

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 December 31, 2019

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: 001-38618

ARLO TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction of Incorporation or Organization)

38-4061754
(I.R.S. Employer Identification Number)

3030 Orchard Parkway
San Jose, California
(Address of principal executive offices)

95134
(Zip Code)

Registrant's telephone number including area code
(408) 890-3900

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	ARLO	New York Stock Exchange

Securities registered pursuant to 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2019 was \$209.3 million. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the New York Stock Exchange on June 28, 2019 (the last business day of the Registrant's most recently completed fiscal second quarter). Shares of common stock held by each executive officer and director and certain entities that own 15% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was 76,687,772 shares as of February 21, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2020 annual meeting of stockholders, which will be filed within 120 days of the registrant's fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K (“Form 10-K”), including Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 below, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Form 10-K, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in “Risk Factors” in Part I, Item 1A below, and elsewhere in this Annual Report on Form 10-K, including, among other things: future demand for our products may be lower than anticipated; consumers may choose not to adopt our new product offerings or adopt competing products; the actual price, performance and ease of use of our products may not meet the price, performance and ease of use requirements of consumers; our dependence on certain significant customers; our reliance on a limited number of third-party suppliers and manufacturers; new cyber threats may challenge the effectiveness or threaten the security of our products; the collaboration with Verisure may not be successful; health epidemics and other outbreaks could significantly disrupt our operations; the financial capacity available under the revolving credit line; and the impact and timing of the restructuring plan and our business strategies and development plans may not be successful. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. All forward-looking statements in this Annual Report on Form 10-K are based on information available to us as of the date hereof, such information may be limited or incomplete, and we assume no obligation to update any such forward-looking statements. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes contained in this Annual Report on Form 10-K.

Item 1. **Business**

Overview

Arlo Technologies, Inc. (“we”, “Arlo” or the “Company”) combines an intelligent cloud infrastructure and mobile app with a variety of smart connected devices that transform the way people experience the connected lifestyle. Our cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection. To date, we have launched several categories of award-winning smart connected devices, including wire-free smart Wi-Fi and LTE-enabled cameras, advanced baby monitors, smart security lights, and an audio doorbell that works in conjunction with Arlo Cameras. In addition, Arlo’s broad compatibility allows the platform to seamlessly integrate with third-party internet-of-things (“IoT”) products and protocols, such as Amazon Alexa, Apple HomeKit, Apple TV, Google Assistant, IFTTT, Stringify and Samsung SmartThings. Since the launch of our first product in December 2014, we have shipped over 15.8 million smart connected devices, and, as of December 31, 2019, our smart platform had approximately 4 million cumulative registered accounts across more than 100 countries around the world. We plan to continue to introduce new smart connected devices to the Arlo platform both in cameras and new categories such as our recently introduced video doorbell, increase the number of registered accounts on our platform, keep them highly engaged through our mobile app and generate incremental recurring revenue by offering them paid subscription services.

On February 6, 2018, NETGEAR, Inc. ("NETGEAR") announced that its board of directors had unanimously approved the pursuit of a separation of its Arlo business from NETGEAR (the "Separation") to be effected through an initial public offering (the "IPO") of newly issued shares of the common stock of Arlo, then a wholly owned subsidiary of NETGEAR. On July 6, 2018, the Company filed a registration statement (as amended, the "IPO Registration Statement") relating to the IPO of common stock of Arlo with the U.S. Securities and Exchange Commission (the "SEC"). Following a series of restructuring steps prior to the completion of the IPO of Arlo common stock, the Arlo business was transferred from NETGEAR to Arlo (collectively, the "Contribution").

On August 2, 2018, NETGEAR and Arlo announced the pricing of the IPO of 10,215,000 shares of Arlo's common stock at a price to the public of \$16.00 per share. On August 3, 2018, Arlo's shares began trading on the New York Stock Exchange under the ticker symbol "ARLO." On August 7, 2018, the Company completed its IPO of 11,747,250 shares of common stock (including 1,532,250 shares of common stock pursuant to the underwriters' option to purchase additional shares, which was exercised in full on August 3, 2018), at \$16.00 per share, before underwriting discounts and commissions and estimated offering costs. Cash proceeds from the IPO were \$173.4 million, net of the portion of the offering cost paid by Arlo, which portion was \$1.4 million. The total offering cost was \$4.6 million, of which \$3.2 million was paid by NETGEAR.

Prior to the completion of the IPO, the Company was a wholly owned subsidiary of NETGEAR and upon the closing of the IPO (including the issuance of additional shares of common stock pursuant to the underwriters' option to purchase additional shares, which was exercised in full) on August 7, 2018, NETGEAR owned approximately 84.2% of the shares of Arlo's outstanding common stock.

On November 29, 2018, NETGEAR announced that its board of directors had approved a special stock dividend (the "Distribution") to NETGEAR stockholders of the 62,500,000 shares of Arlo common stock owned by NETGEAR. The Distribution was made on December 31, 2018 (the "Distribution Date") to all NETGEAR stockholders of record as of the close of business on December 17, 2018 (the "Record Date"). In the Distribution, each NETGEAR stockholder of record on the Record Date received 1.980295 shares of Arlo common stock for every share of NETGEAR common stock held on the Record Date, subject to cash in lieu of fractional shares. The Distribution was intended to qualify as generally tax free to NETGEAR stockholders for U.S. federal income tax purposes. In connection with the Distribution, 62,500,000 shares of Arlo common stock held by NETGEAR were distributed to its stockholders and NETGEAR is no longer considered a related party to the Company.

Market

Our total addressable market consists of individuals and business owners who use connected devices to enhance their lives. Outside of the home, we have seen adoption of our cellular-enabled products in a variety of use cases, such as neighborhood watch, construction site monitoring, wildlife and outdoor trail surveillance and event monitoring. We believe the small business, government and direct home monitoring channels provide growth areas for us in addition to our retail and e-commerce presence. We also believe we are well-positioned to extend our current reach to the broader connected lifestyle market both within and beyond the home as we continue to launch new products and services within our connected lifestyle platform.

Products

Smart Connected Devices

Arlo Security Camera, released in the fourth quarter of 2014, is the world's first commercially available 100% battery-operated Wi-Fi security camera with 720p HD video quality, IP65-rated weather resistance and night vision. The combination of our battery-operated wireless technology and compact weather-resistant design provides users with the ability to easily set up their cameras anywhere inside or outside of the house, without requiring a power outlet. Our patented low-power battery management technology allows Arlo to operate for up to six months of average use without having to change batteries. Arlo also features an on-board passive infrared ("PIR") motion sensor, which when activated

automatically records a video of the motion event and notifies the user with an instant email or push notification directly to their mobile device.

Arlo Q and Arlo Q Plus, released in the fourth quarter of 2015, bring Arlo’s performance and design to an indoor wired solution that allows users to easily monitor their surroundings with 1080p HD video quality. With two-way audio communication, users can not only watch but also interact with their children, pets or other guests in their home or business. Arlo Q and Arlo Q Plus also feature optional 24/7 recording on a subscription basis. Arlo Q Plus includes the additional functionality of being powered-over-ethernet, which is common for business environments.

Arlo Pro, released in the fourth quarter of 2016, is our second generation battery-operated, IP65-rated weather-resistant Wi-Fi camera. Arlo Pro maintains the features and flexibility of our battery-operated, compact wire-free design while adding key new features and significant camera upgrades. With two-way audio, users can hear what is going on near their camera and talk to anyone near the camera through the Arlo mobile app. Arlo Pro features the convenience of swappable, rechargeable batteries, which require less than four hours of charging time. Arlo Pro also features upgrades to day and night video performance, PIR motion detection and our proprietary battery-management technology, providing users with improved battery performance. In addition, Arlo Pro includes a 100+ decibel siren on the base station that can be triggered by motion or sound detection.

Arlo Go, released in the first quarter of 2017, is the world’s first commercially available LTE-enabled wire-free camera and provides untethered mobile security with support by major networks in key markets around the world, including AT&T and Verizon in the United States. Its IP65-rated weather-resistant design, 720p HD video quality, two-way audio and battery-powered operation allow small business owners, construction sites, outdoor enthusiasts and anyone in need of a truly mobile solution to virtually be at any location, anytime, and maintain monitoring capabilities.

Arlo Baby, released in the second quarter of 2017, combines performance and convenience with smart features that give added peace of mind for parents and caregivers. With 1080p HD video quality, air quality and temperature sensors, motion and audio detection, and advanced night vision, parents can be alerted to movement and changes in their child’s environment, and they can also remotely engage with their child using Arlo’s two-way audio feature, play music or custom recordings or even turn on Arlo Baby’s multi-colored night light to soothe their child to sleep. Parents can also easily move Arlo Baby, powered by its rechargeable batteries or by an electrical outlet, to different rooms.

Arlo Pro 2, released in the fourth quarter of 2017, is the battery-operated, IP65-rated weather-resistant Wi-Fi cameras. With 1080p full HD video quality and advancements in sound and motion detection, including a three-second look-back video capture and continuous video recording capabilities when plugged into a power outlet. Arlo Pro 2 includes a 100+ decibel siren on the base station that can be triggered remotely or by motion or sound detection, as well as two-way audio, night vision and optional local backup storage to any compatible USB drive.

Arlo Audio Doorbell, released in the third quarter of 2018 and designed with flexibility and DIY simplicity in mind, are engineered to work as a standalone smart audio doorbell solution or to pair with any Arlo camera or Arlo Security Light for a more complete view of the entryway. Using the Arlo app, users can access their Arlo Audio Doorbell to interact with visitors from their smartphone or tablet, and if paired with an Arlo camera, users can also use an Arlo Smart subscription service plan to intelligently detect people and call e911 emergency services closest to the camera’s location, saving valuable time. The Arlo Audio Doorbell can also be programmed to automatically trigger Arlo Security Lights, Arlo cameras or other connected devices through our cross-platform integration allowing users to fully customize visitor response.

Arlo Chime, released in the third quarter of 2018 and designed to plug into any standard wall outlet and pairs with the Arlo Audio Doorbell to play a variety of ringtones or act as a siren, and even contains a silent mode for those times when users don’t want to be bothered. The Arlo Chime runs on two standard AA batteries which can last up to an entire year based on normal usage and features a weather-resistant exterior finish. For added ease and versatility, users also have the option to connect with their existing door chimes without needing to install any additional hardware or wiring.

Arlo Ultra, released in the first quarter of 2019 and designed with advanced 4K high dynamic range ("HDR") video quality with color night vision, wire-free setup, a 180-degree diagonal field-of-view, an integrated spotlight and crystal-clear two-way audio with advanced noise cancellations, Ultra delivers ultimate peace of mind for anyone looking to monitor their home or business. Users will experience enhanced detail and clarity and are able to zoom in on video clips to uncover details such as license plate and clothing. Ultra delivers one of the widest viewing angles in the wire-free security camera industry. Ultra is paired with a new Arlo SmartHub that functions as the nucleus of the smart home and engineered with Arlo RF™, a proprietary two way audio frequency technology. Arlo Ultra also includes one year of free Arlo Smart so the users can experience the benefits we deliver.

Arlo Pro 3, released in the third quarter of 2019 and designed to provide home and small business owners with a high-performance, simple, wire-free security solution, Pro 3 features 2K resolution with HDR, an integrated spotlight with color night vision and a super-wide 160-degree field of view. Engineered to work indoors or outdoors, Pro 3 offers advanced image quality for DIY security that anyone can easily install in minutes and monitor from anywhere using the Arlo app. Pro 3 also includes a new Arlo SmartHub that securely manages network traffic to the camera in addition to enhancing power and WiFi performance for better range and battery life. Arlo Pro 3 includes a three-month trial period of Arlo Smart.

Arlo Video Doorbell, released in the fourth quarter of 2019 and designed to capture what traditional video doorbells can't, the new smart entry solution boasts an industry-leading vertical field-of-view, allowing users to get a bigger, more precise picture of their front porch. The Video Doorbell captures footage in a square aspect ratio to allow users to fully view packages on the ground, or visitors from head to toe. It also offers features such as HD resolution image quality along with clear, two-way audio for users to simultaneously see and speak to visitors. Unlike conventional doorbell cameras, the Arlo Video Doorbell delivers direct-to-mobile video calls and personalized alerts when packages, people, vehicles, or animals are detected, allowing for users to quickly reply or take action provided they are an Arlo SmartHub subscriber or in a trial. The Arlo Video Doorbell connects to an existing mechanical or digital chime for simple installation and continuous power. Arlo Video Doorbell includes three months of Arlo Smart.

Arlo Accessories

Arlo Charging Accessories are designed to offer additional convenient ways to keep Arlo wire-free cameras up and running even longer. With the Arlo Charging Station, users can charge up to two Arlo Pro, Arlo Pro 2 or Arlo Go batteries with fast-charging technology so there is always a battery ready to go. For those looking to eliminate battery swaps entirely, the mountable and weather-resistant Arlo Solar Panel connects to Arlo Pro or Arlo Go cameras to keep batteries charged with just a few hours of direct sunlight.

Arlo Mounts feature innovative designs that allow users to mount their cameras outdoors or indoors, on ceilings or countertops. The Arlo Quadpod is a flexible mount featuring four legs crafted from flexible stainless steel and silicone that allows users to mount their camera even in challenging spots such as tree branches or metal poles.

Arlo Skins allow Arlo owners to customize their Arlo cameras to blend into their environments or add a pop of personality. Popular with outdoor enthusiasts, Arlo Camouflage and Ghillie skins are ultraviolet and water-resistant and made of durable silicone material for easy slip-on, slip-off convenience. Arlo Baby accessory characters add some playfulness to the nursery with fun disguises that turn Arlo Baby cameras into puppies, kittens or bunnies.

The Arlo App

The Arlo app, available for iOS and Android devices, is designed to provide our users with an easy-to-use, flexible, mobile-first experience that connects our users to the people and things that matter most to them. Our proprietary AI-based capabilities generate relevant and actionable real-time notifications, which enable users to live stream video or contact emergency services through the app notifications when Arlo devices detect motion or sound. The Arlo app also enables users to view their library of video clips and share them via text, email or social networks, and varies depending on the types of service plans that the user has. The app has four main screens: devices, library, mode, and setting:

- The Devices screen provides a quick at-a-glance dashboard of the user's devices linked to their account, with valuable status icons like device battery life, and actionable buttons to live stream from their Arlo camera, call e911, activate a siren, or access the device's settings.
- The Library screen delivers a timeline view of recorded video clips in the user's Arlo Smart account, with additional tagging of clips that contain subject matter identified by Arlo Smart's AI- and CV-based object detection, such as person, package, vehicle or even animal.
- The Mode screen enables users to quickly Arm or Disarm their Arlo system.
- The Settings screen provides access to additional device or account level information and features, including customization of Arlo Smart notifications and detection capabilities.

Services

Our prepaid service, included with the sale of some of our cameras, provides users with rolling seven-day cloud video storage, the ability to connect up to five cameras and 90 days of customer support.

Launched in 2018, Arlo Smart is a paid subscription service that adds powerful AI capabilities to our cameras that enhance the user experience. Arlo Smart incorporates and replaces our legacy paid subscription services. Through real-time computer vision algorithms, Arlo Smart provides users a more personalized experience, deeper insights into detected activity and streamlined access to take responsive actions in urgent situations, such as contacting local emergency services. Arlo's paid services subscriber base has grown from over 78,000 subscribers as of December 31, 2017 to about 230,000 subscribers as of December 31, 2019.

