Buyer in accordance with the terms of such memorandum. If no agreement can be reached after good-faith negotiation between the parties, either Buyer or the Sellers' Representative may initiate formal legal action with the applicable court in accordance with Section 10.16 to resolve such dispute. The decision of the court as to the validity and amount of any claim shall be binding and conclusive upon the Parties to this Agreement, and the Parties (and, if applicable, the Escrow Agent) shall be entitled to act in accordance with such decision.

9.3 Claims Period.

The Claims Period hereunder shall begin on the date hereof and terminate as follows:

(a) with respect to Buyer Losses arising under (i) Section 9.1(a)(i) with respect to any breach or inaccuracy of any representation or warranty set forth in Section 3.1 (Organization; Power), Section 3.2 (Capitalization), Section 3.3 (No Subsidiaries), Section 3.4 (Authority Relative to this Agreement), Section 3.12 (Taxes) and Section 3.17 (Brokers and Finders) or as set forth under Section 9.1(b)(i) with respect to any breach or inaccuracy of any representation or warranty in Section 4.1 (Authority Relative to this Agreement), Section 4.4 (Purchased Units) or Section 4.5 (Brokers and Finders) (collectively, the "Fundamental Representations"), the Claims Period shall survive the Closing until thirty (30) days following the expiration of the applicable statutes of limitations; (ii) Section 9.1(a)(i) with respect to any breach or inaccuracy of any representation or warranty set forth in Section 3.15 (Intellectual Property Rights) (the "IP Representations"), the Claims Period shall survive the Closing until the date that is three (3) years following the Closing Date; and (iii) Sections 9.1(a)(ii), (iii), (iv), (v), (vi) and (vii) and Section 9.1(b)(ii), the Claims Period shall survive the Closing until thirty (30) days following the expiration of the applicable statutes of limitations; and

(b) with respect to Buyer Losses arising under Sections 9.1(a)(i) and 9.1(b)(i) (other than with respect to Buyer Losses arising with respect to any breach or inaccuracy of any of the Fundamental Representations, IP Representations or for fraud), the Claims Period shall terminate as of the date that is twenty-four (24) months following the Closing Date.

No claim for indemnification can be made after the expiration of the applicable Claims Period; provided, however, if prior to the close of business on the last day of the Claims Period, an Indemnifying Party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

9.4 Liability Limits

Notwithstanding anything to the contrary set forth in this Agreement, but subject to the remainder of this Article 9, the Sellers' obligation to indemnify, defend and hold the Buyer Indemnified Parties harmless shall be limited as follows:

(a) except in the case of fraud and except in the case of any claim in respect of a Fundamental Representation or IP Representation, no indemnity shall be payable pursuant to Section 9.1(a)(i) unless and until the Buyer Indemnified Parties shall have suffered Buyer Losses in excess of [***] in the aggregate (the "Threshold Amount"), and in which case the Buyer Indemnified Parties shall be entitled to recover the full amount of such Threshold Amount of Buyer Losses;

(b) in no event shall (i) the maximum aggregate indemnification amount required to be paid by the Sellers pursuant to Section 9.1(a)(i) (except in the case of fraud and with respect to breaches or inaccuracies of Fundamental Representations or IP Representations pursuant to Section 9.1(a)(i)) exceed the amount of the Indemnity Escrow Funds (the "Cap"), (ii) the maximum aggregate indemnification amount required to be paid by the Sellers pursuant to Section 9.1(a)(i) (except in the case of fraud) with respect to breaches or inaccuracies of the IP Representations exceed [***] and (iii) the maximum aggregate amount for which Sellers will be liable under this Agreement (except in the case of fraud) with respect to all matters exceed the amount of the Purchase Price (including the Indemnity Escrow Amount), or with respect to any particular Seller's breach or inaccuracy, such Seller's Pro Rata Percentage of the Purchase Price (including such Seller's Pro Rata Percentage of the Indemnity Escrow Amount) (such amounts, as applicable, the "Indemnification Cap"); provided that claims for fraud shall not be limited in any way, except that in the case of any claim of fraud of any Seller, the Buyer Indemnified Party may seek uncapped recovery against such Seller only, and in the case of fraud by the Company, the Buyer Indemnified Party may seek recovery only against all Sellers other than Best Buy in accordance with each such Seller's Pro Rata Percentage adjusted to redistribute the Pro Rata Percentage of Best Buy among the other Sellers (such that, for the avoidance of doubt, the Buyer Indemnified Party is entitled to recover the full amount of any such claim from the Sellers other than Best Buy);

(c) (i) the liability of each Seller with respect to Buyer Losses arising under Section 9.1(a) shall be several, and not joint, based on such Seller's relative Pro Rata Percentage and (ii) no Seller shall have any liability for Buyer Losses arising under Section 9.1(b) except to the extent such Seller has made the representation, warranty or certification in Article 4 or any applicable certificate or made the covenant, agreement or undertaking in this Agreement or any applicable certificate, under which such Buyer Losses arise, and in the event that any representation, warranty, covenant or agreement of a particular Seller is breached in Article 4 or the applicable certificate, only the breaching Seller shall be liable to Buyer for Losses resulting from such breach;

(d) notwithstanding anything set forth herein to the contrary, but subject to the provisions in Section 9.4(c), any indemnification obligation of a Seller under this Agreement shall be satisfied by each Seller in accordance with such Seller's Pro Rata Percentage of Buyer Losses;

(e) for purposes of computing the aggregate amount of indemnifiable claims against any Indemnifying Party, the amount of each claim for Losses by a Buyer Indemnified Party shall be deemed to be an amount equal to, and any payments by the Indemnifying Party shall be limited to, the amount of such Losses that remain after deducting therefrom any Third Party insurance proceeds actually recovered from any Third Party with respect thereto and any indemnity, contributions or other similar payment actually recovered from any Third Party with respect thereto;

(f) the amount of indemnity payable pursuant to Section 9.1 with respect to any Buyer Loss shall be reduced to the extent such Buyer Loss is included as a specifically identified Current Liability in the final statement of Closing Working Capital;

(g) except in the case of fraud, no Indemnifying Party shall be required to indemnify any Person for punitive, special or exemplary damages, except to the extent actually paid in connection with a Third-Party Claim;

(h) any Buyer Indemnified Party that becomes aware of a Loss for which it seeks indemnification under this Article 9 shall act in a commercially reasonable manner to mitigate such Loss in accordance with applicable Law;

(i) in any case where a Buyer Indemnified Party recovers from any Third Party any amount in respect of a matter with respect to which the Sellers have previously indemnified a Buyer Indemnified Party pursuant to this Agreement, such Buyer Indemnified Party shall promptly pay over to the Sellers' Representative (on behalf of the Sellers) the amount so recovered (net of any deductibles, costs of recovery and increase in premium payments); and

(j) any indemnity payment under this Agreement shall be treated as an adjustment to the Purchase Price for U.S. federal

income Tax purposes.

9.5 Right of Offset

In accordance with Section 1.7(e), Buyer, in its sole discretion, is entitled to offset on a dollar-for-dollar basis from any Earnout Payment otherwise payable by Buyer pursuant to Section 1.7 any amounts owed to any Buyer Indemnified Party by the Sellers in their capacity as the Indemnifying Parties under Article 9.

9.6 Exclusive Remedies

Following the Closing, and other than claims for fraud, the provisions of Section 6.9, Article 9 and Article 10 (including Section 10.15 thereof) hereof set forth the exclusive rights and remedies of the Parties to seek or obtain damages or any other remedy or relief whatsoever from any Party with respect to matters arising under or in connection with this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing, this Section 9.6 shall not (i) operate to interfere with or impede the operation of the provisions of Section 1.3 and Section 1.7 providing for the resolution of certain disputes by the Independent Accounting Firm, (ii) limit the rights of Buyer (or any applicable Affiliate of Buyer) or any Buyer Indemnified Party to offset Earnout Payments under Section 1.7(e), Section 1.3(f) and Section 9.5, (iii) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief) or (iv) limit any remedies or recourse with respect to any claims for fraud. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law, except as otherwise provided herein.

ARTICLE 10. MISCELLANEOUS PROVISIONS

10.1 Amendment, Waiver and Modification

No amendment, waiver or modification or addition to this Agreement will be valid or effective unless the same is in writing and signed by both Buyer and the Sellers' Representative.

10.2 Extension; Waiver

The Party entitled to the benefit of any respective term or provision of this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other Parties to this Agreement or (b) waive compliance with any obligation, covenant or agreement of the other Parties contained in this Agreement. Any agreement with regard to any such extension or waiver will be valid only if set forth in an instrument in writing by the Party granting such extension or waiver. A waiver or failure to enforce any of the terms or provisions of this Agreement will not in any way affect, limit or waive any Party's rights at any time to enforce strict compliance thereafter with every other term and provision of this Agreement nor will it effect in any way any prior or subsequent breach or default.

10.3 Entire Agreement; Assignment

This Agreement (along with the Escrow Agreement and the Confidentiality Agreement) constitutes the exclusive, final and entire agreement among the Parties with regard to the subject matter hereof (other than pursuant to the Confidentiality Agreement) and supersedes all other contemporaneous and prior agreements and understandings, whether written or oral, express or implied, among the Parties with regard to the subject matter hereof. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned by operation of law or otherwise by any Party without the prior written consent of Buyer and the Sellers' Representative; provided that Buyer may assign its rights and obligations hereunder to an Affiliate thereof. This Agreement will be binding upon and inure to the benefit of the Parties named in this Agreement and their respective successors and permitted assigns.

10.4 Severability

The provisions of this Agreement will be deemed severable, and if any provision of this Agreement is determined to be illegal or invalid under applicable Law, such provision may be changed to the extent reasonably necessary to make the provision, as so changed, legal, valid and binding. If any provision of this Agreement is determined to be illegal or invalid in its entirety, such illegality or invalidity will have no effect on the other provisions of this Agreement, which will remain valid, operative and enforceable.

10.5 Notices

Any notice or other communication required or permitted to be given under this Agreement will be sufficient if it is in writing, sent to the applicable address set forth below (or as otherwise specified by any Party by notice to the other Parties in accordance with this Section 10.5) and delivered personally, mailed by certified or registered first-class mail, sent by recognized overnight courier, postage prepaid and will be deemed given (a) when so delivered personally, (b) if mailed by certified or registered first-class mail, three (3) Business Days after the date of mailing, or (c) if sent by recognized overnight delivery, one business day after the date of sending.

If to the Sellers or the Sellers' Representative, to:

Jaybird, LLC
3676 W. California Ave., Suite A100
Salt Lake City, Utah 84104
Attention: Judd Armstrong
Telephone: [***]
E-mail: [***]

With a copy (which shall not constitute notice), to:

Parr Brown Gee & Loveless
101 South 200 East, Suite 700
Salt Lake City, Utah 84111
Attention: Seth King
Telephone: (801) 532-7840
E-mail: sking@parrbrown.com

If to Buyer, and to the Company after Closing, to:

Logitech Europe S.A.
EPFL - Quartier de l'Innovation
Daniel Borel Innovation Center
1015 Lausanne, Switzerland
Attn: Francois Stettler, Associate General Counsel

With a copy (which shall not constitute notice), to:

Logitech International, S.A.
c/o Logitech Inc.
7700 Gateway Blvd.
Newark, CA 94560
Attn: Bryan Ko, General Counsel

O'Melveny & Myers LLP
Two Embarcadero Center, 28th Floor
San Francisco, CA 94111-3823
Attention: C. Brophy Christensen
Telephone: (415) 984-8700
E-mail: bchristensen@omm.com

10.6 Section Headings.

The Section headings in this Agreement are inserted for convenience of reference only and are not intended to be part, or to affect the meaning or interpretation, of this Agreement.