Sales Channels

We sell our products through multiple sales channels worldwide, including traditional and online retailers, wholesale distributors, broadcast channels and wireless carriers.

Retailers. We sell to traditional and online retailers, either directly or through wholesale distributors. We work directly with our retail channels on market development activities, such as co-advertising, including digital and traditional media, online promotions and video demonstrations, instant rebate programs, event sponsorship and sales associate training. Our largest retailers include Best Buy, Costco, and Amazon and their affiliates. For the year ended December 31, 2019, we derived 32.3% and 10.1% of our revenue from Best Buy and Costco and their respective affiliates, respectively.

Wholesale Distributors. Our distribution channel supplies our products to retailers, e-commerce resellers, wireless carriers and broadcast channels. We sell directly to our distributors, including Also Holding AG, Ingram Micro, Inc., D&H Distributing Company, Exertis (UK) Ltd., Synnex Corporation, and Verisure S.à.r.l.

Broadcast Channels. We also sell our products through TV shopping networks such as HSN.

Wireless Carriers. We supply our products to major wireless carriers around the world, including AT&T, Verizon, Telstra and Vodafone. This sales channel is and will continue to be the key route-to-market for our current portable LTE-enabled camera and any future cellular-enabled connected lifestyle devices.

Agreements with Verisure S.à.r.l.

On November 4, 2019, we concurrently entered into an Asset Purchase Agreement (the "Purchase Agreement") and Supply Agreement (the "Supply Agreement" and together with the Purchase Agreement, the "Verisure Agreements") with Verisure S.à.r.l. ("Verisure"). Verisure is a leading European provider of professionally monitored security systems with 24/7 response services to both residential and small business customers. The Verisure Agreements created a strategic partnership that leverages both the Company and Verisure's capabilities to create incremental scale to address the ever-growing demand for residential and commercial security. The strategic partnership will combine our innovative connected cameras and cloud services platform with Verisure's professionally monitored security solutions to provide a new level of smart security for European customers. The transactions contemplated by the Verisure Agreements closed on December 30, 2019.

The Purchase Agreement provided that, upon the terms and subject to the conditions set forth in the Purchase Agreement, we transferred, sold and assigned to Verisure certain assets (the "Assets") related to our commercial operations in Europe (the "Business") to Verisure for \$50.0 million in cash plus additional cash for certain inventory. The Purchase Agreement contains customary representations and warranties regarding Verisure, the Business and the Assets, indemnification provisions, termination rights and other customary provisions. Further, we agreed not to engage in any business that competes with the Business for a period of three years.

The Supply Agreement provides that, upon the terms and subject to the conditions set forth in the Supply Agreement, Verisure will become the exclusive distributor of our products in Europe for all channels, and will non-exclusively distribute our products through its direct channels globally in connection with Verisure's security business. During the five-year period commencing January 1, 2020, Verisure has an aggregate minimum purchase commitment of \$500.0 million, which includes yearly annual commitments. On December 30, 2019, Verisure prepaid \$20.0 million for product purchases in fiscal 2020 and will prepay \$40.0 million on the first anniversary of the closing of the Purchase Agreement for product purchases in fiscal 2021.

The Supply Agreement also provides for certain development services to Verisure, including development of certain custom products specified by Verisure, in exchange for an aggregate of \$10.0 million, payable in installments upon meeting certain development milestones.

As part of the Purchase Agreement, we also entered into a Transition Services Agreement with Verisure ("Verisure TSA") to assist Verisure with the transition of the Company's European commercial operations. These transition services primarily include IT support for 12 months, and other services for 3 to 6 months, including sales and marketing, operations and supply chain, finance, legal, and human resources. As compensation for these transition services, we will be reimbursed by Verisure based on actual direct costs plus allocation of overhead.

Competition

We believe we are well-positioned to compete within the broader connected lifestyle market, both within and beyond the home as we continue to launch new product lines and services within our smart platform. However, our market is highly competitive and evolving, and we expect competition to increase in the future. We believe the principal competitive factors impacting the market for our products include price, service offerings, functionality, brand, technology, design, distribution channels and customer service.

We believe that we compete favorably in these areas on the basis of our market leadership position in the U.S. consumer network connected camera systems market, best-in-class technology, direct relationship with users and user engagement, trusted Arlo platform, strong Arlo brand and channel partners and deep strategic partnerships with key suppliers, such as Cypress Semiconductor Co., OmniVision Technologies Inc. and Qualcomm Incorporated. Moreover, our focus on building a connected lifestyle platform, combined with our leadership in innovation in the consumer network connected camera systems market, has led to the strength of our Arlo brand worldwide. We believe this focus allows us to compete favorably with companies that have introduced or have announced plans to introduce devices with connected lifestyle functionalities. Nevertheless, the connected lifestyle market remains highly competitive, and has a multitude of participants, including: large global technology companies, such as Amazon (Ring and Blink) and Google (Nest); security service vendors, such as ADT; telecom service providers, such as AT&T and Comcast; and smaller point products companies.

Many of our existing and potential competitors have longer operating histories, greater name recognition and substantially greater financial, technical, sales, marketing and other resources than we do. We anticipate that current and potential competitors will also intensify their efforts to penetrate our target markets. For additional information, see *“Risk Factors-Risks Related to Our Business-Some of our competitors have substantially greater resources than we do, and to be competitive we may be required to lower our prices or increase our sales and marketing expenses, which could result in reduced margins and loss of market share.”*

Research and Development

We are passionate about developing new and innovative products and services that enable the connected lifestyle. Our research and development team collaborates with our product team to design and build differentiated new products and improve upon our existing products and services. Our goal is to create unique user experiences within the connected lifestyle. For example, our original Arlo camera was the world’s first commercially available 100% battery-operated Wi-Fi security camera with 720p HD video, IP65-rated weather resistance and night vision. The groundbreaking nature of the product, first launched in December 2014, gathered critical acclaim and market success. Our research and development team has taken this same approach to all of our subsequent product releases, constantly innovating to stay ahead of the competition.

As of December 31, 2019, our research and development staff consisted of 138 employees, located in our offices worldwide, and was comprised of front-end and back-end software engineers, RF engineers, electrical engineers, mechanical engineers, system test engineers, computer vision scientists and data analysis engineers, UX and industrial design engineers and mobile app developers. We intend to continue to invest in research and development to expand our platform and capabilities in the future.

Manufacturing

While all of our products are primarily designed in North America, we currently outsource manufacturing to Foxconn Cloud Network Technology Singapore Pte. Ltd., Pegatron Corporation, and Sky Light Industrial Ltd. , which are all headquartered in Asia. Although we do not have any long-term purchase contracts, we have executed master product supply agreements with these manufacturers, which typically provide indemnification for intellectual property infringement, epidemic failure clauses, agreed-upon price concessions, division of each party’s intellectual property and product quality requirements. Since we outsource our manufacturing, we have the flexibility and ability to adapt to market changes, product supply and component pricing while keeping our costs low. In addition to their responsibility for the manufacturing of our products, our manufacturers typically purchase all necessary parts and materials to produce finished goods. To maintain quality standards for our suppliers, we have established our own product quality organization based in Vietnam, Hong Kong, Taiwan, Indonesia, and mainland China, which is responsible for auditing and inspecting process and product quality on the premises of our manufacturers. Our strategic relationships with our manufacturers are an important component of our ability to introduce new products and grow our business.

We focus on driving alignment of our product roadmaps with our manufacturers and determining what we can do collectively to reduce costs across the supply chain. Our operations teams based in the United States, Hong Kong, Taiwan, Vietnam, Indonesia and mainland China coordinate with our manufacturers' engineering, manufacturing and quality control personnel to develop the requisite manufacturing processes, quality checks and testing and general oversight of the manufacturing activities. We believe this model has enabled us to quickly and efficiently deliver high-quality and innovative products, while enabling us to minimize costs and manage inventory.

Our products are manufactured and packaged for retail sale by our manufacturers mostly in Vietnam and Indonesia, with minimal manufacturers in China, and shipped to our logistics hubs located in the United States, the Netherlands, Hong Kong and Australia. Our operations team coordinates with our manufacturers to ensure that the shipment of our products from the manufacturers to these logistics hubs meets customer demand.

Marketing

Our marketing programs are focused on building global brand awareness, increasing product adoption and driving sales. Our marketing efforts target individuals interested in a connected lifestyle and we believe our marketing programs allow us to attract and engage with customers efficiently and at scale. We also increase brand awareness by augmenting word of mouth recommendations from Arlo customers and key influencers, interact digitally with current and prospective customers and maintain and develop our strong channel partnerships and strong shelf presence. We collaborate with our retail partners on market development activities to drive in-store and online engagement with the brand and drive purchases.

Customer Care

We provide customer care to Arlo users globally through a variety of communication channels, including phone, chat, email, social media and our Arlo Community, as well as self-guided resources such as knowledge-base articles, how-to videos and technical documentation on our website. We believe that providing timely, responsive customer support and educational content to our users helps foster an ongoing engagement that builds loyalty to our brand and also enables Arlo to understand user needs as they evolve. The online Arlo Community in particular serves as an efficient and engaging platform through which we can deliver customer care and receive feedback from users. We gather and analyze user feedback from all platforms to help inform our design and engineering teams about future enhancements to our products and services.

In order to best serve our users globally, we manage and continually adjust our resources worldwide through a mixture of permanent employees and subcontracted, outsourced resources. As our installed base continues to grow in new geographies, new categories and technologies, we will continue to focus on building a scalable support infrastructure that enables our users to engage with us through the channel that is most convenient and efficient for their needs.

IT Infrastructure Operations

We currently serve our users from third-party data center hosting facilities. Our cloud platform runs in data centers in the United States and a data center in Ireland to serve our European Union users. We also utilize data centers in Singapore, Australia and China. We have designed our cloud environments to be highly resilient with built-in redundancy and provide failover to other data centers in our network.

Fiscal periods

Our fiscal year begins on January 1 of the year stated and ends on December 31 of the same year. We report our results on a fiscal quarter basis rather than on a calendar quarter basis. Under the fiscal quarter basis, each of the first three fiscal quarters ends on the Sunday closest to the calendar quarter end, with the fourth quarter ending on December 31.

Seasonality

Historically, we have generated higher revenue in the third and fourth quarters of each year compared to the first and second quarters due to seasonal demand from consumer markets, primarily relating to the beginning of the school year and the holiday season. For example, for the years ended December 31, 2019, 2018 and 2017, our third and fourth quarters collectively represented 61.8%, 54.5% and 62.0%, respectively, of our revenue for such years. Therefore, timely and effective product and service introductions are critical to our results of operations.

Backlog

Our backlog consists of products for which customer purchase orders have been received and that are scheduled or in the process of being scheduled for shipment. As of December 31, 2019, we had a backlog of \$5.4 million, compared to \$18.9 million as of December 31, 2018 and \$15.6 million as of December 31, 2017. As we typically fulfill orders received within a relatively short period after receipt (e.g., within one week for our top three customers), our revenue in any fiscal year depends primarily upon orders booked and the availability of supply of our products in that year. In addition, most of our backlog is subject to rescheduling or cancellation with minimal penalties. As a result, our backlog as of any particular date may not be an indicator of revenue for any succeeding period. Similarly, there is a lack of meaningful correlation between year-over-year changes in backlog as compared with year-over-year changes in revenue. Accordingly, we do not believe that backlog information is material to an understanding of our overall business, and backlog as of any particular date should not be considered a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

Intellectual Property

Our ability to protect our intellectual property will be an important factor in the success and continued growth of our business. We rely upon a combination of patent, copyright, trade secret, and trademark laws and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. Some of our technology relies upon third-party licensed intellectual property.

We currently hold 37 U.S. issued patents, 36 pending U.S. patent applications, three patents issued by China and no pending patent applications outside of the United States relating to certain aspects of our hardware devices, accessories, software and services. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We also pursue the registration of our domain names and trademarks and service marks in the United States and in certain locations outside the United States. We currently have eight registered trademarks and three pending trademark applications in the United States, as well as 23 registered trademarks and 12 pending trademark applications outside of the United States. We currently hold trademark registrations for “ARLO” in seven countries, including the United States, as well as the European Union and the World Intellectual Property Organization. For more information, see “*Risk Factors-Risks Related to Our Business-If we are unable to secure and protect our intellectual property rights, our ability to compete could be harmed.*”

Environmental Laws

Our products and manufacturing processes are subject to numerous governmental regulations, which cover both the use of various materials and environmental concerns. Environmental issues such as pollution and climate change have had significant legislative and regulatory efforts on a global basis, and there are expected to be additional changes to the regulations in these areas. These changes could directly increase the cost of energy, which may have an impact on the way we manufacture products. In addition, any new regulations or laws in the environmental area might increase the cost of the raw materials we use in our products and the cost of compliance. Other regulations in the environmental area may require us to continue to monitor and ensure proper disposal or recycling of our products. To the best of our knowledge, we maintain compliance with all current government regulations concerning our production processes for all locations in which we operate. Since we operate on a global basis, this is also a complex process that requires continual monitoring of regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with all existing regulations.

Our Culture and Our Employees

Our culture, mission and core values are a critical part of our success. Our culture is built on a foundation that encourages creativity through entrepreneurship, diversity, empowerment, ethics and open dialogue to continually innovate and improve our technology, solutions, brand and partnerships. We continue to recruit and hire exceptionally talented, diverse and ethical employees and are proud of Arlo culture we have been able to build. We believe that we maintain a good working relationship with our employees, and we have not experienced any labor disputes. As of December 31, 2019, we had 349 full-time employees.

Company Information

We were incorporated in Delaware in January 2018 in connection with the Separation. We have dual corporate headquarters and our principal executive offices are located at 3030 Orchard Parkway, San Jose, California 95134, and our telephone number is (408) 890-3900. Our secondary executive offices are located at 2200 Faraday Ave., Suite #150, Carlsbad, CA 92008. Our website is www.arlo.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are available free of charge on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities Exchange Commission (the "SEC"). The contents of our websites are not incorporated into this Annual Report. Further, our references to the URLs for these websites are intended to be inactive textual reference only.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the SEC. We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. You may read and copy our reports, proxy statements and other information filed by us at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Our filings are also available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

Our website provides a link to our SEC filings, which are available free of charge on the same day such filings are made. The specific location on the website where these reports can be found is <http://investor.arlo.com>. Our website also provides a link to Section 16 filings which are available free of charge on the same day as such filings are made. Information contained on these websites is not a part of this Annual Report on Form 10-K.

Information about our Executive Officers

The following table sets forth the names, ages and positions of our executive officers as of February 21, 2020.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Matthew McRae	46	Chief Executive Officer and Director
Christine M. Gorjanc	63	Chief Financial Officer
Brian Busse	51	General Counsel and Corporate Secretary

Matthew McRae. Matthew McRae has served as our Chief Executive Officer since February 2018 and as a member of our Board since August 2018. Mr. McRae served as NETGEAR's Senior Vice President of Strategy from October 2017 until August 2018. Mr. McRae previously served as the Chief Technology Officer of Vizio Inc. from 2010 to March 2017, and prior to that served as its Vice President and General Manager, Advanced Products Group, from 2008 to 2010. From 2007 to 2008, Mr. McRae was Vice President of Marketing and Business Development of Fabrik (now part of HGST, Inc.), a provider of data storage and next generation web services, and prior to that, from 2001 to 2007, was the Senior Director, Worldwide Business Development at Cisco Systems Inc., a leader in networking services. Mr. McRae has served on the board of directors of Dedicated Hosting Services, Inc. (d/b/a Streaming Media Hosting), a private content delivery network company, since 2014, and he has been on the board of directors of the UC Irvine Institute for Innovation since 2015. He previously served on the board of directors of the Leatherby Center for Entrepreneurship and Business Ethics at the Business School of Chapman University from 2012 to 2015.

Christine M. Gorjanc. Christine M. Gorjanc has served as our Chief Financial Officer since August 2018. Ms. Gorjanc served as NETGEAR's Chief Financial Officer from January 2008 to August 2018, Chief Accounting Officer from December 2006 to January 2008 and Vice President, Finance from November 2005 to December 2006. From September 1996 through November 2005, Ms. Gorjanc served as Vice President, Controller, Treasurer and Assistant Secretary for Aspect Communications Corporation, a provider of workforce and customer management solutions. From October 1988 through September 1996, Ms. Gorjanc served as the Manager of Tax for Tandem Computers, Inc., a provider of fault-tolerant computer systems. Prior to that, Ms. Gorjanc served in management positions at Xidex Corporation, a manufacturer of storage devices, and spent eight years in public accounting with a number of accounting firms. Ms. Gorjanc is a member of the board of directors and serves as the Audit Committee Chairman of Invitae Corporation, a genetic health information company. Ms. Gorjanc also serves on the board of directors of Juniper Networks and the audit committee. Juniper Networks is a leader in secure AI driven networks. Ms. Gorjanc holds a B.A. in Accounting (with honors) from the University of Texas at El Paso and a M.S. in Taxation from Golden Gate University.

Brian Busse. Brian Busse has served as our General Counsel since July 2018. Previously, Mr. Busse was NETGEAR's Vice President Intellectual Property & Litigation where he was responsible for overseeing NETGEAR's worldwide litigation, intellectual property, privacy and licensing matters. Before joining NETGEAR in September 2009, Mr. Busse served as Counsel in the Intellectual Property Litigation Department of O'Melveny & Myers LLP in Menlo Park, California beginning in December 2008 where he represented public and private technology companies in a wide range of intellectual property litigation matters, including all aspects of patent litigation, including trial, discovery, law and motion, and claim construction. Mr. Busse began practicing law with the New York firm of Skadden, Arps, Slate, Meagher & Flom LLP, advising clients on various areas of litigation. Mr. Busse holds a J.D. from The University of Texas at Austin School of Law, an M.S. and Ph.D. in Physics from Oregon State University, and a B.S. in Physics from Virginia Tech. Mr. Busse is admitted to practice law in California and New York.

Item 1A. Risk Factors

Investing in our common stock involves substantial risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” when evaluating our business and before deciding whether to invest in shares of our common stock. We describe below what we believe are currently the material risks and uncertainties we face, but they are not the only risks and uncertainties we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

We expect our results of operations to fluctuate on a quarterly and annual basis, which could cause our stock price to fluctuate or decline.

Our results of operations are difficult to predict and may fluctuate substantially from quarter-to-quarter or year-to-year for a variety of reasons, many of which are beyond our control. If our actual results were to fall below our estimates or the expectations of public market analysts or investors, our quarterly and annual results would be negatively impacted and the price of our stock could decline. Other factors that could affect our quarterly and annual operating results include, but are not limited to:

- changes in the pricing policies of, or the introduction of new products by, us or our competitors;
- delays in the introduction of new products by us or market acceptance of these products;
- health epidemics and other outbreaks, including the COVID-19, which could significantly disrupt our operations
- introductions of new technologies and changes in consumer preferences that result in either unanticipated or unexpectedly rapid product category shifts;
- competition with greater resources may cause us to lower prices and in turn could result in reduced margins and loss of market share;
- epidemic or widespread product failure, or unanticipated safety issues, in one or more of our products;
- slow or negative growth in the connected lifestyle, home electronics, and related technology markets;
- seasonal shifts in end-market demand for our products;
- unanticipated decreases or delays in purchases of our products by our significant retailers, distributors, and other channel partners;
- component supply constraints from our vendors;
- unanticipated increases in costs, including air freight, associated with shipping and delivery of our products;

- the inability to maintain stable operations by our suppliers and other parties with whom we have commercial relationships;
- discovery of security vulnerabilities in our products, services or systems, leading to negative publicity, decreased demand, or potential liability;
- foreign currency exchange rate fluctuations in the jurisdictions where we transact sales and expenditures in local currency;
- excess levels of inventory and low turns;
- changes in or consolidation of our sales channels and wholesale distributor relationships or failure to manage our sales channel inventory and warehousing requirements;
- delay or failure to fulfill orders for our products on a timely basis;
- delay or failure of our retailers, distributors, and other channel partners to purchase at their historic volumes or at the volumes that they or we forecast;
- changes in tax rates or adverse changes in tax laws that expose us to additional income tax liabilities;
- changes in U.S. and international tax policy, including changes that adversely affect customs, tax or duty rates (such as the tariffs on products imported from China enacted by the Trump administration), as well as income tax legislation and regulations that affect the countries where we conduct business;
- operational disruptions, such as transportation delays or failure of our order processing system, particularly if they occur at the end of a fiscal quarter;
- disruptions or delays related to our financial and enterprise resource planning systems;
- our inability to accurately forecast product demand, resulting in increased inventory exposure;
- allowance for doubtful accounts exposure with our existing retailers, distributors and other channel partners and new retailers, distributors and other channel partners, particularly as we expand into new international markets;
- geopolitical disruption, including sudden changes in immigration policies, leading to disruption in our workforce or delay or even stoppage of our operations in manufacturing, transportation, technical support, and research and development;
- terms of our contracts with channel partners or suppliers that cause us to incur additional expenses or assume additional liabilities;
- an increase in price protection claims, redemptions of marketing rebates, product warranty and stock rotation returns or allowance for doubtful accounts;
- litigation involving alleged patent infringement;
- failure to effectively manage our third-party customer support partners, which may result in customer complaints and/or harm to the Arlo brand;

- our inability to monitor and ensure compliance with our code of ethics, our anti-corruption compliance program, and domestic and international anti-corruption laws and regulations, whether in relation to our employees or with our suppliers or retailers, distributors, or other channel partners;
- labor unrest at facilities managed by our third-party manufacturers;
- workplace or human rights violations in certain countries in which our third-party manufacturers or suppliers operate, which may affect the Arlo brand and negatively affect our products' acceptance by consumers;
- unanticipated shifts or declines in profit by geographical region that would adversely impact our tax rate;
- failure to implement and maintain the appropriate internal controls over financial reporting, which may result in restatements of our financial statements; and
- any changes in accounting rules.

As a result, period-to-period comparisons of our results of operations may not be meaningful, and you should not rely on them as an indication of our future performance.

If we fail to continue to introduce or acquire new products or services that achieve broad market acceptance on a timely basis, or if our products or services are not adopted as expected, we will not be able to compete effectively and we will be unable to increase or maintain revenue and gross margin.

We operate in a highly competitive, quickly changing environment, and our future success depends on our ability to develop or acquire and introduce new products and services that achieve broad market acceptance. Our future success will depend in large part upon our ability to identify demand trends in the connected lifestyle market and quickly develop or acquire, and design, manufacture and sell, products and services that satisfy these demands in a cost-effective manner.

In order to differentiate our products and services from our competitors' products, we must continue to increase our focus and capital investment in research and development, including software development. We have committed a substantial amount of resources to the manufacture, development and sale of our Arlo Smart services and our wire-free smart Wi-Fi cameras, advanced baby monitors, and smart lights, and to introducing additional and improved models in these lines. In addition, we plan to continue to introduce new categories of smart connected devices to the Arlo platform in the near future. If our existing products and services do not continue, or if our new products or services fail, to achieve widespread market acceptance, if existing customers do not subscribe to our paid subscription services such as Arlo Smart, if those services do not achieve widespread market acceptance, or if we are unsuccessful in capitalizing on opportunities in the connected lifestyle market, as well as in the related market in the small business segment, our future growth may be slowed and our business, results of operations, and financial condition could be materially adversely affected. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product or service will have on existing product or service sales. It is possible that Arlo may not be as successful with its new products and services, and as a result our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Also, we may not be able to respond effectively to new product or service announcements by our competitors by quickly introducing competitive products and services.

In addition, we may acquire companies and technologies in the future and, consistent with our vision for Arlo, introduce new product and service lines in the connected lifestyle market. In these circumstances, we may not be able to successfully manage integration of the new product and service lines with our existing suite of products and services. If we are unable to effectively and successfully further develop these new product and service lines, we may not be able to increase or maintain our sales, and our gross margin may be adversely affected.

We may experience delays and quality issues in releasing new products and services, which may result in lower quarterly revenue than expected. In addition, we may in the future experience product or service introductions that fall short of our projected rates of market adoption. Currently, reviews of our products and services are a significant factor in the success of our new product and service launches. If we are unable to generate a high number of positive reviews or quickly respond to negative reviews, including end-user reviews posted on various prominent online retailers, our ability to sell our products and services will be harmed. Any future delays in product and service development and introduction, or product and service introductions that do not meet broad market acceptance, or unsuccessful launches of new product and service lines could result in:

- loss of or delay in revenue and loss of market share;
- negative publicity and damage to our reputation and brand;
- a decline in the average selling price of our products and services;
- adverse reactions in our sales channels, such as reduced shelf space, reduced online product visibility, or loss of sales channels; and
- increased levels of product returns.

Throughout the past few years, Arlo has significantly increased the rate of new product and service introductions, with the introduction of new lines of Arlo cameras, smart lights, and doorbell products, as well as the introduction of our Arlo Smart services. If we cannot sustain that pace of product and service introductions, either through rapid innovation or acquisition of new products and services or product and service lines, we may not be able to maintain or increase the market share of our products and services or expand further into the connected lifestyle market in accordance with our current plans. In addition, if we are unable to successfully introduce or acquire new products and services with higher gross margin, our revenue and overall gross margin would likely decline.

We face risks related to health epidemics and other outbreaks, including the COVID-19, which could significantly disrupt our operations.

In December 2019, a novel strain of COVID-19 was reported to have surfaced in Wuhan, China, resulting in increased travel restrictions and extended shutdowns of certain businesses in the region. Our business could be adversely impacted by the effects of the COVID-19 or other epidemics. Certain critical components of our products are sourced from suppliers in China and a small portion of our worldwide sales are comprised of goods assembled and manufactured in mainland China. Consequently, we are susceptible to factors adversely affecting one or more of these locations. The effects could include restrictions on our ability to travel to support our suppliers in Asia and disruptions in our ability to manufacture, assemble and distribute products, which would likely impact our sales and operating results. In fact, we expect that our revenue and gross margin for the first half of 2020 will be negatively impacted by delayed delivery of components from suppliers located in regions affected by COVID-19. In addition, our results of operations could be adversely affected to the extent that COVID-19 or any other epidemic harms the Chinese economy in general. We may also experience impacts to certain of our customers and/or suppliers as a result of a health epidemic or other outbreak occurring in one or more of these locations, which may materially and adversely affect our business, financial condition and results of operations. Further, our operation may experience disruptions, such as temporary closure of our offices and/or those of our customers or suppliers and suspension of services, which may materially and adversely affect our business, financial condition and results of operations.

We may need additional financing to meet our future long-term capital requirements and may be unable to raise sufficient capital on favorable terms or at all.

We have recorded a net loss of \$86.0 million and \$75.5 million for the years ended December 31, 2019 and December 31, 2018, respectively, and we have a history of losses and may continue to incur operating and net losses for the foreseeable future. As of December 31, 2019, our accumulated deficit was \$131.5 million.

As of December 31, 2019, our cash and cash equivalents and short-term investments totaled \$256.7 million. While we anticipate that our current cash, cash equivalents and cash to be generated from operations will be sufficient to meet our projected operating plans through at least the next twelve months, we may require additional funds, either through equity or debt financings or collaborative agreements or from other sources. We have no commitments to obtain such additional financing, and we may not be able to obtain any such additional financing on terms favorable to us, or at all. If adequate financing is not available, we may further delay, postpone or terminate product and service expansion and curtail certain selling, general and administrative operations. The inability to raise additional financing may have a material adverse effect on our future performance.

Some of our competitors have substantially greater resources than we do, and to be competitive we may be required to lower our prices or increase our sales and marketing expenses, which could result in reduced margins and loss of market share.

We compete in a rapidly evolving and fiercely competitive market, and we expect competition to continue to be intense, including price competition. Our principal competitors include Amazon (Blink and Ring), Google (Nest), Swann, Night Owl, Wyze, Foxconn Corporation (Belkin), Samsung, D-Link, and Canary. Other competitors include numerous local vendors such as Netatmo, Logitech, Bosch, Instar, and Uniden. In addition, these local vendors may target markets outside of their local regions and may increasingly compete with us in other regions worldwide. Many of our existing and potential competitors have longer operating histories, greater brand recognition, and substantially greater financial, technical, sales, marketing, and other resources. These competitors may, among other things, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, obtain more favorable pricing from suppliers and manufacturers, and exert more influence on sales channels than we can. In addition, certain competitors may have different business models, such as integrated manufacturing capabilities, that may allow them to achieve cost savings and to compete on the basis of price. Other competitors may have fewer resources, but may be more nimble in developing new or disruptive technology or in entering new markets.

We anticipate that current and potential competitors will also intensify their efforts to penetrate our target markets. For example, price competition is intense in our industry in certain geographical regions and product categories. Many of our competitors price their products significantly below our product costs. Average sales prices have declined in the past and may again decline in the future. These competitors may have more advanced technology, more extensive distribution channels, stronger brand names, greater access to shelf space in retail locations, bigger promotional budgets, and larger retailers, distributors, and other channel partners, and end-user bases than we do.

In addition, many of these competitors leverage a broader product portfolio and offer lower pricing as part of a more comprehensive end-to-end solution. These companies could devote more capital resources to develop, manufacture, and market competing products than we could.

Amazon is both a competitor and a distribution channel for our products as well as a provider of services to support our cloud-based storage. If Amazon decided to end our distribution channel relationship or ceased providing cloud storage services to us, our sales and product performance could be harmed, which could seriously harm our business, financial condition, results of operations, and cash flows.

Our competitors may also acquire other companies in the market and leverage combined resources to gain market share. If any of these companies are successful in competing against us, our sales could decline, our margins could

be negatively impacted, and we could lose market share, any of which could seriously harm our business, financial condition, and results of operations.

We recently entered into an asset purchase agreement (the “Asset Purchase Agreement”) and supply agreement (the “Supply Agreement”) with Verisure Sàrl (“Verisure”) that will give Verisure exclusive marketing and distribution rights for our products in Europe as well as the ability to sell our products through their direct channel globally. We cannot provide assurance that the arrangement with Verisure will be a successful collaboration.