10.7 Counterparts; Delivery by Facsimile or PDF .

This Agreement may be executed in a number of counterparts (including by means of telecopied signature pages or signature pages delivered by electronic transmission in portable document format (pdf)), each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission in pdf, will be treated in all manner and respects as an original agreement or instrument and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party hereto or to any such agreement or instrument, each other Party hereto or thereto will re-execute original forms thereof and deliver them to all other Parties. No Party hereto or to any such agreement or instrument will raise the use of a facsimile machine or electronic transmission in pdf to deliver a signature, or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic transmission in pdf, as a defense to the formation of a contract and each such Party forever waives any such defense, except to the extent such defense related to lack of authenticity.

10.8 Expenses .

Except as specifically provided herein, the Sellers will pay their own expenses and the expenses of the Company in connection with the negotiation, execution and performance of this Agreement, the transactions contemplated by this Agreement and all things required to be done in connection with this Agreement, including attorneys' fees, brokerage or financial advisor fees, filing fees and accounting fees. The expenses of Buyer in connection with the negotiation, execution and performance of this Agreement, the transactions contemplated by this Agreement and all things required to be done in connection with this Agreement, including attorneys' fees, brokerage or financial advisor fees, filing fees and accounting fees, shall be paid by Buyer.

10.9 Incorporation of Annexes, Exhibits and Schedules .

The Annexes hereto, the Exhibits hereto and all Schedules referred to in this Agreement are specifically incorporated into this Agreement by reference.

10.10 Parties .

With the exception of the parties to this Agreement, there will exist no right of any Person to claim a beneficial interest in this Agreement or any rights occurring by virtue of this Agreement, other than the Buyer Indemnified Parties (to the extent not a Party hereto) and their respective permitted successors and assigns.

10.11 No Construction Against Drafter .

The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. This Agreement is being entered into between competent Persons, who are experienced in business and represented by counsel, and has been reviewed by the Parties and their counsel. Therefore, any ambiguous language in this Agreement will be construed as if drafted collectively by the Parties hereto and no presumption or burden of proof will arise favoring or disfavoring any Party hereto by virtue of the authorship of any of the provisions of this Agreement.

10.12 Further Assurances .

From time to time after the date of this Agreement, without further consideration (except for the reimbursement of reasonable out-of-pocket expenses and costs), the Parties will cooperate with each other and will execute and deliver such documents to the other Parties as such other Parties may reasonably request to carry out any of the transactions contemplated by this Agreement.

10.13 Appointment of Sellers' Representative .

(a) Each of the Sellers hereby irrevocably appoints the Person designated from time to time as its true and lawful attorney-in-fact, to act as its representative (the "*Sellers' Representative*") under this Agreement and, as such, to act as such Seller's agent (with full power of substitution) to take any action on such Seller's behalf with respect to all matters relating to this Agreement, the Escrow Agreement and the transactions contemplated hereby, subject to the limitations set forth in Section 10.13(d) below. Judd Armstrong is hereby appointed and hereby accepts appointment as the initial Sellers' Representative (the "*Initial Representative*"). Each Seller acknowledges that the appointment of the Initial Representative as Sellers' Representative herein is coupled with an interest and may not be revoked. The Initial Representative accepts its appointment and authorization to act as attorney-in-fact and agent of the Sellers.

(b) The Initial Representative will serve as the Sellers' Representative until the earlier of its resignation or removal (with or without cause) by Sellers holding a majority of the Purchased Units (directly or indirectly) as of the date hereof (a "*Majority of the Sellers*"). Upon the resignation or removal of the Initial Representative, a Majority of the Sellers will select a new Sellers' Representative who may resign or be removed or replaced (with or without cause) by a Majority of the Sellers. Each time a new Sellers' Representative is appointed

pursuant to this Agreement, such representative will accept such position in writing.

(c) A Majority of the Sellers will notify Buyer promptly in writing of each change of the Sellers' Representative. Until Buyer receives the foregoing written notice, Buyer will be entitled to assume that the Person acting as the Sellers' Representative is still the duly authorized Sellers' Representative. Buyer will be entitled to rely upon as being binding upon each Seller any agreement, document, certificate or other instrument executed by the Sellers' Representative in accordance with the terms of this Agreement, and Buyer will not be liable to any Seller for any action taken or omitted to be taken in such reliance, or otherwise in reliance upon the instructions or directions given, or actions taken, by the Sellers' Representative that are contemplated or permitted to be given or taken thereby by the terms of this Agreement. In all matters arising under this Agreement, the Sellers' Representative may rely on the advice of counsel, and the Sellers' Representative will not be liable to anyone for anything done, omitted, or suffered in good faith, by the Sellers' Representative based on such advice of counsel.

(d)

(i) In furtherance of the appointment of Sellers' Representative herein made, each Seller, fully and without restriction (other than the limitations set forth in Section 10.13(d)(ii) below): (i) agrees to be bound by all notices received and agreements and determinations made by and documents executed and delivered by Sellers' Representative under this Agreement and (ii) grants Sellers' Representative unlimited authority and power to (A) deliver to Buyer all certificates and documents to be delivered to Buyer by the Sellers pursuant to this Agreement, together with any certificates and documents executed by the Sellers and deposited with the Sellers' Representative for such purpose, (B) dispute or refrain from disputing any claim made by Buyer under this Agreement or the Escrow Agreement, (C) negotiate and compromise any dispute which may arise under this Agreement or the Escrow Agreement, (D) pay any amounts due Buyer under this Agreement, (E) exercise or refrain from exercising any remedies available to the Sellers under this Agreement, (F) sign any releases or other documents with respect to any such dispute or remedy under this Agreement (provided that such releases or other documents that have a material and disproportionate effect on Best Buy (in relation to the other Sellers) shall require the consent of Best Buy, not to be unreasonably withheld or delayed), (G) waive any condition contained in this Agreement, (H) give such instructions

and do such other things and refrain from doing such other things as Sellers' Representative, in its sole discretion, deems necessary or appropriate to carry out the provisions of this Agreement or the Escrow Agreement, (I) receive all amounts payable by Buyer to Sellers hereunder on behalf of the Sellers and, subject to clauses J, K and L below, pay to each Seller such Seller's applicable Pro Rata Percentage of such amounts, (J) pay out of funds coming into the hands of the Sellers' Representative from Buyer, all closing expenses of Sellers, (K) retain such counsel, accountants and other professional advisors as the Sellers' Representative reasonably deems necessary to assist it in the performance of its duties hereunder and pay the fees, costs and expenses thereof out of the funds coming into the hands of the Sellers' Representative, including out of the Indemnity Escrow Funds upon any distribution thereof to the Sellers, and (L) retain out of funds coming into the hands of the Sellers' Representative from Buyer such amounts as the Sellers' Representative, in its sole discretion, deems appropriate to be held as reserves for expected or potential future expenses or liabilities of the Sellers hereunder and pay such amounts to such parties as it deems appropriate, and may retain funds out of the Indemnity Escrow Funds upon any distribution thereof to the Sellers for such purposes.

(ii) Notwithstanding the foregoing, the Sellers' Representative shall not be permitted to (A) bind or otherwise obligate Best Buy to any covenant, obligation or release that will affect Best Buy or in any other manner relinquish or diminish any right of Best Buy (provided that this clause (A) shall not apply with respect to any determinations of the amount of the Purchase Price and any post-Closing adjustments thereto, including any resolution of amounts payable under Article 1 and Article 9 and settlements of the amount of Indemnity Escrow Funds and the amount of any other claims by the Buyer Indemnified Parties under this Agreement), (B) add or amend any covenant or obligation of Best Buy, release by Best Buy or other provision that relinquishes or diminishes any right of Best Buy in this Agreement, the Escrow Agreement or any other agreement, document or certificate to be delivered pursuant to this Agreement (other than with respect to the matters set forth in the parenthetical in clause (A) and other than the right to receive amounts due to Sellers under this Agreement) or (C) amend this Agreement, the Escrow Agreement or any other agreement, document or certificate to be delivered pursuant to this Agreement that will or would reasonably be expected to impact Best Buy in an adverse manner disproportionately compared to the other Sellers, in each case, without the prior written consent of Best Buy, not to be unreasonably withheld or delayed.

(iii) Neither Buyer, nor the Company, nor any of their Affiliates or successors or assigns, shall direct any officers, directors, managers, members, employees or attorneys of the Company or any of their successors or assigns, or otherwise to disclose or produce any Attorney-Client Communications without the prior written consent of the Sellers' Representative, which consent may be withheld in his, her or its sole discretion. Payments made by the Sellers' Representative under clauses D, J and K above shall be considered to be paid by the Sellers based on their respective applicable Pro Rata Percentages.

(e) The Sellers, severally, based on their respective Pro Rata Percentage, and not jointly and severally, agree to indemnify the Sellers' Representative and to hold it harmless against any and all loss, liability or expense incurred without bad faith on the part of the Sellers' Representative and arising out of or in connection with its, his or her duties as the Sellers' Representative, including the reasonable costs and expenses incurred by the Sellers' Representative in defending against any claim or liability in connection herewith.

(f) Buyer shall be entitled to rely upon any action taken and any agreements or amendments entered into by the Sellers' Representative in its capacity as such as being the action taken or the agreement entered into by every Seller. Upon payment or delivery by Buyer of any amounts required to be paid by Buyer to the Sellers' Representative under this Agreement or the Escrow Agreement, Buyer shall have no further obligations or liabilities to the Sellers' Representative or the Sellers with respect to such payment.

10.14 Governing Law .

This Agreement and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of, or related to, any representation or warranty made in, or in connection with, this Agreement) will be governed by, enforced under and construed in accordance with the laws of the State of California applicable to agreements executed and performed entirely within such state, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws of such state.

10.15 Specific Performance .

The Parties acknowledge and agree that any breach of the terms of this Agreement would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the Parties agree that, in addition to any other remedies, each Party shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy, or the posting of a bond or other security therefor.

10.16 Consent to Jurisdiction .

EXCEPT FOR DISPUTES REGARDING CLOSING WORKING CAPITAL PURSUANT TO SECTION 1.3 HEREOF AND DISPUTES REGARDING EARNOUT PAYMENTS PURSUANT TO SECTION 1.7 WHICH ARE REFERRED TO THE INDEPENDENT ACCOUNTING FIRM, THE PARTIES TO THIS AGREEMENT SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE COURTS OF THE STATE OF CALIFORNIA LOCATED IN SANTA CLARA COUNTY OR OTHERWISE AND ANY STATE APPELLATE COURT THEREFROM WITHIN THE STATE OF CALIFORNIA AND TO THE FEDERAL COURTS FOR THE NORTHERN DISTRICT OF CALIFORNIA IN RESPECT OF THE INTERPRETATION AND ENFORCEMENT OF THE PROVISIONS OF THIS AGREEMENT AND ANY RELATED AGREEMENT, CERTIFICATE OR OTHER DOCUMENT DELIVERED IN CONNECTION HERewith AND BY THIS AGREEMENT WAIVE, AND AGREE NOT TO ASSERT, ANY DEFENSE IN ANY ACTION FOR THE INTERPRETATION OR ENFORCEMENT OF THIS AGREEMENT AND ANY RELATED AGREEMENT, CERTIFICATE OR OTHER DOCUMENT DELIVERED IN CONNECTION HERewith, THAT THEY ARE NOT SUBJECT THERETO OR THAT SUCH ACTION MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN SUCH COURTS OR THAT THIS AGREEMENT MAY NOT BE ENFORCED IN OR BY SUCH COURTS OR THAT THEIR PROPERTY IS EXEMPT OR IMMUNE FROM EXECUTION, THAT THE ACTION IS BROUGHT IN AN INCONVENIENT FORUM, OR THAT THE VENUE OF THE ACTION IS IMPROPER. SERVICE OF PROCESS WITH RESPECT THERETO MAY BE MADE UPON BUYER, THE SELLERS' REPRESENTATIVE OR ANY SELLER BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS AS PROVIDED IN SECTION 10.5.

10.17 Waiver of Jury Trial .

EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.17.

**ARTICLE 11.
DEFINITIONS**

11.1 Defined Terms .

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

“ Affiliate ” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person, and in the case of a natural Person shall

include such Person's immediate family members. With respect to the Company, Affiliates of the Company shall mean its Affiliates prior to the Closing Date.

“Acquisition Proposal” means, other than the transactions contemplated by this Agreement, (a) any inquiry relating to acquiring, or any proposal or offer from any Person to acquire, beneficial ownership (as defined under Rule 13(d) of the Exchange Act) of (i) 15% or more of the assets of the Company or (ii) 15% or more of the equity securities of the Company pursuant to a merger, consolidation or other business combination, sale of capital stock, sale of assets, tender offer, exchange offer or similar transaction with respect to the Company, in each case whether directly or indirectly and whether in a single transaction or a series of transactions or (iii) any equity securities of the Company in connection with any equity financing or investment in the Company or (b) any other similar transaction the consummation of which would interfere with the Company's ability to consummate the transactions contemplated by this Agreement.

“Benefit Plan” means with respect to the Company, (a) each “employee benefit plan” as defined in Section 3(3) of ERISA, and (b) each severance, retention, change in control, bonus, incentive, deferred compensation, profit sharing, retirement, welfare, post-employment welfare, vacation or paid-time-off, stock purchase, stock option or equity incentive plan (including but not limited to the Equity Incentive Plan), program, contract, agreement or arrangement and each other benefit or compensation plan, program, contract, agreement or arrangement, in each case (i) under or with respect to which benefits are or have been provided to the Company's current or former employees or independent contractors or their respective beneficiaries (other than Social Security in the United States or a substantially similar program in a foreign jurisdiction), or (ii) that is maintained, sponsored or contributed to, or required to be contributed to, by the Company or with respect to which the Company or any ERISA Affiliate has any liability, direct or indirect or contingent or otherwise.

“Best Buy” means Best Buy Co., Inc.

“Best Buy Warrant” means that certain Unit Purchase Warrant, dated June 20, 2013, between the Company and Best Buy, pursuant to which Best Buy has the right to acquire Class A units of membership interest in the Company.

“Change of Control Payments” means any severance, change of control or other similar bonus amounts or payments due to employees, service providers or other third parties which are or may become payable by or on behalf of the Company in connection with the consummation of the Purchase, either alone or in combination with another event, whether payable pursuant to this Agreement, under any contract or employee benefits plans to which the Company is a party, including without limitation, the Benefit Plans, or under any other plan, policy, agreement or arrangement, and whether payable prior to or following the Closing (as defined below), but only to the extent the obligations to make such payments arose on or prior to the 90th day following the Closing Date; provided that the Transaction Bonus Payments shall not be Change of Control Payments for purposes of Section 1.2(d).

“ Charter Documents ” means an entity’s articles or certificate of organization, articles or certificate of incorporation, or similar organizational documents, as the same may be amended, modified or supplemented from time to time.

“ Claims Period ” means the period during which a claim for indemnification may be asserted under Article 9 by an Indemnified Party.

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

“ Company Closing Indebtedness ” means any Indebtedness of the Company that remains unpaid and outstanding as of immediately prior to Closing; provided that Company Closing Indebtedness shall not include (a) amounts owed on the Working Capital Line of Credit of up to \$5,000,000 (but shall include amounts in excess of \$5,000,000) and (b) any amounts included in the calculation of the Estimated Closing Working Capital, the Company Expenses or the Change of Control Payments.

“ Company Expenses ” means any fees, costs or expenses incurred by the Company on behalf of itself or any equityholder of the Company in connection with the negotiation, execution and consummation of this Agreement, and the transactions contemplated hereby (including the negotiation of the February 24, 2016 indication of interest between Logitech Inc. and the Company), including, without limitation, reasonable and documented fees and expenses of attorneys, accountants and any other consultants or investment bankers or brokers.

“ Company Intellectual Property ” means all Intellectual Property Rights necessary for the operation of the Business as currently conducted, including without limitation, Registered Intellectual Property, Intellectual Property licensed or granted by any Third Party and any and all Company-Owned Intellectual Property.

“ Company-Owned Intellectual Property ” means all Intellectual Property Rights owned or purported to be owned by the Company or any of its Affiliates.

“ Company LLC Agreement ” means the Second Amended and Restated Operating Agreement of Jaybird, LLC, dated as of June 24, 2014, as amended pursuant to Section 6.14 of this Agreement and as the same may be further amended, modified or supplemented from time to time, a copy of which has been delivered to Buyer.

“ Confidentiality Agreement ” means that certain Confidentiality Agreement by and between Logitech Inc. and Stifel, on behalf of the Company, dated as of September 22, 2015.

“ Contract ” means, with respect to any Person, any contract, arrangement, understanding or agreement, including any license, sublicense, franchise, permit, mortgage, purchase order, indenture, loan agreement, lease, sublease, obligation, instrument, or other arrangement or any commitment to enter into any of the foregoing (whether written or verbal) to which such Person is a party and is bound.

“ Copyleft License ” means any license that requires, as a condition of use, modification or distribution of Copyleft Materials, that such Copyleft Materials, or other software or content incorporated into, derived from, used, or distributed with such Copyleft Materials: (i) in the case of software, be made available to any third party recipient in a form other than binary (e.g., source code) form, (ii) be made available to any third-party recipient under terms that allow preparation of derivative works, (iii) in the case of software, be made available to any third-party recipient under terms that allow software or interfaces therefor to be reverse engineered, reverse assembled or disassembled (other than to the extent any contrary restriction would be

unenforceable under law), or (iv) be made available to any third-party recipient at no license fee. Copyleft licenses include without limitation the GNU General Public License, the GNU Lesser General Public License, the Mozilla Public License, the Common Development and Distribution License, the Eclipse Public License, and all Creative Commons “sharealike” licenses.

“Copyleft Materials” means any software or content subject to a Copyleft License.

“Encumbrances” means and includes security interests, mortgages, liens, pledges, charges, rights of first refusal, preemptive rights, community property interests and other restrictions or encumbrances of any nature.

“Environmental Laws” means all Governmental Regulations relating to pollution, the protection of human health, the environment and/or regulating the use, storage, treatment, generation, transportation, processing, handling, production, removal or disposal of Hazardous Materials, including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601 et seq. (“CERCLA”), the Clean Air Act, 42 U.S.C. §7401 et seq., the Clean Water Act, 33 U.S.C. §1251 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. §5101 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., and the Toxic Substances Control Act, 15 U.S.C. §2601 et seq., all as amended and in effect as of the date hereof, and any state, local regional or foreign counterparts.

“Equity Incentive Plan” means the Jaybird, LLC 2013 Equity Incentive Plan, as amended, and as the same may be further amended, modified or supplemented from time to time.

“Equityholder Claim” means any claim by any current, former or purported member of the Company asserting or alleging rights with respect to equity interests of the Company or rights that are convertible into, exercisable for or exchangeable for equity interests of the Company, including (i) any claim related to ownership of equity interests, (ii) any claim by any Seller alleging that the Sellers’ Representative has failed to correctly make any payment to any Seller under this Agreement and (iii) any claim relating to any alleged failure of any of the information set forth on Schedule 1.1 (including the Pro Rata Percentages) to be true and correct in all respects or to be binding on the Sellers; provided that “Equityholder Claims” shall not include the obligation following the Closing of Buyer to pay the consideration in accordance with this Agreement in respect of the Purchased Units.

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

“ERISA Affiliate” means any Person (whether incorporated or unincorporated) that together with the Company would be deemed a “single employer” within the meaning of Section 414 of the Code.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“GAAP” means generally accepted accounting principles in the United States as applied consistently with the past practices of the Company in the preparation of its financial statements.

“Governmental Authority” means any applicable national, federal, regional, provincial, state or local governmental or regulatory authority, agency, board, subdivision, bureau, agency, instrumentality or commission, including courts and tribunals of competent jurisdiction, domestic or foreign.

“ Governmental Regulation ” means any applicable order, determination, directive, writ, judgment, injunction, decree, Law, common law, statute, ordinance, rule, requirement, code, plan, ruling or regulation of any Governmental Authority.

“ Hazardous Materials ” means any contaminant, flammable material, radon, radioactive materials, asbestos, fungi, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum-based materials, hazardous materials, hazardous wastes, hazardous or toxic substances and any other substances listed or regulated under any Environmental Law.

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

“ Indebtedness ” as applied to any Person means (without duplication) (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments or debt securities, (c) any indebtedness for the deferred purchase price of property or services with respect to which such Person is liable, contingently or otherwise, as obligor or otherwise, (d) any commitment by which such Person assures a creditor against loss (including, without limitation, contingent reimbursement liability with respect to letters of credit), (e) any liabilities under capitalized leases with respect to which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, (e) all indebtedness, liabilities and/or obligations of any of the types referred to above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss (including, without limitation, contingent reimbursement liability with respect to letters of credit), and (f) all interest, fees, prepayment premiums and other expenses owed with respect to any indebtedness, liabilities and/or obligations of any of the types referred to above

“ Intellectual Property Rights ” means any and all intellectual and industrial proprietary rights and rights in confidential information of every kind and description anywhere in the world, including without limitation (i) patents and patent applications, and all reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations, continuations-in-part, and counterparts thereof, (ii) Internet domain names, trademarks, service marks, trade dress, trade names, slogans, logos and corporate names, and registrations and applications for registration thereof together with all of the goodwill associated therewith, (iii) copyrights (registered or unregistered), and registrations and applications for registration thereof, (iv) mask works and registrations and applications for registration thereof, (v) industrial designs, (vi) trade secrets and other confidential information, (vii) all rights in databases and data collections, (viii) all moral and economic rights of authors and inventors, however denominated, (ix) all other intellectual property rights and (x) any similar or equivalent rights to any of the foregoing (as applicable).