Verisure will have the exclusive right to market and distribute our products in Europe. Our results of operations may be negatively impacted if Verisure is not successful in selling our products in Europe. Even though the Supply Agreement provides for minimum purchase commitments, if Verisure fails to pay on a timely basis, or at all, or otherwise does not perform under the Supply Agreement our cash flow would be reduced. We are also exposed to increased credit risk if Verisure fails or becomes insolvent. We also cannot provide any assurance that we will successfully develop custom products as specified by Verisure under the Supply Agreement.

The Purchase Agreement and Supply Agreement with Verisure contains customary representations and warranties regarding, the Business and the Assets, indemnification provisions, termination rights, certain financial covenants and other customary provisions. Additionally, we have agreed not to engage in any business that competes with the Business for a period of three years. Our failure to comply with these provisions may have a material adverse effect on our future performance.

We are subject to financial and operating covenants in our business financing agreement with Western Alliance Bank (the “Credit Agreement”) and any failure to comply with such covenants, or obtain waivers in the event of non-compliance, could limit our borrowing availability under the Credit Agreement, resulting in our being unable to borrow under the Credit Agreement and materially adversely impact our liquidity. In addition, our operations may not provide sufficient cash to meet the repayment obligations of debt incurred under the Credit Agreement.

The Credit Agreement contains provisions that limit our future borrowing availability to the lesser of (x) \$40.0 million and (y) an amount equal to 60% of our eligible receivables and eligible accounts receivable, less such reserves as Western Alliance Bank may deem proper and necessary from time to time. The Credit Agreement also contains other customary covenants, including certain restrictions on maintaining a minimum cash balance, our ability to incur additional indebtedness, consolidate or merge, enter into acquisitions, pay any dividend or distribution on our capital stock, redeem, retire or purchase shares of our capital stock, make investments or pledge or transfer assets, in each case subject to limited exceptions.

There can be no assurance that we will be able to comply with the financial and other covenants in the Credit Agreement. Our failure to comply with these covenants could cause us to be unable to borrow under the Credit Agreement and may constitute an event of default which, if not cured or waived, could result in the acceleration of the maturity of any indebtedness then outstanding under the Credit Agreement, which would require us to pay all amounts then outstanding. If we are unable to repay those amounts, the Lender could proceed against the collateral granted to them to secure that debt, which would seriously harm our business. Such an event could materially adversely affect our financial condition and liquidity. Additionally, such events of non-compliance could impact the terms of any additional borrowings and/or any credit renewal terms. Any failure to comply with such covenants may be a disclosable event and may be perceived negatively. Such perception could adversely affect the market price for our common stock and our ability to obtain financing in the future.

System security risks, data protection breaches and cyber-attacks could disrupt our products, services, internal operations, or information technology systems, and could lead to theft of our intellectual property, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.

Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign private parties and state actors. Our products and services may contain unknown security vulnerabilities. For example, the firmware, software, and open source software that we or our manufacturing partners have installed on our products may be susceptible to hacking or misuse. In addition, we offer a comprehensive online cloud management service paired with our end products, including our cameras, baby monitors, and smart lights and we recently launched our online store to sell our products directly to our customers. If malicious actors compromise this cloud service or our online store, or if customer confidential information is accessed without authorization, our business will be harmed. Operating an online cloud service and online store are a relatively new businesses for us, and we may not have the expertise to properly manage risks related to data security and systems security. We rely on third-party providers for a number of critical aspects of our cloud services and customer support, including web hosting services, billing, and payment processing, and consequently we do not maintain direct control over the security or stability of the associated systems. If we or our third-party providers are unable to successfully prevent breaches of security relating to our products, services, or user private information, including user videos and user personal identification information, or if these third-party systems fail for other reasons, our management could need to spend increasing amounts of time and effort in this area. As a result, we could incur substantial expenses, our brand and reputation could suffer and our business, results of operations, and financial condition could be materially adversely affected.

Maintaining the security of our computer information systems and communication systems is a critical issue for us and our customers. Malicious actors may develop and deploy malware that is designed to manipulate our systems, including our internal network, or those of our vendors or customers. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our information technology systems, our data or our customers' data. We have established a crisis management plan and business continuity program. While we regularly test the plan and the program, there can be no assurance that the plan and program can withstand an actual or serious disruption in our business, including cyber-attack. While we have established service-level and geographic redundancy for our critical systems, our ability to utilize these redundant systems must be tested regularly, failing over to such systems always carries risk and we cannot be assured that such systems are fully functional. For example, much of our order fulfillment process is automated and the order information is stored on our servers. A significant business interruption could result in losses or damages and harm our business. If our computer systems and servers become unavailable at the end of a fiscal quarter, our ability to recognize revenue may be delayed until we are able to utilize back-up systems and continue to process and ship our orders. This could cause our stock price to decline significantly.

We devote considerable internal and external resources to network security, data encryption, and other security measures to protect our systems, customers, and users, but these security measures cannot provide absolute security. Potential breaches of our security measures and the accidental loss, inadvertent disclosure, or unapproved dissemination of proprietary information or sensitive or confidential data about us, our employees, or our customers or users, including the potential loss or disclosure of such information or data as a result of employee error or other employee actions, hacking, fraud, social engineering, or other forms of deception could expose us, our customers, or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise materially adversely affect our business, results of operations, and financial condition. In addition, the cost and operational consequences of implementing further data protection measures could be significant and theft of our intellectual property or proprietary business information could require substantial expenditures to remedy.

If we lose the services of key personnel, we may not be able to execute our business strategy effectively.

Our future success depends in large part upon the continued services of our key technical, engineering, sales, marketing, finance, and senior management personnel. The competition for qualified personnel with significant experience in the design, development, manufacturing, marketing, and sales in the markets in which we operate is intense, both where our U.S. operations are based, including Silicon Valley, and in global markets in which we operate. Our inability to attract qualified personnel, including hardware and software engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products and services. Decreases in our stock price may

negatively affect our efforts to attract and retain qualified personnel. Changes to U.S. immigration policies that restrict our ability to attract and retain technical personnel may negatively affect our research and development efforts.

We do not maintain any key person life insurance policies. Our business model requires extremely skilled and experienced senior management who are able to withstand the rigorous requirements and expectations of our business. Our success depends on senior management being able to execute at a very high level. The loss of any of our senior management or other key engineering, research, development, sales, or marketing personnel, particularly if lost to competitors, could harm our ability to implement our business strategy and respond to the rapidly changing needs of our business. If we suffer the loss of services of any key executive or key personnel, our business, results of operations, and financial condition could be materially adversely affected. In addition, we may not be able to have the proper personnel in place to effectively execute our long-term business strategy if key personnel retire, resign or are otherwise terminated.

Interruptions with the cloud-based systems that we use in our operations provided by an affiliate of Amazon.com, Inc. (“Amazon”), which is also one of our primary competitors, may materially adversely affect our business, results of operations, and financial condition.

We host our platform using Amazon Web Services (“AWS”) data centers, a provider of cloud infrastructure services, and may in the future use other third-party cloud-based systems in our operations. All of our solutions currently reside on systems leased and operated by us in these locations. Accordingly, our operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture, features, and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans that utilize multiple AWS locations, any incident affecting their infrastructure that may be caused by human error, fire, flood, severe storm, earthquake, or other natural disasters, cyber-attacks, terrorist or other attacks, and other similar events beyond our control could negatively affect our platform. A prolonged AWS service disruption affecting our platform for any of the foregoing reasons would negatively impact our ability to serve our end-users and could damage our reputation with current and potential end-users, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use. Further, if we were to make updates to our platforms that were not compatible with the configuration, architecture, features, and interconnection specifications of the third-party platform, our service could be disrupted.

Under the terms of AWS’s agreements with us, it may terminate its agreement by providing us with 30 days’ prior written notice. In addition, Amazon also produces the Amazon Cloud Cam, which competes with our security camera products, and recently acquired two of our competitors, Blink and Ring. Amazon may choose to hamper our competitive efforts, using provision of AWS services as leverage. In the event that our AWS service agreements are terminated, or there is a lapse of service, elimination of AWS services or features that we use, interruption of internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our solutions for deployment on a different cloud infrastructure service provider, which could materially adversely affect our business, results of operations, and financial condition.

Our current and future products may experience quality problems, including defects or errors, from time to time that can result in adverse publicity, product recalls, litigation, regulatory proceedings, and warranty claims resulting in significant direct or indirect costs, decreased revenue, and operating margin, and harm to our brand.

We sell complex products that could contain design and manufacturing defects in their materials, hardware, and firmware. These defects could include defective materials or components that can unexpectedly interfere with the products’ intended operations or cause injuries to users or property damage. Although we extensively and rigorously test new and enhanced products and services before their release, we cannot assure we will be able to detect, prevent, or fix all defects. Failure to detect, prevent, or fix defects, or an increase in defects, could result in a variety of consequences, including a greater number of product returns than expected from users and retailers, increases in warranty costs, regulatory proceedings, product recalls, and litigation, each of which could materially adversely affect our business, results of

operations, and financial condition. We generally provide a one-year hardware warranty on all of our products. The occurrence of real or perceived quality problems or material defects in our current and future products could expose us to warranty claims in excess of our current reserves. If we experience greater returns from retailers or users, or greater warranty claims, in excess of our reserves, our business, financial condition, and results of operations could be harmed. In addition, any negative publicity or lawsuits filed against us related to the perceived quality and safety of our products could also adversely affect our brand, decrease demand for our products and services, and materially adversely affect our business, results of operations, and financial condition.

In addition, epidemic failure clauses are found in certain of our customer contracts. If invoked, these clauses may entitle the customer to return for replacement or obtain credits for products and inventory, as well as assess liquidated damage penalties and terminate an existing contract and cancel future or then-current purchase orders. In such instances, we may also be obligated to cover significant costs incurred by the customer associated with the consequences of such epidemic failure, including freight and transportation required for product replacement and out-of-pocket costs for truck rolls to end-user sites to collect the defective products. Costs or payments we make in connection with an epidemic failure could materially adversely affect our business, results of operations, and financial condition.

If our products contain defects or errors, or are found to be noncompliant with industry standards, we could experience decreased sales and increased product returns, loss of customers and market share, and increased service, warranty, and insurance costs. In addition, defects in, or misuse of, certain of our products could cause safety concerns, including the risk of property damage or personal injury. If any of these events occurred, our reputation and brand could be damaged, and we could face product liability or other claims regarding our products, resulting in unexpected expenses and adversely impacting our operating results. For instance, if a third party were able to successfully overcome the security measures in our products, such a person or entity could misappropriate end-user data, third-party data stored by our users, and other information, including intellectual property. If that happens, affected end-users or others may file actions against us alleging product liability, tort, or breach of warranty claims.

We rely on a limited number of traditional and online retailers and wholesale distributors for a substantial portion of our sales, and our revenue could decline if they refuse to pay our requested prices or reduce their level of purchases or if there is significant consolidation in our sales channels, which results in fewer sales channels for our products.

We sell a substantial portion of our products through traditional and online retailers, including Best Buy Co., Inc. (“Best Buy”), and Costco Wholesale Corporation (“Costco”), and Amazon and their respective affiliates. For the year ended December 31, 2019, we derived 32.3%, 10.1% and 9.7% of our revenue from Best Buy, Costco, and Amazon and their affiliates, respectively. In addition, we sell to wholesale distributors, including Also Holdings AG, Ingram Micro, Inc., D&H Distributing Company, Exertis (UK) Ltd., and Synnex Corporation. We expect that a significant portion of our revenue will continue to come from sales to a small number of such retailers, distributors, and other channel partners. In addition, because our accounts receivable are often concentrated within a small group of retailers, distributors, and other channel partners, the failure of any of them to pay on a timely basis, or at all, would reduce our cash flow. We are also exposed to increased credit risk if any one of these limited numbers of retailer and distributor channel partners fails or becomes insolvent. We generally have no minimum purchase commitments or long-term contracts with any of these retailers, distributors and other channel partners. These purchasers could decide at any time to discontinue, decrease, or delay their purchases of our products. If our retailers, distributors, and other channel partners increase the size of their product orders without sufficient lead-time for us to process the order, our ability to fulfill product orders would be compromised. These channel partners have a variety of suppliers to choose from and therefore can make substantial demands on us, including demands on product pricing and on contractual terms, which often results in the allocation of risk to us as the supplier. Accordingly, the prices that they pay for our products are subject to negotiation and could change at any time. We have historically benefitted from NETGEAR’s strong relationships with these retailers, distributors, and other channel partners, and we may not be able to maintain these relationships following our separation from NETGEAR. Our ability to maintain strong relationships with these channel partners is essential to our future performance. If any of our major channel partners reduce their level of purchases or refuse to pay the prices that we set for our products, our revenue and results of operations could be harmed. The traditional retailers that purchase from us have faced increased and

significant competition from online retailers. If our key traditional retailers continue to reduce their level of purchases from us, our business, results of operations, and financial condition could be harmed.

Additionally, concentration and consolidation among our channel partner base may allow certain retailers and distributors to command increased leverage in negotiating prices and other terms of sale, which could adversely affect our profitability. In addition, if, as a result of increased leverage, channel partner pressures require us to reduce our pricing such that our gross margin is diminished, we could decide not to sell our products to a particular channel partner, which could result in a decrease in our revenue. Consolidation among our channel partner base may also lead to reduced demand for our products, elimination of sales opportunities, replacement of our products with those of our competitors, and cancellations of orders, each of which could materially adversely affect our business, results of operations, and financial condition. If consolidation among the retailers, distributors, or other channel partners who purchase our products becomes more prevalent, our business, results of operations, and financial condition could be materially adversely affected.

In particular, the retail and connected home markets in some countries, including the United States, are dominated by a few large retailers with many stores. These retailers have in the past increased their market share and may continue to do so in the future by expanding through acquisitions and construction of additional stores. These situations concentrate our credit risk with a relatively small number of retailers, and, if any of these retailers were to experience a shortage of liquidity, it could increase the risk that their outstanding payables to us may not be paid. In addition, increasing market share concentration among one or a few retailers in a particular country or region increases the risk that if any one of them substantially reduces its purchases of our devices, we may be unable to find a sufficient number of other retail outlets for our products to sustain the same level of sales. Any reduction in sales by our retailers could materially adversely affect our business, results of operations, and financial condition.

We depend on large, recurring purchases from certain significant retailers, distributors, and other channel partners, and a loss, cancellation, or delay in purchases by these channel partners could negatively affect our revenue.

The loss of recurring orders from any of our more significant retailers, distributors, and other channel partners could cause our revenue and profitability to suffer. Our ability to attract new retailers, distributors, and other channel partners will depend on a variety of factors, including the cost-effectiveness, reliability, scalability, breadth, and depth of our products. In addition, a change in the mix of our retailers, distributors, and other channel partners, or a change in the mix of direct and indirect sales, could adversely affect our revenue and gross margin.

Although our financial performance may depend on large, recurring orders from certain retailers, distributors, and other channel partners, we do not generally have binding commitments from them. For example:

- our channel partner agreements generally do not require minimum purchases;
- our retailers, distributors, and other channel partners can stop purchasing and stop marketing our products at any time; and
- our channel partner agreements generally are not exclusive.