“ Inventory ” means all inventories of products and other items used, sold or consumed by the Company, including, as applicable, raw materials, work in process, finished goods, parts, packaging materials and other accessories incorporated therein or attached thereto, including without limitation in each case all materials used, sold or consumed in the ordinary course of business of the Company.

“ Knowledge of the Company ” or the “ Company’s Knowledge ”, means (i) the actual knowledge of [***] (ii) the knowledge that any such individual named in clause (i) would reasonably be expected to obtain in the course of carrying out his or her duties in the normal course of business affairs, including, without limitation, after conducting due and diligent inquiry of such individual’s direct reports and any other relevant employees, consultants and advisors of the Company whom such individual reasonably believes has actual knowledge of the matters represented in respect of the applicable subject matter.

“Knowledge of Seller” or the “Seller’s Knowledge” means (i) the actual knowledge of such Seller and (ii) the knowledge that such Seller would reasonably be expected to obtain in the course of acting as a reasonably prudent Seller.

“Law” means any laws (including common laws), statutes, rules, codes, regulations, constitutions, ordinances, rulings, decrees or orders, of, or issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

“Law Firm” means Parr Brown Gee & Loveless PC, a professional corporation.

“Leased Real Property” means the real property leased by the Company, together with, to the extent leased by the Company, all buildings and other structures, facilities or improvements currently located thereon, all fixtures, systems, equipment, privileges and rights attached or appurtenant thereto.

“Logitech International, S.A.” means Logitech International, S.A., a corporation duly organized under the laws of the Canton of Vaud.

“Material Adverse Effect” means any change, effect, event, occurrence, condition, circumstance, matter or state of facts that is, or could reasonably be expected to be, either individually or in the aggregate, materially adverse to (i) the business, financial condition, prospects, Intellectual Property, assets, liabilities or results of operations of the Company or (ii) the Company’s ability to consummate or to perform its obligations under this Agreement; provided that a Material Adverse Effect shall not include any states of fact, changes, events, effects or occurrences arising out of or attributable to (a) a downturn in general economic, business or regulatory conditions, (b) adverse developments in the industries and markets in which the Company operates, (c) adverse developments in the United States or world economies or securities or financial markets, (d) earthquakes and other natural disasters, hostilities, acts of war or terrorism, (e) the execution or delivery of this Agreement or the transactions contemplated hereby or the public announcement thereof in accordance with this Agreement, or (f) applicable Laws or accounting rules (provided that in the case of clauses (a), (b), (c), (d), (f), such effect or change does not affect the Company in a materially disproportionate manner).

“Open Source License” means any license meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation), or any substantially similar license, including but not limited to any license approved by the Open Source Initiative, or any Creative Commons License. For avoidance of doubt, Open Source Licenses include without limitation Copyleft Licenses.

“Open Source Materials” means any software or content subject to an Open Source License.

“Permitted Encumbrances” mean the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) statutory liens for taxes, assessments and governmental charges or levies not yet due and payable for which full reserves are maintained on the financial statements of the Company as of the Closing Date; (b) Encumbrances imposed by law, such as materialmen’s, mechanics, carriers’, workmen’s and repairmen’s liens and other similar liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than sixty (60) days or which are being contested in good faith by appropriate proceedings (and for which adequate reserves are maintained on the financial statements of the Company as of the Closing Date in conformity with GAAP); (c) pledges or deposits to secure obligations under workers’ compensation laws or similar legislation or to secure public or statutory obligations; (d) all applicable zoning, entitlement, conservation restrictions and other land use and environmental regulations; (e) restrictive covenants, easements, rights of way, defects, imperfections or

irregularities of title and other similar encumbrances entered into in the ordinary course of business, which (A) do not materially interfere with the present or intended use of, or impair the value of, the applicable property and (B) do not individually or the aggregate materially interfere with the conduct of, or impair the value of, the Business; and (f) those Encumbrances set forth on Schedule 11.1 to the Disclosure Schedules.

“Person” means an individual, sole proprietorship, general partnership, limited partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, Governmental Authority or other entity.

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

“Pre-Closing Tax Period” means any taxable year or other taxable period of the Company ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

“ReadyActive Note” means the Asset Purchase Agreement between the Company and Ready Active Pty Ltd, dated as of April 23, 2014.

“Real Property” means the Leased Real Property.

“Registered Intellectual Property” means all patents, patent applications, copyright registrations, copyright applications, registered mask works and applications to register mask works, trademark registrations, trademark applications, domain name registrations and domain name applications issued or granted by, or pending before, any Governmental Authority or Internet domain name registrar.

“Release” shall mean any release, spill, leak, emission, deposit, pumping, pouring, emptying, discharging, injecting, escaping, leaching, disposing, dumping, dispersion or migration of Hazardous Materials into, under, above, onto or from any indoor or outdoor medium, including: (i) the movement of Hazardous Materials through, in, under, above, or from any medium; (ii) the movement of Hazardous Materials off site from any real property; and (iii) the abandonment of barrels, tanks, containers or other closed receptacles containing Hazardous Materials.

“Shrink-Wrap Code” means any generally commercially available software made available on standard terms on a license basis or as a service that is available for a cost of not more than \$15,000 in the aggregate for all users and workstations.

“Stifel” means Stifel, Nicolaus & Company, Incorporated.

“Stifel Fee” means any amount payable to Stifel pursuant to the Stifel Letter.

“Stifel Letter” means that certain letter agreement between the Company and Stifel dated as of August 5, 2015, as amended. For the avoidance of doubt, pursuant to Section 7.3(k), the Stifel Letter shall be amended effective immediately prior to the Closing to provide that (i) the Company ceases to be a party to the Stifel Letter, (ii) the Sellers shall be the counterparties to Stifel under the Stifel Letter and (iii) neither Buyer nor any of its Affiliates (including the Company) shall have any liability or obligation under the Stifel Letter.

“Straddle Period” means any taxable year or period of the Company beginning before and ending after the Closing Date.

“Supply Chain Note” means the Financial Accommodation Agreement between the Company and Strade, LLC dated as of February 19, 2016, and any amendments (including notes or “sub-notes”) related thereto.

“Tangible Assets” means all facilities and structures, buildings, installations, fixtures, improvements, betterments, additions, spare parts, stores, supplies, fuel and lubes, machinery, equipment, cranes, forklifts, platforms, vehicles, trucks, chassis, generators, containers, spare tires and parts, tools, appliances, furniture, office furniture, fixtures, office supplies and office equipment, computers, computer terminals and printers, telephone systems, telecopiers and photocopiers, and other tangible personal property of every kind and description.

“Tax” or “Taxes” means any and all federal, state, local and foreign net income, gross income, gross or net receipts, capital gains, sales, use, ad valorem, transfer, franchise, profits, license, capital, lease, service, service use, withholding, payroll, employment, social security, estimated, excise, severance, stamp, registration, recording, occupation, premium, property, unclaimed or abandoned property, value added, environmental (including Code Section 59A), windfall profits, customs, duties or other taxes of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, in each case, whether disputed or not.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes submitted to a Taxing Authority including any schedule or attachment or amendment thereto.

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

“Third Party” means any Person or group other than the Company and its Affiliates.

“User Data” shall mean any Personal Data or other data or information collected by or on behalf of the Company regarding users of any Company Product or otherwise.

“Working Capital Line of Credit” means the Business Loan Agreement (Asset Based) between the Company and JPMorgan Chase Bank, N.A., dated as of October 13, 2015.

11.2 Other Definitions.

Each of the following terms is defined in the Section set forth opposite such term:

2017 Earnout Amount	Section 1.7(a)
2018 Earnout Amount	Section 1.7(b)
Action	Section 3.10
Agreement	Preamble
Award Agreement	Section 1.8(a)
Best Buy Agreement	Recitals

Bonus Payees	Section 1.8(a)
Business	Recitals
Buyer	Preamble
Buyer Closing Certificate	Section 7.2(c)
Buyer Indemnified Parties	Section 9.1(a)
Buyer Losses	Section 9.1(b)
Buyer Prepared Returns	Section 6.9(c)(ii)
Cap	Section 9.4(b)
CERCLA	Section 11.1
Claim	Section 6.10
Class A Units	Recitals
Class P1 Units	Recitals
Class P2 Units	Recitals
Closing	Section 2.1
Closing Balance Sheet	Section 1.3(a)
Closing Date	Section 2.1
Closing Date Payment	Section 1.2
Closing Working Capital	Section 1.3(a)
Company	Preamble
Company Employees	Section 6.6
Company Privacy Policy	Section 3.15(m)
Company Products	Section 3.15(a)
Company Released Parties	Section 6.10
Company Source Code	Section 3.15(j)
Company's Closing Certificate	Section 7.3(c)
Confidential Information	Section 6.11
Current Assets	Section 1.3(a)
Current Liabilities	Section 1.3(a)
Data Room	Section 6.2(a)
Disclosure Schedules	Article 3
Earnout	Section 1.7
Earnout Payments	Section 1.7
Earnout Period One	Section 1.7(a)
Earnout Period Two	Section 1.7(b)
Earnout Statement	Section 1.7(d)
Effective Time	Section 2.1
Employment Agreements	Section 3.13(b), Recitals

Environmental Permits	Section 3.11(a)
Escrow Agent	Section 1.4(a)
Escrow Agreement	Section 1.5
Estimated Closing Working Capital	Section 1.3(a)
Estimated Closing Working Capital Shortfall	Section 1.3(a)
FATCA	Section 3.9(d)
Final Closing Working Capital	Section 1.3(e)
Financial Statements	Section 3.6(a)
Fundamental Representations	Section 9.3(a), Section 9.3(a)
Government Officials	Section 3.9(d)
Governmental Authorizations	Section 3.9(b)
Inbound Intellectual Property Contracts	Section 3.15(e)(ii)
Indemnification Cap	Section 9.4(b)
Indemnified Taxes	Section 6.9
Indemnifying Parties	Section 9.1(a)
Indemnity Escrow Amount	Section 1.2(b)
Indemnity Escrow Funds	Section 1.4(a)
Independent Accounting Firm	Section 1.3(d)
Initial Representative	Section 10.13 (a)
Intellectual Property Contracts	Section 3.15(e)(ii)
Interim Period	Section 6.9(b)
Leases	Section 3.7(b)
Losses	Section 9.1(a)
Majority of the Sellers	Section 10.13 (b)
Material Contracts	Section 3.8(a)
Material Customers	Section 3.19
Material Suppliers	Section 3.19
Net Revenue	Section 1.7(c)
New Plans	Section 6.6
Non-Competition Agreements	Recitals
Notice of Working Capital Disagreement	Section 1.3(b)
Old Plans	Section 6.6
Ordinary Course Tax Provisions	Section 3.12(h)
Outbound Intellectual Property Contracts	Section 3.15(e)(i)
Outside Date	Section 8.1(d)
Parties	Preamble
Party	Preamble

Pro Rata Percentages	Section 1.2
PTO	Section 3.13(a)
Purchase	Recitals
Purchase Price	Section 1.2, Section 1.2(a)
Purchased Units	Recitals
Reference Balance Sheet	Section 3.6(a)
Registered IP Rights	Section 3.15(b)
Regulatory Law	Section 6.3(d)
Releasor	Section 6.10
Representatives	Section 6.2(a)
Seller	Preamble
Sellers	Preamble
Sellers' Closing Certificate	Section 7.3(d)
Sellers' Representative	Section 10.13(a), Preamble
Sellers' Representative Fund	Section 1.2(g)
SLEU	Preamble
Stock Power	Section 2.2(a)
Systems	Section 3.15(l)
Target Net Working Capital	Section 1.3(a)
Tax Contest	Section 6.9(d)(i)
Terminating Buyer Breach	Section 8.1(c)
Terminating Company Breach	Section 8.1(b)
Termination Date	Section 8.1
Third-Party Claim	Section 9.2(a)
Threshold Amount	Section 9.4(a)
Transfer Taxes	Section 6.9(f)
WARN Act	Section 3.13(e)
Working Capital Shortfall	Section 1.3(e)

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be executed and delivered as of the date first above written.

BUYER:

LOGITECH EUROPE S.A.

By: /s/ François Stettler

Name: François Stettler
Its: General Counsel EMEA

By: /s/ Paul Verbruggen

Name: Paul Verbruggen
Its: Tax Director EMEA

COMPANY:

JAYBIRD, LLC

By: /s/ Judd Armstrong

Name: Judd Armstrong
Title: Chief Executive Officer

SELLERS:

[***]

BEST BUY CO., INC.

By: /s/ Patrick McIntyre

Name: Patrick McIntyre
Title: VP, Strategy

SELLERS' REPRESENTATIVE:

Judd Armstrong

By: /s/ Judd Armstrong

Name: Judd Armstrong

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement, including any country-specific terms and conditions set forth in the attached Appendix (collectively, the “Agreement”), is between Logitech International S.A., a Swiss company (the “Company”), and the Participant named below and is made pursuant to the Logitech International S.A. 2006 Stock Incentive Plan (the “Plan”). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning given to them in the Plan. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms of the Plan shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant named below the number of Restricted Stock Units corresponding to Shares specified below, subject to the terms and conditions of this Agreement and of the Plan, which is incorporated in this Agreement by reference:

Participant's Name: [NAME]

Grant Date: [GRANT DATE]

Total Number of Restricted Stock [UNITS]

Units granted

2. Vesting. The Restricted Stock Units subject to this Award shall vest [INSERT VESTING CRITERIA] (each such date being a “Vesting Date”), subject to the Participant’s continuous Service through the applicable Vesting Date, until all Restricted Stock Units subject to this Award are vested in full. In no event shall any Restricted Stock Units vest after the Participant’s termination of Service. [AS APPLICABLE: Notwithstanding the foregoing, the Restricted Stock Units shall be subject to the provisions contained in Addendum A, which is attached to this Agreement [AS APPLICABLE AND FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: , and to the terms and conditions of any change of control severance agreement between the Company or Employer (as defined in Section 7) and the Participant (a “COC Severance Agreement”).]
 3. Settlement of Vested Restricted Stock Units. The Participant’s vested Restricted Stock Units shall be settled promptly after the applicable Vesting Date pursuant to Section 2, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until the Participant has satisfied any applicable tax and/or other obligations pursuant to Section 9 below and such issuance otherwise complies with Applicable Laws. The foregoing notwithstanding, Restricted Stock Units shall in no event be settled later than the later of (i) the March 15 of the calendar year after the applicable Vesting Date or (ii) the June 15 of the Company’s fiscal year after the applicable Vesting Date. At the time of settlement, the
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Participant shall receive one Share for each vested Restricted Stock Unit, net of applicable withholdings. The Company in its discretion may designate a brokerage firm to assist with settlement of Restricted Stock Units, or as the sole means for settlement of Restricted Stock Units.

4. Nature of Restricted Stock Units. The Restricted Stock Units are mere bookkeeping entries and represent only an unfunded and unsecured obligation of the Company to issue or deliver Shares on a future date. As a holder of Restricted Stock Units, the Participant has no rights other than the rights of a general creditor of the Company. The Restricted Stock Units carry neither voting rights nor rights to cash or other dividends. The Participant has no rights as a shareholder of the Company by virtue of the Restricted Stock Units unless and until the Restricted Stock Units are settled by issuing or delivering Shares.

5. Leave of Absence. Unless otherwise determined by the Administrator, the following provisions shall apply in the case of an authorized leave of absence by the Participant:

(a) Subject to Applicable Laws and the terms of a written employment agreement, if any, between the Participant and the Company or a Subsidiary, no Restricted Stock Units subject to this Award shall vest after the 120th day of the leave of absence. If Applicable Laws or the terms of a written employment agreement, if any, between the Participant and the Company or a Subsidiary provide for a later date upon which vesting may cease, then no Restricted Stock Units subject to this Award shall vest upon the earliest date possible under Applicable Laws or the employment agreement.

(b) If vesting has ceased under Section 5(a) and Participant subsequently returns to active Service, vesting of the Restricted Stock Units subject to this Award shall resume on the 15th day of the month following the date on which Participant returns to active Service (for the avoidance of any doubt, the Participant shall not accrue vesting credit during the period between the date that the Participant ceased vesting and the date that vesting resumes after the Participant's return to active Service as set forth in this Section 5(b)).

6. Termination of Service. If the Participant's Service terminates for any reason (including by reason of death or Disability and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), all unvested Restricted Stock Units shall be forfeited effective on the date the Participant's Service terminates. The Participant's date of termination of Service shall mean the date upon which the Participant's active Service terminates, regardless of any notice period or period in lieu of notice of termination of employment or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of a written employment agreement, if any. The Administrator shall have the exclusive discretion to determine when the Participant's active Service terminates for purposes of this Award (*i.e.* , when the Participant has ceased active performance of services for purposes of vesting in this Award), including whether a leave of absence constitutes a termination of Service for purposes of this Award.

7. Recovery of Erroneously Awarded Compensation. If the Participant is now or is hereafter subject to the Executive Clawback Policy adopted by the Company's Board of Directors, or any committee thereof, or any similar policy providing for the recovery of Awards, Shares, proceeds, or payments to Participant in the event of fraud or other circumstances, then this Award, and any Shares or other payments resulting from settlement of the Restricted Stock Units or proceeds therefrom, are subject to potential recovery by the Company or the Participant's employer (the "Employer") under the circumstances set out in the Executive Clawback Policy or such other similar policy as in effect from time to time.

8. Suspension or Cancellation for Misconduct. If at any time (including after vesting but before settlement) the Administrator reasonably believes that the Participant has committed an act of misconduct as described in this Section 8, the Administrator may suspend the vesting or settlement of Restricted Stock Units, pending a determination of whether an act of misconduct has been committed. If the Administrator determines that the Participant has committed an act of embezzlement, fraud or breach of fiduciary duty,

or if the Participant makes an unauthorized disclosure of any trade secret or confidential information of the Company or any of its Subsidiaries or Affiliates, or induces any customer to breach a contract with the Company or any of its Subsidiaries or Affiliates, then this Agreement shall terminate immediately and cease to be outstanding. Any determination by the Administrator with respect to the foregoing shall be final, conclusive and binding on all interested parties. If the Participant holds the title of Vice President or above, the determination of the Administrator shall be subject to the approval of the Company's Board of Directors.

9. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to Tax-Related Items in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); or (iii) withholding in Shares to be issued upon vesting of the Restricted Stock Units, provided, however, that if the Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (i) and (ii) hereof. Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates up to the maximum applicable rates, in which case, under withholding method 9(b)(ii) hereof, the Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

(c) Finally, the Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

10. Compliance with Applicable Laws; No Company Liability. No Shares shall be issued or delivered pursuant to the settlement of the Restricted Stock Units unless such issuance or delivery complies with Applicable Laws. The Company shall not be liable to the Participant or other persons as to (a) the non-issuance or delivery of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance or delivery of any Shares hereunder and (b) any tax consequence expected, but not realized, by the Participant or other person due to the receipt, vesting or settlement of the Restricted Stock Units.

11. Non-Transferability of Restricted Stock Units. The Restricted Stock Units and this Agreement may not be transferred in any manner otherwise than by will, by the laws of descent or distribution or, if the Company permits, by a written beneficiary designation. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, beneficiaries, successors and assigns of the Participant.

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Nature of Grant. In accepting the grant, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
 - (b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
 - (c) all decisions with respect to future Restricted Stock Units grants, if any, will be at the sole discretion of the Company;
 - (d) the Participant's participation in the Plan shall not create a right to further Service with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's Service at any time;
 - (e) the Participant is voluntarily participating in the Plan;
 - (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Participant's employment contract, if any;
 - (g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;
 - (h) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: severance,] resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
 - (i) the grant of the Restricted Stock Units and the Participant's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Subsidiary or Affiliate;
 - (j) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
 - (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of the Participant's Service by the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and, in consideration of the grant of the Restricted Stock Units to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the
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Employer, waives the ability, if any, to bring any such claim and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims;

(l) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company;

(m) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of the same, are not granted as consideration for, or in connection with, the Service the Participant may provide as a director of any Subsidiary or Affiliate; and

(n) neither the Company, the Employer nor any Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar or the Swiss Franc, as applicable, that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

14. **Data Privacy**.

(a) ***The Participant hereby consents to the collection, processing, use and transfer, in electronic or other form, of the Participant's personal information (the "Data") regarding the Participant's employment, the nature and amount of the Participant's compensation and the fact and conditions of the Participant's participation in the Plan (including the Participant's name, home address, telephone number, date of birth, social insurance number or other identification number, compensation, nationality and job title, details of all options, shares or other entitlement to securities awarded, canceled, exercised, vested, unvested or outstanding under the Plan or predecessor plans), by and among the Company and one or more its Subsidiaries and Affiliates, for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan and in calculating the cost of the Plan.***

(b) ***The Participant further consents to the transfer of the Data to the Company's designated broker for the Plan (currently, UBS AG or Equatex AG and their respective affiliates (the "Plan Broker")), or to any other third parties assisting in the implementation, administration and management of the Plan, or in calculating the costs of the Plan, including any other third party assisting with the settlement of Restricted Stock Units under the Plan or with whom Shares acquired upon settlement of the Restricted Stock Units or cash from the sale of such Shares may be deposited. The Participant further consents to the processing, possession, use and transfer of the Data by the Plan Broker and such other third parties for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan and in calculating the cost of the Plan.***

(c) ***The Participant understands and agrees that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' countries may have different data privacy laws and protections than the Participant's country, and the Participant consents to the transfer of the Data to such countries. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company or any of its Subsidiaries or Affiliates, or to the Plan Broker or any such third parties, is necessary for the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data or require any necessary amendments to Data or withdraw the consents herein, in any case without cost, by contacting the Participant's local human resources representative in writing.***

(d) ***Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or later seeks to revoke his or her consent, the Participant's employment status or service and career with the Employer will not be***

adversely affected; the only adverse consequence of refusing or withdrawing consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant acknowledges that withdrawal of consent may affect the Participant's ability to realize benefits from the Restricted Stock Units, and the Participant's ability to participate in the Plan.