Further, our revenue may be impacted by significant one-time purchases that are not contemplated to be repeatable. While such purchases are reflected in our financial statements, we do not rely on and do not forecast for continued significant one-time purchases. As a result, lack of repeatable one-time purchases will adversely affect our revenue. Additionally, we may from time to time grant our retailers, distributors, and other channel partners the exceptional right to return certain products, based on the best interests of our mutual businesses, and such returns, if material, could adversely affect our revenue and gross margin.

Because our expenses are based on our revenue forecasts, a substantial reduction or delay in sales of our products to, or unexpected returns from, channel partners, or the loss of any significant channel partners, could materially adversely affect our business, results of operations, and financial condition. Although our largest channel partners may vary

from period to period, we anticipate that our results of operations for any given period will continue to depend on large orders from a small number of channel partners.

The average selling prices of our products typically decrease rapidly over the sales cycle of the product, which may negatively affect our revenue and gross margin.

Our products typically experience price erosion, a fairly rapid reduction in the average unit selling prices over their sales cycles. In order to sell products that have a falling average unit selling price and maintain margins at the same time, we need to continually reduce product and manufacturing costs. To manage manufacturing costs, we must partner with our third-party manufacturers to engineer the most cost-effective design for our products. In addition, we must carefully manage the price paid for components used in our products, and we must also successfully manage our freight and inventory costs to reduce overall product costs. We also need to continually introduce new products with higher sales prices and gross margin in order to maintain our overall gross margin. If we are unable to manage the cost of older products or successfully introduce new products with higher gross margin, our revenue and overall gross margin would likely decline.

Our future success depends on our ability to increase sales of our paid subscription services.

Our future success is largely dependent on increasing sales of our paid subscription services. Even if we are successful in selling our smart connected devices and accessories, if we are unable to maintain or increase sales of Arlo Smart services, our revenue and overall gross margin would likely decline.

The reputation of our services may be damaged, and we may face significant direct or indirect costs, decreased revenue, and operating margins if our services contain significant defects or fail to perform as intended.

Our services, including our intelligent cloud and App platform and our Arlo Smart services, are complex, and may not always perform as intended due to outages of our systems or defects affecting our services. Systems outages could be disruptive to our business and damage the reputation of our services and result in potential loss of revenue.

Significant defects affecting our services may be found following the introduction of new software or enhancements to existing software or in software implementations in varied information technology environments. Internal quality assurance testing and end-user testing may reveal service performance issues or desirable feature enhancements that could lead us to reallocate service development resources or postpone the release of new versions of our software. The reallocation of resources or any postponement could cause delays in the development and release of future enhancements to our currently available software, damage the reputation of our services in the marketplace, and result in potential loss of revenue. Although we attempt to resolve all errors that we believe would be considered serious by our partners and customers, the software powering our services is not error-free. Undetected errors or performance problems may be discovered in the future, and known errors that we consider minor may be considered serious by our channel partners and end-users.

System disruptions and defects in our services could result in lost revenue, delays in customer deployment, or legal claims and could be detrimental to our reputation.

Because we store, process, and use data, some of which contain personal information, we are subject to complex and evolving federal, state, and foreign laws and regulations regarding privacy, data protection, and other matters, which are subject to change.

We are subject to a variety of laws and regulations in the United States and other countries that involve matters central to our business, including with respect to user privacy, rights of publicity, data protection, content, protection of minors, and consumer protection. These laws can be particularly restrictive in countries outside the United States. Both in the United States and abroad, these laws and regulations constantly evolve and remain subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and

rapidly evolving industry in which we operate. Because we store, process, and use data, some of which contain personal information, we are subject to complex and evolving federal, state, and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation and could result in investigations, claims, changes to our business practices, increased cost of operations, and declines in user growth, retention, or engagement, any of which could materially adversely affect our business, results of operations, and financial condition.

Several proposals are pending before federal, state and foreign legislative and regulatory bodies that could significantly affect our business. For example, a revision to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for data processors and significant penalties for non-compliance. In addition, the EU General Data Protection Regulation 2016/679 (“GDPR”), which came into effect on May 25, 2018, establishes new requirements applicable to the processing of personal data (*i.e.*, data which identifies an individual or from which an individual is identifiable), affords new data protection rights to individuals (*e.g.*, the right to erasure of personal data) and imposes penalties for serious data breaches. Individuals also have a right to compensation under GDPR for financial or non-financial losses. California also recently enacted legislation that has been dubbed the first “GDPR-like” law in the U.S. Known as the California Consumer Privacy Act (“CCPA”), it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA, which went into effect on January 1, 2020, requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business. GDPR and CCPA will impose additional responsibility and liability in relation to our processing of personal data. GDPR and CCPA may require us to change our policies and procedures and, if we are not compliant, could materially adversely affect our business, results of operations, and financial condition.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value.

There has been significant volatility in the market price and trading volume of securities of technology and other companies, which may be unrelated to the financial performance of these companies. These broad market fluctuations may negatively affect the market price of our common stock.

Some specific factors that may have a significant effect on the market price of our common stock include:

- actual or anticipated fluctuations in our results of operations or our competitors’ operating results;
- actual or anticipated changes in the growth rate of the connected lifestyle market, our growth rate or our competitors’ growth rates;
- delays in the introduction of new products by us or market acceptance of these products;
- conditions in the financial markets in general or changes in general economic conditions;
- changes in governmental regulation, including taxation and tariff policies;
- interest rate or currency exchange rate fluctuations;
- our ability to forecast or report accurate financial results; and
- changes in stock market analyst recommendations regarding our common stock, other comparable companies, or our industry generally.

We obtain several key components from limited or sole sources, and if these sources fail to satisfy our supply requirements or we are unable to properly manage our supply requirements with our third-party manufacturers, we may lose sales and experience increased component costs.

Any shortage or delay in the supply of key product components would harm our ability to meet scheduled product deliveries. Many of the components used in our products are specifically designed for use in our products, some of which are obtained from sole source suppliers. These components include lens, lens-sensors, and passive infrared (“PIR”) sensors that have been customized for the Arlo application, as well as custom-made batteries that provide power conservation and safety features. In addition, the components used in our end products have been optimized to extend battery life. Our third-party manufacturers generally purchase these components on our behalf, and we do not have any contractual commitments or guaranteed supply arrangements with our suppliers. If demand for a specific component increases, we may not be able to obtain an adequate number of that component in a timely manner. In addition, if worldwide demand for the components increases significantly, the availability of these components could be limited. Further, our suppliers may experience financial or other difficulties as a result of uncertain and weak worldwide economic conditions. Other factors that may affect our suppliers’ ability or willingness to supply components to us include internal management or reorganizational issues, such as roll-out of new equipment which may delay or disrupt supply of previously forecasted components, or industry consolidation and divestitures, which may result in changed business and product priorities among certain suppliers. It could be difficult, costly, and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

We provide our third-party manufacturers with a rolling forecast of demand, which they use to determine our material and component requirements. Lead times for ordering materials and components vary significantly and depend on various factors, such as the specific supplier, contract terms, and demand and supply for a component at a given time. Some of our components have long lead times, such as wireless local area network chipsets, physical layer transceivers, connector jacks, and metal and plastic enclosures. If our forecasts are not timely provided or are less than our actual requirements, our third-party manufacturers may be unable to manufacture products in a timely manner. If our forecasts are too high, our third-party manufacturers will be unable to use the components they have purchased on our behalf. The cost of the components used in our products tends to drop rapidly as volumes increase and the technologies mature. Therefore, if our third-party manufacturers are unable to promptly use components purchased on our behalf, our cost of producing products may be higher than our competitors due to an oversupply of higher-priced components. Moreover, if they are unable to use components ordered at our direction, we will need to reimburse them for any losses they incur.

If we are unable to obtain a sufficient supply of components, or if we experience any interruption in the supply of components, our product shipments could be reduced or delayed or our cost of obtaining these components may increase. For example, in December 2018 we announced a delay in the expected timing of shipment of our Ultra product due to a battery-related issue from one of our suppliers. Component shortages and delays affect our ability to meet scheduled product deliveries, damage our brand and reputation in the market, and cause us to lose sales and market share. For example, component shortages and disruptions in supply in the past have limited our ability to supply all the worldwide demand for our products, and our revenue was affected. At times, we have elected to use more expensive transportation methods, such as air freight, to make up for manufacturing delays caused by component shortages, which reduces our margins. In addition, at times sole suppliers of highly specialized components have provided components that were either defective or did not meet the criteria required by our retailers, distributors, or other channel partners, resulting in delays, lost revenue opportunities, and potentially substantial write-offs.

We depend on a limited number of third-party manufacturers for substantially all of our manufacturing needs. If these third-party manufacturers experience any delay, disruption, or quality control problems in their operations, we could lose market share and our brand may suffer.

All of our products are manufactured, assembled, tested and generally packaged by a limited number of third-party original design manufacturers (“ODMs”). In most cases, we rely on these manufacturers to procure components and, in some cases, subcontract engineering work. We currently outsource manufacturing to Foxconn Cloud Network Technology Singapore Pte. Ltd., Pegatron Corporation, and Sky Light Industrial Ltd. We do not have any long-term contracts with any of these third-party manufacturers, although we have executed product supply agreements with these manufacturers, which typically provide indemnification for intellectual property infringement, epidemic failure clauses, agreed-upon price concessions, and certain product quality requirements. Some of these third-party manufacturers produce products for our competitors. In addition, one of our principal manufacturers, Foxconn closed its acquisition of Belkin International in September 2018, which includes the WeMo brand of home automation products, which may compete directly with us. Due to changing economic conditions, the viability of some of these third-party manufacturers may be at risk. The loss of the services of any of our primary third-party manufacturers could cause a significant disruption in operations and delays in product shipments. Qualifying a new manufacturer and commencing volume production is expensive and time consuming. Ensuring that a contract manufacturer is qualified to manufacture our products to our standards is time consuming. In addition, there is no assurance that a contract manufacturer can scale its production of our products at the volumes and in the quality that we require. If a contract manufacturer is unable to do these things, we may have to move production for the products to a new or existing third-party manufacturer, which would take significant effort and our business, results of operations, and financial condition could be materially adversely affected. In addition, as we contemplate moving manufacturing into different jurisdictions, we may be subject to additional significant challenges in ensuring that quality, processes, and costs, among other issues, are consistent with our expectations. For example, while we expect our manufacturers to be responsible for penalties assessed on us because of excessive failures of the products, there is no assurance that we will be able to collect such reimbursements from these manufacturers, which causes us to take on additional risk for potential failures of our products.

Our reliance on third-party manufacturers also exposes us to the following risks over which we have limited control:

- unexpected increases in manufacturing and repair costs;
- inability to control the quality and reliability of finished products;
- inability to control delivery schedules;
- potential liability for expenses incurred by third-party manufacturers in reliance on our forecasts that later prove to be inaccurate;
- potential lack of adequate capacity to manufacture all or a part of the products we require; and
- potential labor unrest affecting the ability of the third-party manufacturers to produce our products.

All of our products must satisfy safety and regulatory standards and some of our products must also receive government certifications. Our third-party manufacturers are primarily responsible for conducting the tests that support our applications for most regulatory approvals for our products. If our third-party manufacturers fail to timely and accurately conduct these tests, we would be unable to obtain the necessary domestic or foreign regulatory approvals or certificates to sell our products in certain jurisdictions. As a result, we would be unable to sell our products and our sales and profitability could be reduced, our relationships with our sales channel could be harmed, and our reputation and brand would suffer.

Specifically, substantially all of our manufacturing and assembly occurs in the Asia Pacific region, primarily in Vietnam, and any disruptions due to natural disasters, health epidemics, and political, social, and economic instability in the region would affect the ability of our third-party manufacturers to manufacture our products. In particular, in the event the labor market in Vietnam becomes saturated, our third-party manufacturers in Vietnam may increase our costs of production. If these costs increase, it may affect our margins and ability to lower prices for our products to stay competitive. Labor unrest may also affect our third-party manufacturers, as workers may strike and cause production delays. If our third-party manufacturers fail to maintain good relations with their employees or contractors, and production

and manufacturing of our products are affected, then we may be subject to shortages of products and the quality of products delivered may be affected. Further, if our manufacturers or warehousing facilities are disrupted or destroyed, we could have no other readily available alternatives for manufacturing and assembling our products, and our business, results of operations, and financial condition could be materially adversely affected.

In the future, we may work with more third-party manufacturers on a contract manufacturing basis, which could result in our exposure to additional risks not inherent in a typical ODM arrangement. Such risks may include our inability to properly source and qualify components for the products, lack of software expertise resulting in increased software defects, and lack of resources to properly monitor the manufacturing process. In our typical ODM arrangement, our ODMs are generally responsible for sourcing the components of the products and warranting that the products will work according to a product's specification, including any software specifications. In a contract manufacturing arrangement, we would take on much more, if not all, of the responsibility around these areas. If we are unable to properly manage these risks, our products may be more susceptible to defects, and our business, results of operations, and financial condition could be materially adversely affected.

We depend substantially on our sales channels, and our failure to maintain and expand our sales channels would result in lower sales and reduced revenue.

To maintain and grow our market share, revenue, and brand, we must maintain and expand our sales channels. Our sales channels consist primarily of traditional retailers, online retailers, and wholesale distributors, but also include service providers such as wireless carriers and telecommunications providers. We generally have no minimum purchase commitments or long-term contracts with any of these third parties.

Traditional retailers have limited shelf space and promotional budgets, and competition is intense for these resources. A competitor with more extensive product lines and stronger brand identity may have greater bargaining power with these retailers. Any reduction in available shelf space or increased competition for such shelf space would require us to increase our marketing expenditures simply to maintain current levels of retail shelf space, which would harm our operating margin. Our traditional retail customers have faced increased and significant competition from online retailers. If we cannot effectively manage our business amongst our online customers and traditional retail customers, our business would be harmed. The recent trend in the consolidation of online retailers has resulted in intensified competition for preferred product placement, such as product placement on an online retailer's internet home page. In addition, our efforts to realign or consolidate our sales channels may cause temporary disruptions in our product sales and revenue, and these efforts may not result in the expected longer-term benefits that prompted them.

In addition, to the extent our retail and distributor channel partners supply products that compete with our own, it is possible that these channel partners may choose not to offer our products to end-users or to offer our products to end-users on less favorable terms, including with respect to product placement. If this were to occur, we may not be able to increase or maintain our sales, and our business, results of operations, and financial condition could be materially adversely affected. For example, Amazon, one of our primary retailers, produces the Amazon Cloud Cam, which competes with our security camera products, and also recently acquired two of our competitors, Blink and Ring. For the year ended December 31, 2019, we derived 9.7% of our revenue from Amazon and its affiliates.

We must also continuously monitor and evaluate emerging sales channels. If we fail to establish a presence in an important developing sales channel, our business, results of operations, and financial condition could be materially adversely affected.

If we do not effectively manage our sales channel inventory and product mix, we may incur costs associated with excess inventory, or lose sales from having too few products.

If we are unable to properly monitor, control, and manage our sales channel inventory and maintain an appropriate level and mix of products with our distributors and within our sales channels, we may incur increased and unexpected costs associated with this inventory. We generally allow distributors and traditional retailers to return a limited

amount of our products in exchange for other products. Under our price protection policy, if we reduce the list price of a product, we are often required to issue a credit in an amount equal to the reduction for each of the products held in inventory by our wholesale distributors and retailers. If our wholesale distributors and retailers are unable to sell their inventory in a timely manner, we might lower the price of the products, or these parties may exchange the products for newer products. Also, during the transition from an existing product to a new replacement product, we must accurately predict the demand for the existing and the new product.