15. Exchange Control and Foreign Asset/Account Reporting Acknowledgement. Local foreign exchange laws may affect the grant of the Restricted Stock Units, the receipt of Shares upon settlement of the Restricted Stock Units, the sale of Shares received upon settlement of the Restricted Stock Units and/or the receipt of dividends or dividend equivalents (if any). Such laws may affect the Participant's ability to hold funds outside of the Participant's country and may require the repatriation of any cash, dividends or dividend equivalents received in connection with the Restricted Stock Units. The Participant may also be subject to foreign asset/account reporting requirements as a result of the acquisition, holding or transfer of Shares or cash resulting from participation in the Plan, to or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that he or she report such assets, account, the balances therein, or the transactions related thereto to the applicable authorities in such country. The Participant is responsible for being aware of and satisfying any exchange control and foreign asset/account reporting requirements that may be necessary in connection with the Restricted Stock Units. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such requirements or liable for the failure on the Participant's part to know and abide by the requirements that are the Participant's responsibility. The Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

16. Adjustments Upon Changes in Capitalization. In the event of a declaration of a stock dividend, a stock split, combination or reclassification of shares, extraordinary dividend of cash and/or assets, recapitalization, reorganization or any similar event affecting the Shares or other securities of the Company, the Administrator shall equitably adjust the number and kind of Restricted Stock Units or other securities which are subject to this Agreement, in order to reflect such change and thereby preclude a dilution or enlargement of benefits under this Agreement.

17. Entire Agreement; Governing Law. The Plan, this Agreement [AS APPLICABLE: (including Addendum A)] [AS APPLICABLE AND FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: and any COC Severance Agreement] constitute the entire agreement of the parties with respect to the subject matter of this Agreement and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter of this Agreement. This Agreement is governed by the internal substantive laws, but not the choice of law rules of Switzerland (the Company's jurisdiction of organization).

18. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

19. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21. Appendix. The Restricted Stock Units and any Shares subject to the Restricted Stock Units shall be subject to any special terms and conditions set forth in the Appendix to this Agreement for the Participant's

country. Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

23. Permitted Modifications to Comply with Laws. The Company reserves the right to unilaterally amend this Agreement[AS APPLICABLE: , prior to a Change of Control (as defined in Addendum A to this Agreement),] solely if an amendment is determined to be reasonably necessary by the Company's or the Employer's legal counsel for the Company and the Employer to comply with existing or adopted applicable ordinances, laws, rules or regulations ("Laws") (even if such Laws have not yet taken effect), including but not limited to any Laws related to the Minder initiative in Switzerland, and such counsel determines that the amendment reasonably addresses such need.

24. Insider Trading Restrictions/Market Abuse Laws. Depending on Participant's country, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g. , Restricted Stock Units) during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such restrictions or liable for the failure on the Participant's part to know and abide by such restrictions. The Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

* * *

By the Participant's agreement to this Agreement, the Participant agrees that the Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Agreement. The Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement.

In order to agree to this Agreement, please click "I Agree" below.

[AS APPLICABLE:

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN

ADDENDUM A

Change in Control Acceleration Provisions

The following provisions shall be incorporated into the Restricted Stock Unit Agreement to which this Addendum A is attached. To the extent any capitalized terms used in this Addendum A are not defined, they shall have the meanings given to them in the Agreement or the Plan, as applicable.

- (a) Acceleration of Vesting. All Restricted Stock Units shall immediately vest if the Company is subject to a Change in Control before the Participant experiences a Separation from Service and an Involuntary Termination occurs within 12 months after such Change in Control.
- (b) Settlement. All unvested Restricted Stock Units that vest pursuant to Section (a) above shall be settled in accordance with Section 3 of the Agreement, provided that "Vesting Date" for purposes of Section 3 of the Agreement shall mean the date of the Involuntary Termination referenced in Section (a) of this Addendum A.
- (c) Definitions. The following definitions shall apply for purposes of this Addendum A:
- (i) Base Salary. The term "Base Salary" shall mean the greater of (i) the Participant's annual base salary, as in effect immediately prior to the Participant's termination of employment with the Company or Employer, or (ii) the Participant's annual base salary as in effect on the effective date of the [AS APPLICABLE: Participant's written employment agreement, if any][FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: COC Severance Agreement].
- (ii) Cause. The term "Cause" shall mean the Participant's: (A) willful dishonesty or fraud with respect to the business affairs of the Company and its direct and indirect subsidiaries (collectively, "Logitech"); (B) intentional falsification of any employment or Logitech records; (C) misappropriation of or intentional damage to the business or property of Logitech, including (but not limited to) the improper use or disclosure of the confidential or proprietary information of Logitech (excluding misappropriation or damage that results in a loss of little or no consequence to the business or property of Logitech); (D) conviction (including any plea of guilty or nolo contendere) of a felony that, in the judgment of the Board (excluding the Participant), materially impairs the Participant's ability to perform his or her duties for Logitech or adversely affects Logitech's standing in the community or reputation; (E) willful misconduct that is injurious to the reputation or business of Logitech; or (F) refusal or willful failure to perform any assigned duties reasonably expected of a person in his or her position (excluding during any statutory leaves of absence as permitted by law, and with reasonable accommodations for any disability required by law) after receipt of written notice by the Chief Executive Officer or Executive Chairman of the Company or Employer of such refusal or failure and a reasonable opportunity to cure (as described below). The Participant shall be given written notice by the Employer of its intention to terminate the Participant for Cause, which notice (a) shall state with particularity the grounds on which the proposed termination for Cause is based and (b) shall be given no later than ninety (90) days after the occurrence of the event giving rise to such grounds (or ninety (90) days after such later date as represents the actual knowledge by an executive officer of the Company or Employer (excluding the Participant) of such grounds). The termination shall be effective upon the Participant's receipt of such notice; provided, however, that with respect to subsection (F) of this Section (c)(ii), the Participant shall have thirty (30) days after receiving such notice in which to cure any refusal or willful failure to perform (to the extent such cure is possible). If
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the Participant fails to cure such failure to perform within such thirty-day (30-day) period, the Participant's employment with the Employer (and Service to the Company) shall thereupon be terminated for Cause.

(iii) Change in Control. The term "Change in Control" shall mean the occurrence of any of the following events:

(A) A merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(B) The complete liquidation of the Company;

(C) The sale or other disposition by the Company of all or substantially all of the Company's assets; or

(D) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities.

(iv) Good Reason. The term "Good Reason" shall mean: (A) a substantial reduction of the facilities and perquisites (including office space and location) available to the Participant immediately prior to such reduction, without the Participant's express written consent and without good business reasons; (B) a material reduction of the Participant's Base Salary; (C) a material reduction in the kind or level of Participant benefits to which the Participant is entitled immediately prior to such reduction, with the result that the Participant's overall benefits package is significantly reduced; (D) the relocation of the Participant to a facility or location more than 30 miles from his or her current location, without the Participant's express written consent; (E) the Company's failure to obtain the assumption by any successor of the Company of [AS APPLICABLE: the Participant's written employment agreement, if any] [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: any COC Severance Agreement (to the extent contemplated under such COC Severance Agreement)]; or (F) a material reduction of the Participant's duties, position or responsibilities relative to the Participant's duties, position or responsibilities in effect immediately prior to such reduction, without the Participant's express written consent. Clause (C) above shall not apply in the event of any reduction of the amount of the bonus actually paid but shall apply in the event of a material reduction of the target bonus or bonus opportunity. A condition shall not be considered "Good Reason" unless the Participant gives the Company or Employer (or a successor of the Company or Employer, if applicable) written notice of such condition within 90 days after such condition comes into existence and the Company or Employer (or a successor of the Company or Employer, if applicable) fails to remedy such condition within 30 days after receiving the Participant's written notice.

(v) Involuntary Termination. The term "Involuntary Termination" shall mean that the Participant experiences a Separation from Service caused by (i) a termination by the Company or Employer of the Participant's employment with the Company or Employer that is not effected for Cause or (ii) a resignation by the Participant of his or her employment with the Company or Employer for Good Reason.

(vi) Separation from Service. The term "Separation from Service" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

(d) [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: Effect of Change of Control Severance Agreement. Notwithstanding any provisions in this Addendum A, the applicable provisions contained in any COC Severance Agreement shall supersede the provisions contained in this Addendum A.]

(e) Effect of Merger. In the event that the Company is a party to a merger, consolidation or reorganization, the Restricted Stock Units subject to this Award shall be subject to Section 16 of the Plan; provided that any action taken pursuant to Section 16 of the Plan shall either (i) preserve the exemption of this Award from Section 409A of the Code or (ii) comply with Section 409A of the Code.]

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN

APPENDIX

ADDITIONAL TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AGREEMENT

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix shall have the meanings set forth in the Plan and/or the Agreement.

This Appendix also includes information regarding securities law and other issues of which the Participant should be aware with respect to participation in the Plan. The information is based on the securities law and other laws in effect in the respective countries as of April 2016. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Appendix as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or the Participant sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation and the Company is not in a position to assure the Participant of a particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to the Participant's situation.

Finally, if the Participant is a citizen or resident of a country other than the one in which the Participant currently working or transfers employment between countries after the Grant Date, the Participant may be subject to the special terms and conditions for more than one country and/or the information for more than one country may be applicable to the Participant. It is also possible that the special terms and conditions and the information may not be applicable to the Participant in such a case.

termination of Service. [AS APPLICABLE: Notwithstanding the foregoing, the Time-Based Vesting Conditions (but not the Performance Vesting Condition) applicable to the Restricted Stock Units shall be subject to the vesting acceleration provisions contained in Addendum A., which is attached to this Agreement [AS APPLICABLE AND FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY], and to the terms and conditions of any change of control severance agreement between the Company or Employer (as defined in Section 7) and the Participant (a "COC Severance Agreement").]

(iii) Each date as of which both of the following conditions with respect to any of the Total Number of Restricted Stock Units are satisfied shall be referred to as a "Vesting Date": (A) the Participant's status as a Service Provider has been in continuous effect from the Grant Date through the date that is the 15th of the second month (e.g., May 15 following the fiscal fourth quarter ended March 31 or November 15 following the fiscal second quarter ended September 30) after the close of the quarter in which the Performance Vesting Condition has been attained and (B) the Time-Based Vesting Condition for the applicable annual installment has been satisfied. To the extent the Restricted Stock Units have not satisfied the Performance Vesting Condition by the expiration of the Performance Period, all Restricted Stock Units shall be forfeited and be of no further force and effect notwithstanding that any Time-Based Vesting Conditions have been or are attained.

(b) [INSERT ADDITIONAL VESTING CRITERIA, AS APPLICABLE]

(c) Committee Determination. As soon as reasonably practicable after the close of the fiscal quarter in which the Performance Vesting Condition may have been achieved and no later than the Vesting Date, the Compensation Committee of the Company's Board of Directors (the "Committee") shall confirm [INSERT PERFORMANCE-BASED VESTING CRITERIA] and the achievement of the Performance Vesting Condition, and its determination shall be conclusive and binding on the Participant and the Company.

3. Settlement of Vested Restricted Stock Units. The Participant's vested Restricted Stock Units shall be settled promptly after the Vesting Date pursuant to Section 2, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until the Participant has satisfied any applicable tax and/or other obligations pursuant to Section 9 below and such issuance otherwise complies with Applicable Laws. The foregoing notwithstanding, Restricted Stock Units shall in no event be settled later than the later of (i) the March 15 of the calendar year after the Vesting Date or (ii) the June 15 of the Company's fiscal year after the Vesting Date. At the time of settlement, the Participant shall receive one Share for each vested Restricted Stock Unit, net of applicable withholdings. The Company in its discretion may designate a brokerage firm to assist with settlement of Restricted Stock Units, or as the sole means for settlement of Restricted Stock Units.

4. Nature of Restricted Stock Units. The Restricted Stock Units are mere bookkeeping entries and represent only an unfunded and unsecured obligation of the Company to issue or deliver Shares on a future date. As a holder of Restricted Stock Units, the Participant has no rights other than the rights of a general creditor of the Company. The Restricted Stock Units carry neither voting rights nor rights to cash or other dividends. The Participant has no rights as a shareholder of the Company by virtue of the Restricted Stock Units unless and until the Restricted Stock Units are settled by issuing or delivering Shares.

5. Leave of Absence. Unless otherwise determined by the Administrator, the following provisions shall apply in the case of an authorized leave of absence by the Participant:

(a) Subject to Applicable Laws and the terms of a written employment agreement, if any, between the Participant and the Company or a Subsidiary, no Restricted Stock Units subject to this Award shall vest after the 120th day of the leave of absence. If Applicable Laws or the terms of a written employment

agreement, if any, between the Participant and the Company or a Subsidiary provide for a later date upon which vesting may cease, then no Restricted Stock Units subject to this Award shall vest upon the earliest date possible under Applicable Laws or the employment agreement.

(b) If vesting has ceased under Section 5(a) and Participant subsequently returns to active Service, vesting of the Restricted Stock Units subject to this Award shall resume upon Participant's return to active Service.

6. Termination of Service. If the Participant's Service terminates for any reason (including by reason of death or Disability and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), all unvested Restricted Stock Units shall be forfeited effective on the date the Participant's Service terminates. The Participant's date of termination of Service shall mean the date upon which the Participant's active Service terminates, regardless of any notice period or period in lieu of notice of termination of employment or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of a written employment agreement, if any. The Administrator shall have the exclusive discretion to determine when the Participant's active Service terminates for purposes of this Award (*i.e.* , when the Participant has ceased active performance of services for purposes of vesting in this Award), including whether a leave of absence constitutes a termination of Service for purposes of this Award.

7. Recovery of Erroneously Awarded Compensation. If the Participant is now or is hereafter subject to the Executive Clawback Policy adopted by the Company's Board of Directors, or any committee thereof, or any similar policy providing for the recovery of Awards, Shares, proceeds, or payments to Participant in the event of fraud or other circumstances, then this Award, and any Shares or other payments resulting from settlement of the Restricted Stock Units or proceeds therefrom, are subject to potential recovery by the Company or the Participant's employer (the "Employer") under the circumstances set out in the Executive Clawback Policy or such other similar policy as in effect from time to time.

8. Suspension or Cancellation for Misconduct. If at any time (including after vesting but before settlement) the Administrator reasonably believes that the Participant has committed an act of misconduct as described in this Section 8, the Administrator may suspend the vesting or settlement of Restricted Stock Units, pending a determination of whether an act of misconduct has been committed. If the Administrator determines that the Participant has committed an act of embezzlement, fraud or breach of fiduciary duty, or if the Participant makes an unauthorized disclosure of any trade secret or confidential information of the Company or any of its Subsidiaries or Affiliates, or induces any customer to breach a contract with the Company or any of its Subsidiaries or Affiliates, then this Agreement shall terminate immediately and cease to be outstanding. Any determination by the Administrator with respect to the foregoing shall be final, conclusive and binding on all interested parties. If the Participant holds the title of Vice President or above, the determination of the Administrator shall be subject to the approval of the Company's Board of Directors.

9. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any

particular tax result. Further, if the Participant has become subject to Tax-Related Items in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); or (iii) withholding in Shares to be issued upon vesting of the Restricted Stock Units, provided, however, that if the Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (i) and (ii) hereof. Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates up to the maximum applicable rates, in which case, under withholding method 9(b)(ii) hereof, the Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

(c) Finally, the Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

10. Compliance with Applicable Laws; No Company Liability. No Shares shall be issued or delivered pursuant to the settlement of the Restricted Stock Units unless such issuance or delivery complies with Applicable Laws. The Company shall not be liable to the Participant or other persons as to (a) the non-issuance or delivery of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance or delivery of any Shares hereunder and (b) any tax consequence expected, but not realized, by the Participant or other person due to the receipt, vesting or settlement of the Restricted Stock Units.

11. Non-Transferability of Restricted Stock Units. The Restricted Stock Units and this Agreement may not be transferred in any manner otherwise than by will, by the laws of descent or distribution or, if the Company permits, by a written beneficiary designation. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, beneficiaries, successors and assigns of the Participant.

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Nature of Grant. In accepting the grant, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
- (b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- (c) all decisions with respect to future Restricted Stock Units grants, if any, will be at the sole discretion of the Company;
- (d) the Participant's participation in the Plan shall not create a right to further Service with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's Service at any time;
- (e) the Participant is voluntarily participating in the Plan;
- (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Participant's employment contract, if any;
- (g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;
- (h) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: severance,] resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (i) the grant of the Restricted Stock Units and the Participant's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Subsidiary or Affiliate;
- (j) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of the Participant's Service by the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and, in consideration of the grant of the Restricted Stock Units to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims;
- (l) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company;
- (m) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of the same, are not granted as consideration for, or in connection with, the Service the Participant may provide as a director of any Subsidiary or Affiliate; and
- (n) neither the Company, the Employer nor any Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar or the Swiss Franc, as applicable, that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.
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14. **Data Privacy**.

(a) **The Participant hereby consents to the collection, processing, use and transfer, in electronic or other form, of the Participant's personal information (the "Data") regarding the Participant's employment, the nature and amount of the Participant's compensation and the fact and conditions of the Participant's participation in the Plan (including the Participant's name, home address, telephone number, date of birth, social insurance number or other identification number, compensation, nationality and job title, details of all options, shares or other entitlement to securities awarded, canceled, exercised, vested, unvested or outstanding under the Plan or predecessor plans), by and among the Company and one or more its Subsidiaries and Affiliates, for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan and in calculating the cost of the Plan.**

(b) **The Participant further consents to the transfer of the Data to the Company's designated broker for the Plan (currently, UBS AG or Equatex AG and their respective affiliates (the "Plan Broker"), or to any other third parties assisting in the implementation, administration and management of the Plan, or in calculating the costs of the Plan, including any other third party assisting with the settlement of Restricted Stock Units under the Plan or with whom Shares acquired upon settlement of the Restricted Stock Units or cash from the sale of such Shares may be deposited. The Participant further consents to the processing, possession, use and transfer of the Data by the Plan Broker and such other third parties for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan and in calculating the cost of the Plan.**

(c) **The Participant understands and agrees that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' countries may have different data privacy laws and protections than the Participant's country, and the Participant consents to the transfer of the Data to such countries. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company or any of its Subsidiaries or Affiliates, or to the Plan Broker or any such third parties, is necessary for the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data or require any necessary amendments to Data or withdraw the consents herein, in any case without cost, by contacting the Participant's local human resources representative in writing.**

(d) **Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or later seeks to revoke his or her consent, the Participant's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant acknowledges that withdrawal of consent may affect the Participant's ability to realize benefits from the Restricted Stock Units, and the Participant's ability to participate in the Plan.**

15. **Exchange Control and Foreign Asset/Account Reporting Acknowledgement**. Local foreign exchange laws may affect the grant of the Restricted Stock Units, the receipt of Shares upon settlement of the Restricted Stock Units, the sale of Shares received upon settlement of the Restricted Stock Units and/or the receipt of dividends or dividend equivalents (if any). Such laws may affect the Participant's ability to hold funds outside of the Participant's country and may require the repatriation of any cash, dividends or dividend equivalents received in connection with the Restricted Stock Units. The Participant may also be subject to foreign asset/account reporting requirements as a result of the acquisition, holding or transfer of Shares or cash resulting from participation in the Plan, to or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that he or she report such assets, account, the balances therein, or the transactions related thereto to the applicable authorities in such country. The Participant is responsible for being aware of and satisfying any exchange control and foreign asset/account reporting requirements that may be necessary in connection with the Restricted Stock Units. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such requirements
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or liable for the failure on the Participant's part to know and abide by the requirements that are the Participant's responsibility. The Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

16. Adjustments Upon Changes in Capitalization. In the event of a declaration of a stock dividend, a stock split, combination or reclassification of shares, extraordinary dividend of cash and/or assets, recapitalization, reorganization or any similar event affecting the Shares or other securities of the Company, the Administrator shall equitably adjust the number and kind of Restricted Stock Units or other securities which are subject to this Agreement, in order to reflect such change and thereby preclude a dilution or enlargement of benefits under this Agreement.
 17. Entire Agreement; Governing Law. The Plan, this Agreement [AS APPLICABLE: (including Addendum A)] [AS APPLICABLE AND FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: and any COC Severance Agreement] constitute the entire agreement of the parties with respect to the subject matter of this Agreement and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter of this Agreement. This Agreement is governed by the internal substantive laws, but not the choice of law rules of Switzerland (the Company's jurisdiction of organization).
 18. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
 19. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
 20. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
 21. Appendix. The Restricted Stock Units and any Shares subject to the Restricted Stock Units shall be subject to any special terms and conditions set forth in the Appendix to this Agreement for the Participant's country. Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.
 22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
 23. Permitted Modifications to Comply with Laws. The Company reserves the right to unilaterally amend this Agreement [AS APPLICABLE: , prior to a Change of Control (as defined in Addendum A to this Agreement),] solely if an amendment is determined to be reasonably necessary by the Company's or the Employer's legal counsel for the Company and the Employer to comply with existing or adopted applicable ordinances, laws, rules or regulations ("Laws") (even if such Laws have not yet taken
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effect), including but not limited to any Laws related to the Minder initiative in Switzerland, and such counsel determines that the amendment reasonably addresses such need.

24. Insider Trading Restrictions/Market Abuse Laws . Depending on Participant's country, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g. , Restricted Stock Units) during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Neither the Company nor any of its Subsidiaries or Affiliates will be responsible for such restrictions or liable for the failure on the Participant's part to know and abide by such restrictions. The Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

* * *

By the Participant's agreement to this Agreement, the Participant agrees that the Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Agreement. The Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement.

In order to agree to this Agreement, please click "I Agree" below.

[AS APPLICABLE:

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN

ADDENDUM A

Change in Control Acceleration Provisions

The following provisions shall be incorporated into the Performance Share Unit Agreement to which this Addendum A is attached. To the extent any capitalized terms used in this Addendum A are not defined, they shall have the meanings given to them in the Agreement or the Plan, as applicable.

(a) Acceleration of Vesting. All Restricted Stock Units shall immediately vest if the Company is subject to a Change in Control before the Participant experiences a Separation from Service, the Performance Vesting Condition in Section 2(a)(i) of the Agreement has been achieved as of or prior to the effective date of the Change of Control and an Involuntary Termination occurs within 12 months after such Change in Control.