We determine production levels based on our forecasts of demand for our products. Actual demand for our products depends on many factors, which makes it difficult to forecast. We have experienced differences between our actual and our forecasted demand in the past and expect differences to arise in the future. If we improperly forecast demand for our products, we could end up with too many products and be unable to sell the excess inventory in a timely manner, if at all, or, alternatively, we could end up with too few products and not be able to satisfy demand. This problem is exacerbated because we attempt to closely match inventory levels with product demand, leaving limited margin for error. If these events occur, we could incur increased expenses associated with writing off excessive or obsolete inventory, lose sales, incur penalties for late delivery, or have to ship products by air freight to meet immediate demand, thereby incurring incremental freight costs above the sea freight costs, a preferred method, and suffering a corresponding decline in gross margin.

If disruptions in our transportation network occur or our shipping costs substantially increase, we may be unable to sell or timely deliver our products, and our operating expenses could increase.

We are highly dependent upon the transportation systems we use to ship our products, including surface and air freight. Our attempts to closely match our inventory levels to our product demand intensify the need for our transportation systems to function effectively and without delay. On a quarterly basis, our shipping volume also tends to steadily increase as the quarter progresses, which means that any disruption in our transportation network in the latter half of a quarter will likely have a more material effect on our business than a disruption at the beginning of a quarter.

The transportation network is subject to disruption or congestion from a variety of causes, including labor disputes or port strikes, acts of war or terrorism, natural disasters, and congestion resulting from higher shipping volumes. Labor disputes among freight carriers and at ports of entry are common, particularly in Europe, and we expect labor unrest and its effects on shipping our products to be a continuing challenge for us. A port worker strike, work slow-down, or other transportation disruption in Long Beach, California, where we import our products to fulfill our Americas orders, could significantly disrupt our business. Our international freight is regularly subjected to inspection by governmental entities. If our delivery times increase unexpectedly for these or any other reasons, our ability to deliver products on time would be materially adversely affected and result in delayed or lost revenue as well as customer imposed penalties. In addition, if increases in fuel prices occur, our transportation costs would likely increase. Moreover, the cost of shipping our products by air freight is greater than other methods. From time to time in the past, we have shipped products using extensive air freight to meet unexpected spikes in demand and shifts in demand between product categories, to bring new product introductions to market quickly and to timely ship products previously ordered. If we rely more heavily upon air freight to deliver our products, our overall shipping costs will increase. A prolonged transportation disruption or a significant increase in the cost of freight could materially adversely affect our business, results of operations, and financial condition.

If we are unable to secure and protect our intellectual property rights, our ability to compete could be harmed.

We rely on a combination of copyright, trademark, patent, and trade secret laws, nondisclosure agreements with employees, consultants, and suppliers, and other contractual provisions to establish, maintain, and protect our intellectual property and technology. Despite efforts to protect our intellectual property, unauthorized third parties may attempt to design around, copy aspects of our product design or obtain and use technology or other intellectual property associated with our products. Furthermore, our competitors may independently develop similar technology or design around our intellectual property. Our inability to secure and protect our intellectual property rights could materially adversely affect our brand and business, results of operations, and financial condition.

We rely upon third parties for technology that is critical to our products, and if we are unable to continue to use this technology and future technology, our ability to develop, sell, maintain, and support technologically innovative products would be limited.

We rely on third parties to obtain non-exclusive patented hardware and software license rights in technologies that are incorporated into and necessary for the operation and functionality of most of our products. In these cases, because the intellectual property we license is available from third parties, barriers to entry into certain markets may be lower for potential or existing competitors than if we owned exclusive rights to the technology that we license and use. Moreover, if a competitor or potential competitor enters into an exclusive arrangement with any of our key third-party technology providers, or if any of these providers unilaterally decides not to do business with us for any reason, our ability to develop and sell products containing that technology would be severely limited. In addition, certain of Arlo's firmware and the AI-based algorithms that we use in our Arlo Smart services incorporate open source software, the licenses for which may include customary requirements for, and restrictions on, use of the open source software.

If we are offering products or services that contain third-party technology that we subsequently lose the right to license, then we will not be able to continue to offer or support those products or services. In addition, these licenses may require royalty payments or other consideration to the third-party licensor. Our success will depend, in part, on our continued ability to access these technologies, and we do not know whether these third-party technologies will continue to be licensed to us on commercially acceptable terms, if at all. In addition, if these third-party licensors fail or experience instability, then we may be unable to continue to sell products and services that incorporate the licensed technologies, in addition to being unable to continue to maintain and support these products and services. We do require escrow arrangements with respect to certain third-party software which entitle us to certain limited rights to the source code, in the event of certain failures by the third party, in order to maintain and support such software. However, there is no guarantee that we would be able to fully understand and use the source code, as we may not have the expertise to do so. We are increasingly exposed to these risks as we continue to develop and market more products containing third-party technology and software. If we are unable to license the necessary technology, we may be forced to acquire or develop alternative technology, which could be of lower quality or performance standards. The acquisition or development of alternative technology may limit and delay our ability to offer new or competitive products and services and increase our costs of production. As a result, our business, results of operations, and financial condition could be materially adversely affected.

We also utilize third-party software development companies and contractors to develop, customize, maintain, and support software that is incorporated into our products and services. If these companies and contractors fail to timely deliver or continuously maintain and support the software, as we require of them, we may experience delays in releasing new products and services or difficulties with supporting existing products, services, and our users.

Our sales and operations in international markets expose us to operational, financial and regulatory risks.

International sales comprise a significant amount of our overall revenue. International sales were 48.6%, 22.6% and 24.6% of overall revenue in fiscal year 2019, 2018 and 2017, respectively. We continue to be committed to growing our international sales, and while we have committed resources to expanding our international operations and sales channels, these efforts may not be successful. International operations are subject to a number of risks, including but not limited to:

- exchange rate fluctuations;
- political and economic instability, international terrorism, and anti-American sentiment, particularly in emerging markets;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;

- potential consequences of, and uncertainty related to, the “Brexit” process in the United Kingdom, which could lead to additional expense and complexity in doing business there;
- increased difficulty in managing inventory;
- delayed revenue recognition;
- less effective protection of intellectual property;
- stringent consumer protection and product compliance regulations, including but not limited to General Data Protection Regulation in the European Union, European competition law, the Restriction of Hazardous Substances directive, the Waste Electrical and Electronic Equipment directive and the European Ecodesign directive, that are costly to comply with and may vary from country to country;
- difficulties and costs of staffing and managing foreign operations;
- business difficulties, including potential bankruptcy or liquidation, of any of our worldwide third-party logistics providers; and
- changes in local tax and customs duty laws or changes in the enforcement, application, or interpretation of such laws.

We are also required to comply with local environmental legislation, and those who sell our products rely on this compliance in order to sell our products. If those who sell our products do not agree with our interpretations and requirements of new legislation, they may cease to order our products and our business, results of operations, and financial condition could be materially adversely affected.

The development of our operations and infrastructure in connection with our separation from NETGEAR, and any future expansion of such operations and infrastructure, may not be entirely successful, and may strain our operations and increase our operating expenses.

In connection with our separation from NETGEAR, we have been implementing a new information technology infrastructure for our business, which includes the creation of management information systems and operational and financial controls unique to our business. We may not be able to put in place adequate controls in an efficient and timely manner in connection with our separation from NETGEAR and as our business grows, our current systems may not be adequate to support our future operations. The difficulties associated with installing and implementing new systems, procedures, and controls may place a significant burden on our management and operational and financial resources. In addition, as we grow internationally, we will have to expand and enhance our communications infrastructure. If we fail to continue to improve our management information systems, procedures, and financial controls, or encounter unexpected difficulties during expansion and reorganization, our business could be harmed.

For example, we are investing significant capital and human resources in the design, development, and enhancement of our financial and enterprise resource planning systems. We will depend on these systems in order to timely and accurately process and report key components of our results of operations, financial condition, and cash flows. If the systems fail to operate appropriately or we experience any disruptions or delays in enhancing their functionality to meet current business requirements, our ability to fulfill customer orders, bill, and track our customers, fulfill contractual obligations, accurately report our financials, and otherwise run our business could be adversely affected. Even if we do not encounter these adverse effects, the development and enhancement of systems may be much more costly than we anticipated. If we are unable to continue to develop and enhance our information technology systems as planned, our business, results of operations, and financial condition could be materially adversely affected.

Governmental regulations of imports or exports affecting internet security could affect our revenue.

Any additional governmental regulation of imports or exports or failure to obtain required export approval of our encryption technologies could adversely affect our international and domestic sales. The United States and various foreign governments have imposed controls, export license requirements, and restrictions on the import or export of some technologies, particularly encryption technology. In addition, from time to time, governmental agencies have proposed additional regulation of encryption technology, such as requiring the escrow and governmental recovery of private encryption keys. In response to terrorist activity, governments could enact additional regulation or restriction on the use, import, or export of encryption technology. This additional regulation of encryption technology could delay or prevent the acceptance and use of encryption products and public networks for secure communications, resulting in decreased demand for our products and services. In addition, some foreign competitors are subject to less stringent controls on exporting their encryption technologies. As a result, they may be able to compete more effectively than we can in the United States and the international internet security market.

We are involved in litigation matters in the ordinary course and may in the future become involved in additional litigation, including litigation regarding intellectual property rights, which could be costly and subject us to significant liability.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding infringement of patents, trade secrets, and other intellectual property rights. From time to time, third parties have asserted, and may continue to assert, exclusive patent, copyright, trademark, and other intellectual property rights against us, demanding license or royalty payments or seeking payment for damages, injunctive relief, and other available legal remedies through litigation. These also include third-party non-practicing entities who claim to own patents or other intellectual property that they believe cover our products. If we are unable to resolve these matters or obtain licenses on acceptable or commercially reasonable terms, we could be sued or we may be forced to initiate litigation to protect our rights. The cost of any necessary licenses and litigation related to alleged infringement could materially adversely affect our business, results of operations, and financial condition.

In the event successful claims of infringement are brought by third parties, and we are unable to obtain licenses or independently develop alternative technology on a timely basis, we may be subject to indemnification obligations, be unable to offer competitive products, or be subject to increased expenses. If we do not resolve these claims on a favorable basis, our business, results of operations, and financial condition could be materially adversely affected.

As part of growing our business, we may make acquisitions. If we fail to successfully select, execute, or integrate our acquisitions, then our business, results of operations, and financial condition could be materially adversely affected and our stock price could decline.

From time to time, we may undertake acquisitions to add new product and service lines and technologies, acquire talent, gain new sales channels, or enter into new sales territories. Acquisitions involve numerous risks and challenges, including relating to the successful integration of the acquired business, entering into new territories or markets with which we have limited or no prior experience, establishing or maintaining business relationships with new retailers, distributors, or other channel partners, vendors, and suppliers, and potential post-closing disputes.

We cannot ensure that we will be successful in selecting, executing, and integrating acquisitions. Failure to manage and successfully integrate acquisitions could materially harm our business, financial condition, and results of operations. In addition, if stock market analysts or our stockholders do not support or believe in the value of the acquisitions that we choose to undertake, our stock price may decline.

Global economic conditions could materially adversely affect our revenue and results of operations.

Our business has been and may continue to be affected by a number of factors that are beyond our control, such as general geopolitical, economic, and business conditions, conditions in the financial markets, and changes in the overall demand for connected lifestyle products. Our products and services may be considered discretionary items for our consumer and small business end-users. A severe and/or prolonged economic downturn could adversely affect our customers' financial condition and the levels of business activity of our customers. Weakness in, and uncertainty about, global economic conditions may cause businesses to postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for our products.

In the recent past, various regions worldwide have experienced slow economic growth. In addition, current economic challenges in China, including any global economic ramifications of these challenges, may continue to put negative pressure on global economic conditions. If conditions in the global economy, including Europe, China, Australia and the United States, or other key vertical or geographic markets deteriorate, such conditions could materially adversely affect our business, results of operations, and financial condition. If we are unable to successfully anticipate changing economic and political conditions, we may be unable to effectively plan for and respond to those changes, which could materially adversely affect our business, results of operations, and financial condition. In addition, the economic problems affecting the financial markets and the uncertainty in global economic conditions resulted in a number of adverse effects, including a low level of liquidity in many financial markets, extreme volatility in credit, equity, currency, and fixed income markets, instability in the stock market, and high unemployment.

For example, the challenges faced by the European Union to stabilize some of its member economies, such as Greece, Portugal, Spain, Hungary, and Italy, have had international implications, affecting the stability of global financial markets and hindering economies worldwide. Many member nations in the European Union have been addressing the issues with controversial austerity measures. In addition, the potential consequences of the "Brexit" process in the United Kingdom have led to significant uncertainty in the region. Should the European Union monetary policy measures be insufficient to restore confidence and stability to the financial markets, or should the United Kingdom's "Brexit" decision lead to additional economic or political instability, the global economy, including the U.S. and European Union economies where we have a significant presence, could be hindered, which could have a material adverse effect on us. There could also be a number of other follow-on effects from these economic developments on our business, including the inability of customers to obtain credit to finance purchases of our products, customer insolvencies, decreased customer confidence to make purchasing decisions, decreased customer demand, and decreased customer ability to pay their trade obligations.

In addition, availability of our products from third-party manufacturers and our ability to distribute our products into non-U.S. jurisdictions may be impacted by factors such as an increase in duties, tariffs, or other restrictions on trade; raw material shortages, work stoppages, strikes and political unrest; economic crises and international disputes or conflicts; changes in leadership and the political climate in countries from which we import products; and failure of the United States to maintain normal trade relations with China and other countries.

A portion of our global and U.S. sales are comprised of goods assembled and manufactured in our facilities in Taiwan and the People's Republic of China, and components for a number of our goods are sourced from suppliers in the People's Republic of China. When tariffs, duties, or other restrictions are placed on goods imported into the United States from China or any related counter-measures are taken by China, our revenue and results of operations may be materially harmed.

On September 17, 2018, President Trump announced the imposition of an additional 10% ad valorem duty on approximately \$200 billion worth of Chinese imports, known as List 3, pursuant to Section 301 of the Trade Act of 1974. The Office of the U.S. Trade Representative concurrently published the final list of products that are subject to the additional duty, effective September 24, 2018. On May 10, 2019, the President increased the additional duty to 25% ad valorem, and has since proposed a further increase of this rate to 30% in the coming months. In addition, on August 20,

2019, the President announced an additional 15% import duty on other Chinese imports, known as List 4, with the additional duties on certain items (List 4A) effective September 1, 2019, and the remainder (List 4B) effective December 15, 2019. While the additional duty on List 4A has gone into effect, the implementation of the additional duty on List 4B has been suspended indefinitely. Further, as of February 14, 2020, the additional duty rate on items listed on List 4A is reduced from 15% to 7.5%. We are actively addressing the risks related to these additional and potential ad valorem duties, which have affected, or have the potential to affect, at least some of our imports from China. Although we have already taken some steps to mitigate these risks, including by moving a significant portion of our manufacturing and assembly to Vietnam and other areas in the Asia Pacific region outside of China, if these duties are imposed, the cost of our products may increase. These duties may also make our products more expensive for consumers, which may reduce consumer demand. We may need to offset the financial impact by, among other things, moving even more of our product manufacturing to other locations, modifying other business practices or raising prices. If we are not successful in offsetting the impact of any such duties, our revenue, gross margins, and operating results may be materially adversely affected.