(b) Settlement. All unvested Restricted Stock Units that vest pursuant to Section (a) above shall be settled in accordance with Section 3 of the Agreement, provided that "Vesting Date" for purposes of Section 3 of the Agreement shall mean the date of the Involuntary Termination referenced in Section (a) of this Addendum A.

(c) Definitions. The following definitions shall apply for purposes of this Addendum A:

(i) Base Salary. The term "Base Salary" shall mean the greater of (i) the Participant's annual base salary, as in effect immediately prior to the Participant's termination of employment with the Company or Employer, or (ii) the Participant's annual base salary as in effect on the effective date of the [AS APPLICABLE: Participant's written employment agreement, if any][FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: COC Severance Agreement].

(ii) Cause. The term "Cause" shall mean the Participant's: (A) willful dishonesty or fraud with respect to the business affairs of the Company and its direct and indirect subsidiaries (collectively, "Logitech"); (B) intentional falsification of any employment or Logitech records; (C) misappropriation of or intentional damage to the business or property of Logitech, including (but not limited to) the improper use or disclosure of the confidential or proprietary information of Logitech (excluding misappropriation or damage that results in a loss of little or no consequence to the business or property of Logitech); (D) conviction (including any plea of guilty or nolo contendere) of a felony that, in the judgment of the Board (excluding the Participant), materially impairs the Participant's ability to perform his or her duties for Logitech or adversely affects Logitech's standing in the community or reputation; (E) willful misconduct that is injurious to the reputation or business of Logitech; or (F) refusal or willful failure to perform any assigned duties reasonably expected of a person in his or her position (excluding during any statutory leaves of absence as permitted by law, and with reasonable accommodations for any disability required by law) after receipt of written notice by the Chief Executive Officer or Executive Chairman of the Company or Employer of such refusal or failure and a reasonable opportunity to cure (as described below). The Participant shall be given written notice by the Employer of its intention to terminate the Participant for Cause, which notice (a) shall state with particularity the grounds on which the proposed termination for Cause is based and (b) shall be given no later than ninety (90) days after the occurrence of the event giving rise to such grounds (or ninety (90) days after such later date as represents the actual knowledge by an executive officer of the Company or Employer (excluding the Participant) of such grounds). The termination shall be effective upon the Participant's receipt of such notice; provided, however, that with respect to subsection (F) of

this Section (c)(ii), the Participant shall have thirty (30) days after receiving such notice in which to cure any refusal or willful failure to perform (to the extent such cure is possible). If the Participant fails to cure such failure to perform within such thirty-day (30-day) period, the Participant's employment with the Employer (and Service to the Company) shall thereupon be terminated for Cause.

(iii) Change in Control. The term "Change in Control" shall mean the occurrence of any of the following events:

(A) A merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(B) The complete liquidation of the Company;

(C) The sale or other disposition by the Company of all or substantially all of the Company's assets; or

(D) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities.

(iv) Good Reason. The term "Good Reason" shall mean: (A) a substantial reduction of the facilities and perquisites (including office space and location) available to the Participant immediately prior to such reduction, without the Participant's express written consent and without good business reasons; (B) a material reduction of the Participant's Base Salary; (C) a material reduction in the kind or level of Participant benefits to which the Participant is entitled immediately prior to such reduction, with the result that the Participant's overall benefits package is significantly reduced; (D) the relocation of the Participant to a facility or location more than 30 miles from his or her current location, without the Participant's express written consent; (E) the Company's failure to obtain the assumption by any successor of the Company of [AS APPLICABLE: the Participant's written employment agreement, if any] [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: any COC Severance Agreement (to the extent contemplated under such COC Severance Agreement)]; or (F) a material reduction of the Participant's duties, position or responsibilities relative to the Participant's duties, position or responsibilities in effect immediately prior to such reduction, without the Participant's express written consent. Clause (C) above shall not apply in the event of any reduction of the amount of the bonus actually paid but shall apply in the event of a material reduction of the target bonus or bonus opportunity. A condition shall not be considered "Good Reason" unless the Participant gives the Company or Employer (or a successor of the Company or Employer, if applicable) written notice of such condition within 90 days after such condition comes into existence and the Company or Employer (or a successor of the Company or Employer, if applicable) fails to remedy such condition within 30 days after receiving the Participant's written notice.

(v) Involuntary Termination. The term "Involuntary Termination" shall mean that the Participant experiences a Separation from Service caused by (i) a termination by the Company or Employer of the Participant's employment with the Company or Employer that

is not effected for Cause or (ii) a resignation by the Participant of his or her employment with the Company or Employer for Good Reason.

(vi) Separation from Service. The term "Separation from Service" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

(d) [FOR PARTICIPANTS OTHER THAN MEMBERS OF THE GROUP MANAGEMENT TEAM AND OTHER THAN MEMBERS OF THE BOARD ONLY: Effect of Change of Control Severance Agreement. Notwithstanding any provisions in this Addendum A, the applicable provisions contained in any COC Severance Agreement shall supersede the provisions contained in this Addendum A.]

(e) Effect of Merger. In the event that the Company is a party to a merger, consolidation or reorganization, the Restricted Stock Units subject to this Award shall be subject to Section 16 of the Plan; provided that any action taken pursuant to Section 16 of the Plan shall either (i) preserve the exemption of this Award from Section 409A of the Code or (ii) comply with Section 409A of the Code.]

LOGITECH INTERNATIONAL S.A. 2006 STOCK INCENTIVE PLAN

APPENDIX

ADDITIONAL TERMS AND CONDITIONS OF PERFORMANCE SHARE UNIT AGREEMENT

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix shall have the meanings set forth in the Plan and/or the Agreement.

This Appendix also includes information regarding securities law and other issues of which the Participant should be aware with respect to participation in the Plan. The information is based on the securities law and other laws in effect in the respective countries as of April 2016. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Appendix as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or the Participant sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation and the Company is not in a position to assure the Participant of a particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to the Participant's situation.

Finally, if the Participant is a citizen or resident of a country other than the one in which the Participant currently working or transfers employment between countries after the Grant Date, the Participant may be

subject to the special terms and conditions for more than one country and/or the information for more than one country may be applicable to the Participant. It is also possible that the special terms and conditions and the information may not be applicable to the Participant in such a case.

LOGITECH INTERNATIONAL S.A.

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation
AMERICAS	
Logitech Inc.	United States of America
Logitech (Slim Devices) Inc.	United States of America
Logitech (Streaming Media) Inc.	United States of America
WiLife, Inc.	United States of America
Ultimate Ears Incorporated	United States of America
UE Acquisition Inc.	United States of America
SightSpeed, Inc.	United States of America
LifeSize Communications, Inc.	United States of America
Logitech Latin America, Inc.	United States of America
Logitech Argentina S.R.L.	Argentina
Dexxa Accessorios De Informatica Do Brasil Ltda.	Brazil
Logitech Canada Inc.	Canada
Logitech de Mexico S.A. de C.V.	Mexico
Logitech Servicios Latinoamérica, S.A. de C.V.	Mexico
EUROPE	
Logitech S.A.	Switzerland
Logitech Europe S.A.	Switzerland
Labtec Europe S.A.	Switzerland
Logitech (Streaming Media) SA	Switzerland
Logitech Schweiz AG	Switzerland
Logitech Upicto GmbH	Switzerland
Logitech Ireland Services Limited	Ireland
Logitech GmbH	Federal Republic of Germany
Logitech UK Limited	United Kingdom
Logitech (Jersey) Limited	Jersey, Channel Islands
SAS Logitech France	Republic of France
Logitech Benelux B.V.	Kingdom of the Netherlands
Logitech Italia SRL	Republic of Italy
Logitech Mirial SRL	Republic of Italy
Logitech Norway AS	Norway
Logitech Espana BCN SL	Spain
Logitech Nordic AB	Sweden
Logitech Poland Spolka Z.O.O.	Poland
Logitech Middle East FZ-LLC	United Arab Emirates

Name of Subsidiary	Jurisdiction of Incorporation
Logitech Hellas MEPE	Greece
Limited Liability Company "Logitech"	Russia
Logi Peripherals Technologies (South Africa) (Proprietary) Limited	South Africa
ASIA PACIFIC	
Logitech Technology (Suzhou) Co., Ltd.	People's Republic of China
Logitech (Beijing) Trading Company Limited	People's Republic of China
Logitech Technology (Shenzhen) Consulting Co., Ltd	People's Republic of China
Logitech (China) Technology Co., Ltd.	People's Republic of China
Logitech Far East, Ltd.	Taiwan, Republic of China
Logitech Asia Logistics Limited	Hong Kong
Logitech Asia Pacific Limited	Hong Kong
Logitech Hong Kong, Limited	Hong Kong
Logitech Service Asia Pacific Pte. Ltd.	Republic of Singapore
Logitech Singapore Pte. Ltd.	Republic of Singapore
Logi Computer Peripherals (Malaysia) Sdn. Bhd	Malaysia
Logicool Co., Ltd.	Japan
Logitech Electronic (India) Private Limited	India
Logitech Engineering & Designs India Private Limited	India
Logitech Korea Ltd.	Korea
Logitech New Zealand Co., Ltd.	New Zealand
Logitech Australia Computer Peripherals Pty, Limited	Commonwealth of Australia
Logitech JB Australia Pty Ltd	Commonwealth of Australia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Logitech International S.A.:

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-100854, No. 333-140429, No. 333-157038, No. 333-163933, No. 333-167143, No. 333-180725, No. 333-180726, No. 333-184583 and No. 333-192728) of Logitech International S.A. and subsidiaries (Logitech) of our report dated May 23, 2016, with respect to the consolidated balance sheets of Logitech as of March 31, 2016 and 2015, the related consolidated statement of operations, comprehensive income (loss), changes in shareholder's equity, and cash flows for each of the years in the two-year period ended March 31, 2016 and the related financial statement schedule, the retrospective adjustments applied to the 2014 consolidated financial statements to reflect the discontinued operations described in Note 3 to the consolidated financial statements and the effectiveness of internal control over financial reporting as of March 31, 2016, which report appears in the March 31, 2016 annual report on Form 10-K of Logitech.

/s/ KPMG LLP

Santa Clara, California

May 23, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-67057, No. 333-100854, No. 333-140429, No. 333-157038, No. 333-163933, No. 333-167143, No. 333-180725, No. 333-180726, No. 333-184583 and No. 333-192728) of Logitech International S.A. of our report dated November 13, 2014 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California

May 23, 2016

CERTIFICATIONS

I, Bracken Darrell, certify that:

1. I have reviewed this annual report on Form 10-K 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 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.

May 23, 2016

/s/ BRACKEN DARRELL

Bracken Darrell

President and Chief Executive Officer

CERTIFICATIONS

I, Vincent Pilette, certify that:

1. I have reviewed this annual report on Form 10-K 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 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.

May 23, 2016

/s/ VINCENT PILETTE

Vincent Pilette

Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND PRINCIPAL 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 annual report on Form 10-K (the "Report") of Logitech International S.A. ("the Company") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Bracken Darrell, Chief Executive Officer of the Company, and Vincent Pilette, Chief Financial Officer of the Company, each certify that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 23, 2016

/s/ BRACKEN DARRELL

Bracken Darrell

President and Chief Executive Officer

/s/ VINCENT PILETTE

Vincent Pilette

Chief Financial Officer