The success of our business depends on customers' continued and unimpeded access to our platform on the internet.

Our users must have internet access in order to use our platform. Some providers may take measures that affect their customers' ability to use our platform, such as degrading the quality of the data packets we transmit over their lines, giving those packets lower priority, giving other packets higher priority than ours, blocking our packets entirely, or attempting to charge their customers more for using our platform.

In December 2010, the Federal Communications Commission (the "FCC"), adopted net neutrality rules barring internet providers from blocking or slowing down access to online content, protecting services like ours from such interference. Recently, the FCC voted in favor of repealing the net neutrality rules, and it is currently uncertain how the U.S. Congress will respond to this decision. To the extent network operators attempt to interfere with our services, extract fees from us to deliver our solution, or otherwise engage in discriminatory practices, our business, results of operations, and financial condition could be materially adversely affected. Within such a regulatory environment, we could experience discriminatory or anti-competitive practices that could impede our domestic and international growth, cause us to incur additional expense, or otherwise materially adversely affect our business, results of operations, and financial condition.

Changes in tax laws or exposure to additional income tax liabilities could affect our future profitability.

Factors that could materially affect our future effective tax rates include, but are not limited to:

- changes in tax laws or the regulatory environment;
- changes in accounting and tax standards or practices;
- changes in the composition of operating income by tax jurisdiction; and
- our operating results before taxes.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Because we do not have a long history of operating as a separate company and we have significant expansion plans, our effective tax rate may fluctuate in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under GAAP, changes in the composition of earnings in countries with differing tax rates, changes in deferred tax assets and liabilities, or changes in tax laws.

The IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.

We must comply with indirect tax laws in multiple jurisdictions, as well as complex customs duty regimes worldwide. Audits of our compliance with these rules may result in additional liabilities for taxes, duties, interest and penalties related to our international operations which would reduce our profitability.

Our operations are routinely subject to audit by tax authorities in various countries. Many countries have indirect tax systems where the sale and purchase of goods and services are subject to tax based on the transaction value. These taxes are commonly referred to as value-added tax (“VAT”) or goods and services tax (“GST”). In addition, the distribution of our products subjects us to numerous complex customs regulations, which frequently change over time. Failure to comply with these systems and regulations can result in the assessment of additional taxes, duties, interest, and penalties. While we believe we are in compliance with local laws, we cannot assure that tax and customs authorities agree with our reporting positions and upon audit may assess us additional taxes, duties, interest, and penalties.

Additionally, some of our products are subject to U.S. export controls, including the Export Administration Regulations and economic sanctions administered by the Office of Foreign Assets Control. We also incorporate encryption technology into certain of our solutions. These encryption solutions and underlying technology may be exported outside of the United States only with the required export authorizations or exceptions, including by license, a license exception, appropriate classification notification requirement, and encryption authorization.

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations, including to countries, governments, and persons targeted by U.S. embargoes or sanctions. Additionally, the Trump administration has been critical of existing trade agreements and may impose more stringent export and import controls. Obtaining the necessary export license or other authorization for a particular sale may be time consuming, and may result in delay or loss of sales opportunities even if the export license ultimately is granted. While we take precautions to prevent our solutions from being exported in violation of these laws, including using authorizations or exceptions for our encryption products and implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons and countries, we have not been able to guarantee, and cannot guarantee, that the precautions we take will prevent all violations of export control and sanctions laws, including if purchasers of our products bring our products and services into sanctioned countries without our knowledge. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and incarceration could be imposed on employees and managers for criminal violations of these laws.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our products and services or our end-users’ ability to utilize our solutions in their countries. Changes in our products and services or changes in import and export regulations may create delays in the introduction of our products in international markets. Furthermore, recent actions by the Trump administration announcing increased duties on products imported from China may severely impact the price of our goods imported into the United States in the future, and other countries may follow suit and increase duties on goods produced in China.

Adverse action by any government agencies related to indirect tax laws could materially adversely affect our business, results of operations and financial condition.

We are subject to, and must remain in compliance with, numerous laws and governmental regulations concerning the manufacturing, use, distribution, and sale of our products, as well as any such future laws and regulations. Some of our customers also require that we comply with their own unique requirements relating to these matters. Any failure to comply with such laws, regulations, and requirements, and any associated unanticipated costs, could materially adversely affect our business, results of operations, and financial condition.

We manufacture and sell products which contain electronic components, and such components may contain materials that are subject to government regulation in both the locations where we manufacture and assemble our products, as well as the locations where we sell our products. For example, certain regulations limit the use of lead in electronic components. To our knowledge, we maintain compliance with all applicable current government regulations concerning the materials utilized in our products for all the locations in which we operate. Since we operate on a global basis, this is a complex process which requires continual monitoring of regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with all existing regulations. There are areas where new regulations have been enacted which could increase our cost of the components that we utilize or require us to expend additional resources to ensure compliance. For example, the SEC's "conflict minerals" rules apply to our business, and we are expending resources to ensure compliance. The implementation of these requirements by government regulators and our partners and/or customers could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of certain components used in our products. In addition, the supply-chain due diligence investigation required by the conflict minerals rules will require expenditures of resources and management attention regardless of the results of the investigation. If there is an unanticipated new regulation which significantly impacts our use of various components or requires more expensive components, that regulation could materially adversely affect our business, results of operations, and financial condition.

One area that has a large number of regulations is environmental compliance. Management of environmental pollution and climate change has produced significant legislative and regulatory efforts on a global basis, and we believe this will continue both in scope and in the number of countries participating. These changes could directly increase the cost of energy, which may have an impact on the way we manufacture products or utilize energy to produce our products. In addition, any new regulations or laws in the environmental area might increase the cost of raw materials we use in our products. Environmental regulations require us to reduce product energy usage, monitor and exclude an expanding list of restricted substances, and participate in required recovery and recycling of our products. While future changes in regulations are certain, we are currently unable to predict how any such changes will impact us and if such impacts will be material to our business. If there is a new law or regulation that significantly increases our costs of manufacturing or causes us to significantly alter the way that we manufacture our products, this could have a material adverse effect on our business, financial condition, and results of operations.

Our selling and distribution practices are also regulated in large part by U.S. federal and state as well as foreign, antitrust and competition laws and regulations. In general, the objective of these laws is to promote and maintain free competition by prohibiting certain forms of conduct that tend to restrict production, raise prices or otherwise control the market for goods or services to the detriment of consumers of those goods and services. Potentially prohibited activities under these laws may include unilateral conduct or conduct undertaken as the result of an agreement with one or more of our suppliers, competitors, or customers. The potential for liability under these laws can be difficult to predict as it often depends on a finding that the challenged conduct resulted in harm to competition, such as higher prices, restricted supply, or a reduction in the quality or variety of products available to consumers. We utilize a number of different distribution channels to deliver our products to customers and end-users and regularly enter into agreements with resellers of our products at various levels in the distribution chain that could be subject to scrutiny under these laws in the event of private litigation or an investigation by a governmental competition authority. In addition, many of our products are sold to consumers via the internet. Many of the competition-related laws that govern these internet sales were adopted prior to the advent of the internet and, as a result, do not contemplate or address the unique issues raised by online sales. New interpretations of existing laws and regulations, whether by courts or by the state, federal, or foreign governmental authorities charged with the enforcement of those laws and regulations, may also impact our business in ways we are currently unable to predict. Any failure on our part or on the part of our employees, agents, distributors, or other business partners to comply with the laws and regulations governing competition can result in negative publicity and diversion of management time and effort and may subject us to significant litigation liabilities and other penalties.

We are exposed to the credit risk of some of our customers and to credit exposures in certain markets, which could result in material losses.

A substantial portion of our sales are on an open credit basis, with typical payment terms of 30 to 60 days in the United States and, because of local customs or conditions, longer in some markets outside the United States. We monitor individual customer financial viability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts.

Any bankruptcies or illiquidity among our customer base could harm our business and have a material adverse effect on our financial condition and results of operations. To the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, our customers' ability to pay could be adversely impacted, which in turn could materially adversely affect our business, results of operations, and financial condition.

If our products are not compatible with some or all leading third-party IoT products and protocols, we could be materially adversely affected.

A core part of our solution is the interoperability of our platform with third-party IoT products and protocols. The Arlo platform seamlessly integrates with third-party IoT products and protocols, such as Amazon Alexa, Apple HomeKit, Apple TV, Google Assistant, IFTTT, Stringify, and Samsung SmartThings. If these third parties were to alter their products, we could be adversely impacted if we fail to timely create compatible versions of our products, and such incompatibility could negatively impact the adoption of our products and solutions. A lack of interoperability may also result in significant redesign costs, and harm relations with our customers. Further, the mere announcement of an incompatibility problem relating to our products could materially adversely affect our business, results of operations, and financial condition.

In addition, to the extent our competitors supply products that compete with our own, it is possible these competitors could design their technologies to be closed or proprietary systems that are incompatible with our products or work less effectively with our products than their own. As a result, end-users may have an incentive to purchase products that are compatible with the products and technologies of our competitors over our products.

The marketability of our products may suffer if wireless telecommunications operators do not deliver acceptable wireless services.

The success of our business depends, in part, on the capacity, affordability, reliability, and prevalence of wireless data networks provided by wireless telecommunications operators and on which our IoT hardware products and solutions operate. Growth in demand for wireless data access may be limited if, for example, wireless telecommunications operators cease or materially curtail operations, fail to offer services that customers consider valuable at acceptable prices, fail to maintain sufficient capacity to meet demand for wireless data access, delay the expansion of their wireless networks and services, fail to offer and maintain reliable wireless network services, or fail to market their services effectively.

We are exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could materially adversely affect our business, results of operations, and financial condition.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial condition, results of operations, and cash flows. Although a portion of our international sales are currently invoiced in U.S. dollars, we have implemented and continue to implement for certain countries and customers both invoicing and payment in foreign currencies. Our primary exposure to movements in foreign currency exchange rates relates to non-U.S. dollar-denominated sales primarily in Europe and Australia, as well as our global operations, and non-U.S. dollar-denominated operating expenses and certain assets and liabilities. In addition, weaknesses in foreign currencies for U.S. dollar-denominated sales could adversely affect demand for our products.

Conversely, a strengthening in foreign currencies against the U.S. dollar could increase foreign currency-denominated costs. As a result, we may attempt to renegotiate pricing of existing contracts or request payment to be made in U.S. dollars. We cannot be sure that our customers would agree to renegotiate along these lines. This could result in customers eventually terminating contracts with us or in our decision to terminate certain contracts, which would adversely affect our sales.

We established a hedging program after the IPO to hedge our exposure to fluctuations in foreign currency exchange rates as a response to the risk of changes in the value of foreign currency-denominated assets and liabilities. We may enter into foreign currency forward contracts or other instruments. We expect that such foreign currency forward contracts will reduce, but will not eliminate, the impact of currency exchange rate movements. For example, we may not execute forward contracts in all currencies in which we conduct business. In addition, we may hedge to reduce the impact of volatile exchange rates on revenue, gross profit and operating profit for limited periods of time. However, the use of these hedging activities may only offset a portion of the adverse financial effect resulting from unfavorable movements in foreign exchange rates.

Risks Related to Our Separation from NETGEAR

If the Distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, NETGEAR, Arlo and Arlo stockholders could be subject to significant tax liabilities, and, in certain circumstances, we could be required to indemnify NETGEAR for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.

NETGEAR received an opinion of counsel regarding qualification of the Distribution, together with certain related transactions, as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. The opinion of counsel was based upon and relied on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings of NETGEAR and us, including those relating to the past and future conduct of NETGEAR and us. If any of these representations, statements or undertakings are, or become, incomplete or inaccurate, or if we or NETGEAR breach any of the respective covenants in any of the separation-related agreements, the opinion of counsel could be invalid and the conclusions reached therein could be jeopardized.

Notwithstanding any opinion of counsel, the Internal Revenue Service (the “IRS”) could determine that the Distribution, together with certain related transactions, should be treated as a taxable transaction if it were to determine that any of the facts, assumptions, representations, statements or undertakings upon which any opinion of counsel was based were false or had been violated, or if it were to disagree with the conclusions in any opinion of counsel. Any opinion of counsel would not be binding on the IRS or the courts, and we cannot assure that the IRS or a court would not assert a contrary position. NETGEAR has not requested, and does not intend to request, a ruling from the IRS with respect to the treatment of the Distribution or certain related transactions for U.S. federal income tax purposes.

If the Distribution, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, in general, NETGEAR would recognize taxable gain as if it had sold our common stock in a taxable sale for its fair market value, and NETGEAR stockholders who receive shares of our common stock in the Distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

We have agreed in the tax matters agreement entered into between us and NETGEAR to indemnify NETGEAR for any taxes (and any related costs and other damages) resulting from the Separation and Distribution, and certain other related transactions, to the extent such amounts were to result from (i) an acquisition after the Distribution of all or a portion of our equity securities, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (ii) other actions or failures to act by us or (iii) any of the representations or undertakings contained in any of the Separation-related agreements or in the documents relating to the opinion of counsel being incorrect or violated. Any such indemnity obligations arising under the tax matters agreement could be material.

We may not be able to engage in desirable strategic or capital-raising transactions following the Distribution.

Under current law, a distribution that would otherwise qualify as a tax-free transaction, for U.S. federal income tax purposes, under Section 355 of the Code can be rendered taxable to the parent corporation and its stockholders as a result of certain post-distribution acquisitions of shares or assets of the distributed corporation. For example, such a distribution could result in taxable gain to the parent corporation under Section 355(e) of the Code if the distribution were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquired, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in the distributed corporation.

To preserve the tax-free treatment of the Separation and Distribution, and in addition to our expected indemnity obligations described above, we have agreed in the tax matters agreement to restrictions that address compliance with Section 355 (including Section 355(e)) of the Code. These restrictions, which generally will be effective during the two-year period following the Distribution, could limit our ability to pursue certain strategic transactions, equity issuances or repurchases or other transactions that we may believe to be in the best interests of our stockholders or that might increase the value of our business.

The assets and resources that we acquired from NETGEAR in the Separation may not be sufficient for us to operate as a standalone company, and we may experience difficulty in separating our assets and resources from NETGEAR.

Because we did not operate as an independent company prior to the Separation, we will need to acquire assets in addition to those contributed by NETGEAR and its subsidiaries to us and our subsidiaries in connection with the Separation. We may also face difficulty in separating our assets from NETGEAR's assets and integrating newly acquired assets into our business. Our business, financial condition and results of operations could be harmed if we fail to acquire assets that prove to be important to our operations or if we incur unexpected costs in separating our assets from NETGEAR's assets or integrating newly acquired assets.

The services that NETGEAR provides to us may not be sufficient to meet our needs, which may result in increased costs and otherwise adversely affect our business.

Pursuant to the transition services agreement entered into between us and NETGEAR, NETGEAR has agreed to continue, for a transitional period, to provide us with corporate and shared services related to corporate functions, such as executive oversight, risk management, information technology, accounting, audit, legal, investor relations, tax, treasury, shared facilities, engineering, operations, customer support, human resources and employee benefits, sales and sales operations, and other services in exchange for the fees specified in the transition services agreement. NETGEAR is not obligated to provide these services in a manner that differs from the nature of the services provided to the Arlo business during the 12-month period prior to the completion of the IPO, and thus we may not be able to modify these services in a manner desirable to us as a standalone public company. Further, once we no longer receive these services from NETGEAR, due to the termination or expiration of the transition services agreement or otherwise, we may not be able to perform these services ourselves and/or find appropriate third party arrangements at a reasonable cost (and any such costs may be higher than those charged by NETGEAR).

Our ability to operate our business effectively may suffer if we are unable to cost-effectively establish our own administrative and other support functions in order to operate as a standalone company after the expiration of our shared services and other intercompany agreements with NETGEAR.

As an operating segment of NETGEAR, we relied on administrative and other resources of NETGEAR, including information technology, accounting, finance, human resources and legal services, to operate our business. In connection with our IPO, we entered into various service agreements to retain the ability for specified periods to use these NETGEAR resources. These services may not be provided at the same level as when we were a business segment within NETGEAR, and we may not be able to obtain the same benefits that we received prior to the completion of the IPO. These

services may not be sufficient to meet our needs, and after our agreements with NETGEAR expire (which will generally occur within 18 months following the completion of the IPO, which occurred on August 7, 2018), we may not be able to replace these services at all or obtain these services at prices and on terms as favorable as those we currently have with NETGEAR. We will need to create our own administrative and other support systems or contract with third parties to replace NETGEAR's systems. Any failure or significant downtime in our own administrative systems or in NETGEAR's administrative systems during the transitional period could result in unexpected costs, impact our results and/or prevent us from paying our suppliers or employees and performing other administrative services on a timely basis.

We are a smaller company relative to our former parent, NETGEAR, which could result in increased costs in our supply chain and in general because of a decrease in our purchasing power as a result of the Separation. We may also experience decreased revenue due to difficulty maintaining existing customer relationships and obtaining new customers.

Prior to the completion of the IPO, we were able to take advantage of NETGEAR's size and purchasing power in procuring goods, technology and services, including insurance, employee benefit support, and audit and other professional services. In addition, as a segment of NETGEAR, we were able to leverage NETGEAR's size and purchasing power to bargain with suppliers of our components and our ODMs. We are a smaller company than NETGEAR, and we cannot assure you that we will have access to financial and other resources comparable to those that were available to us prior to the completion of the IPO. As a standalone company, we may be unable to obtain office space, goods, technology, and services in general, as well as components and services that are part of our supply chain, at prices or on terms as favorable as those that were available to us prior to the completion of the IPO, which could increase our costs and reduce our profitability. Our future success depends on our ability to maintain our current relationships with existing customers, and we may have difficulty attracting new customers due to our smaller size.

NETGEAR has agreed to indemnify us for certain liabilities. However, we cannot assure that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that NETGEAR's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the master separation agreement entered into between us and NETGEAR and certain other agreements with NETGEAR, NETGEAR has agreed to indemnify us for certain liabilities. The master separation agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of NETGEAR's business with NETGEAR. Under the intellectual property rights cross-license agreement entered into between us and NETGEAR, each party, in its capacity as a licensee, indemnifies the other party, in its capacity as a licensor, as well as its directors, officers, agents, successors and subsidiaries against any losses suffered by such indemnified party as a result of the indemnifying party's practice of the intellectual property licensed to such indemnifying party under the intellectual property rights cross-license agreement. Also, under the tax matters agreement entered into between us and NETGEAR, each party is liable for, and indemnifies the other party and its subsidiaries from and against any liability for, taxes that are allocated to such party under the tax matters agreement. In addition, we have agreed in the tax matters agreement that each party will generally be responsible for any taxes and related amounts imposed on us or NETGEAR as a result of the failure of the Distribution, together with certain related transactions, to qualify as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) and certain other relevant provisions of the Code, to the extent that the failure to so qualify is attributable to actions, events or transactions relating to such party's respective stock, assets or business, or a breach of the relevant representations or covenants made by that party in the tax matters agreement. The transition services agreement generally provides that the applicable service recipient indemnifies the applicable service provider for liabilities that such service provider incurs arising from the provision of services other than liabilities arising from such service provider's gross negligence, bad faith or willful misconduct or material breach of the transition services agreement, and that the applicable service provider indemnifies the applicable service recipient for liabilities that such service recipient incurs arising from such service provider's gross negligence, bad faith or willful misconduct or material breach of the transition services agreement. Pursuant to the registration rights agreement, we have agreed to indemnify NETGEAR and its subsidiaries that hold registrable securities (and their directors, officers, agents and, if applicable, each other person who controls such holder under Section 15 of the Securities Act) registering shares pursuant to the registration

rights agreement against certain losses, expenses and liabilities under the Securities Act, common law or otherwise. NETGEAR and its subsidiaries that hold registrable securities similarly indemnify us but such indemnification will be limited to an amount equal to the net proceeds received by such holder under the sale of registrable securities giving rise to the indemnification obligation.

However, third parties could also seek to hold us responsible for any of the liabilities that NETGEAR has agreed to retain, and we cannot assure that an indemnity from NETGEAR will be sufficient to protect us against the full amount of such liabilities, or that NETGEAR will be able to fully satisfy its indemnification obligations in the future. Even if we ultimately succeed in recovering from NETGEAR any amounts for which we are held liable, we may be temporarily required to bear these losses. Each of these risks could materially adversely affect our business, results of operations, and financial condition.

We may have received better terms from unaffiliated third parties than the terms we received in the agreements that we entered into with NETGEAR in connection with the Separation.

The agreements that we entered into with NETGEAR in connection with the Separation, including the master separation agreement, the transition services agreement, the intellectual property cross-license agreement, the tax matters agreement, the employee matters agreement and the registration rights agreement with respect to NETGEAR's continuing ownership of our common stock, were prepared in the context of the Separation while we were still a wholly owned subsidiary of NETGEAR. Accordingly, during the period in which the terms of those agreements were prepared, we did not have a board of directors or a management team that was independent of NETGEAR. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties.

Risks Related to Ownership of Our Common Stock

The market price of our common stock could be volatile and is influenced by many factors, some of which are beyond our control.

The market price of our common stock could be volatile and is influenced by many factors, some of which are beyond our control, including those described above in "Risks Related to Our Business" and the following:

- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- the inability to meet the financial estimates of securities analysts who follow our common stock or changes in earnings estimates by analysts;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results and those of our competitors;
- general economic and stock market conditions;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- risks related to our business and our industry, including those discussed above;

- changes in conditions or trends in our industry, markets or customers;
- the trading volume of our common stock;
- future sales of our common stock or other securities; and
- investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives.

In particular, the realization of any of the risks described in these “*Risk Factors*” could have a material adverse impact on the market price of our common stock in the future and cause the value of your investment to decline. In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

We may change our dividend policy at any time.

Although we currently intend to retain future earnings to finance the operation and expansion of our business and therefore do not anticipate paying cash dividends on our capital stock in the foreseeable future, our dividend policy may change at any time without notice to our stockholders. The declaration and amount of any future dividends to holders of our common stock will be at the discretion of our board of directors in accordance with applicable law and after taking into account various factors, including our financial condition, results of operations, current and anticipated cash needs, cash flows, impact on our effective tax rate, indebtedness, contractual obligations, legal requirements, and other factors that our board of directors deems relevant. As a result, we cannot assure you that we will pay dividends at any rate or at all.

Future sales, or the perception of future sales, of our common stock may depress the price of our common stock.

The market price of our common stock could decline significantly as a result of sales or other distributions of a large number of shares of our common stock in the market. The perception that these sales might occur could depress the market price of our common stock. These sales, or the possibility that these sales may occur, might also make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The 11,747,250 shares of our common stock sold in the IPO are freely tradable in the public market. On December 31, 2018, NETGEAR completed the Distribution to its stockholders of the 62,500,000 shares of Arlo common stock that it owned. As of December 31, 2019, we have 75,785,952 shares of common stock outstanding.

In the future, we may issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock.

Our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.

Prior to the Separation, we historically operated our business as a segment of a public company. As a standalone public company, we have additional legal, accounting, insurance, compliance, and other expenses that we had not incurred historically. We are now obligated to file with the SEC annual and quarterly reports and other reports that are specified in Section 13 and other sections of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We are also required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, we are and will continue to become subject to other reporting and corporate governance requirements, including certain requirements of the NYSE, and certain provisions of the Sarbanes-Oxley Act of

2002 (“Sarbanes-Oxley”) and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

Sarbanes-Oxley, as well as rules subsequently implemented by the SEC and the NYSE, have imposed increased regulation and disclosure and required enhanced corporate governance practices of public companies. We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard are likely to result in increased selling and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. These changes will require a significant commitment of additional resources. We may not be successful in implementing these requirements and implementing them could materially adversely affect our business, results of operations and financial condition. In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our operating results on a timely and accurate basis could be impaired. If we do not implement such requirements in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC and the NYSE. Any such action could harm our reputation and the confidence of investors and customers in us and could materially adversely affect our business and cause our share price to fall.

Any impairment of goodwill and other intangible assets could negatively impact our results of operations.

Under generally accepted accounting principles, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered when determining if the carrying value of our goodwill or intangible assets may not be recoverable include a significant decline in our expected future cash flows or a sustained, significant decline in our stock price and market capitalization.

If, in any period our stock price decreases to the point where the fair value of our assets (as partially indicated by our market capitalization) is less than our book value, this could indicate a potential impairment and we may be required to record an impairment charge in that period. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on projections of future operating performance. We operate in highly competitive environments and projections of future operating results and cash flows may vary significantly from actual results. As a result, we may incur substantial impairment charges to earnings in our financial statements should an impairment of our goodwill or intangible assets be determined resulting in an adverse impact on our results of operations.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley could materially adversely affect our business, results of operations, financial condition, and stock price.

As a public company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of Sarbanes-Oxley (“Section 404”), which will require annual management assessments of the effectiveness of our internal control over financial reporting beginning with our annual report on Form 10-K for the year ended December 31, 2019. Upon loss of status as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”), an annual report by our independent registered public accounting firm that addresses the effectiveness of internal control over financial reporting will be required. During the course of our testing, we may identify deficiencies which we may not be able to remediate in time to meet our deadline for compliance with Section 404. Testing and maintaining internal control can divert our management’s attention from other matters that are important to the operation of our business. We also expect the regulations under Sarbanes-Oxley to increase our legal and financial compliance costs, make it more difficult to attract and retain qualified officers and members of our board of directors, particularly to serve on our audit committee, and make some activities more difficult, time consuming, and costly. We may not be able to conclude on an ongoing basis that we have effective internal control over our financial reporting in accordance with Section 404 or our independent registered public accounting firm may not be able or willing to issue an unqualified report on the effectiveness of our internal control over financial reporting. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations because there is presently no precedent available by which to measure compliance adequacy. If either we are unable to conclude that we have effective internal control over our

financial reporting or our independent auditors are unable to provide us with an unqualified report as required by Section 404, then investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our stock, or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock will be influenced by the research, reports and recommendations that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrades our stock or if our operating results do not meet their expectations, our stock price could decline.

We are subject to securities class action and derivative litigation.

We are subject to various securities class action and derivative complaints, as more fully discussed in the heading under “Litigation and Other Legal Matters” in Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements in Part II of Item 8 of this Annual Report on Form 10-K.

Regardless of the merits or ultimate results of the above-described litigation matters, they could result in substantial costs, which would hurt the Company's financial condition and results of operations and divert management's attention and resources from our business. At this point, however, it is too early to reasonably estimate any financial impact to the Company resulting from these litigation matters.

Your percentage ownership in Arlo may be diluted in the future.

In the future, your percentage ownership in Arlo may be diluted because of equity awards that Arlo may grant to Arlo's directors, officers, and employees or otherwise as a result of equity issuances for acquisitions or capital market transactions. In addition, following the Distribution, Arlo and NETGEAR employees hold awards in respect of shares of our common stock as a result of the conversion of certain NETGEAR stock awards (in whole or in part) to Arlo stock awards in connection with the Distribution. Such awards have a dilutive effect on Arlo's earnings per share, which could adversely affect the market price of Arlo common stock. From time to time, Arlo will issue additional stock-based awards to its employees under Arlo's employee benefits plans.

In addition, Arlo's amended and restated certificate of incorporation authorizes Arlo to issue, without the approval of Arlo's stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over Arlo's common stock respecting dividends and distributions, as Arlo's board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, Arlo could grant the holders of preferred stock the right to elect some number of Arlo's directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences that Arlo could assign to holders of preferred stock could affect the residual value of the common stock.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common shares less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including exemption from compliance with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation and exemptions

from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earliest of (1) December 31, 2023, (2) the last day of the fiscal year in which we have total annual revenue of at least \$1.07 billion, (3) the last day of the fiscal year in which we become a large accelerated filer, which means that we have been public for at least 12 months, have filed at least one annual report and the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last day of our then most recently completed second fiscal quarter, or (4) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company,” which would allow us to take advantage of many of the same exemptions from disclosure requirements including exemption from compliance with the auditor attestation requirements of Section 404 and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws and of Delaware law may prevent or delay an acquisition of Arlo, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of our stockholders to call a special meeting;
- the inability of our stockholders to act without a meeting of stockholders;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board of directors to issue preferred stock without stockholder approval;
- the division of our board of directors into three classes of directors, with each class serving a staggered three-year term, and this classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult;
- a provision that stockholders may only remove directors with cause while the board of directors is classified; and
- the ability of our directors, and not stockholders, to fill vacancies on our board of directors.

In addition, because we have not elected to be exempt from Section 203 of the Delaware General Corporation Law (the “DGCL”), this provision could also delay or prevent a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation (an “interested stockholder”) shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which the person became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an

interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

We believe these provisions will protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make Arlo immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of Arlo and its stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Our amended and restated certificate of incorporation contains exclusive forum provisions that may discourage lawsuits against us and our directors and officers.

Our amended and restated certificate of incorporation provides that unless the board of directors otherwise determines, the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Arlo, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of Arlo to Arlo or Arlo's stockholders, any action asserting a claim against Arlo or any director or officer of Arlo arising pursuant to any provision of the DGCL or Arlo's amended and restated certificate of incorporation or bylaws, or any action asserting a claim against Arlo or any director or officer of Arlo governed by the internal affairs doctrine under Delaware law. Our amended and restated certificate of incorporation further provides that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These exclusive forum provisions may limit the ability of Arlo's stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with Arlo or Arlo's directors or officers, which may discourage such lawsuits against Arlo and Arlo's directors and officers. Alternatively, if a court were to find one or more of these exclusive forum provisions inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, Arlo may incur additional costs associated with resolving such matters in other jurisdictions or forums, which could materially and adversely affect Arlo's business, financial condition, or results of operations.

On December 19, 2018, the Delaware Chancery Court issued an opinion in *Sciabacucchi v. Salzberg*, C.A. No. 2017-0931-JTL, invalidating provisions in the certificates of incorporation of Delaware companies that purport to limit to federal court the forum in which a stockholder could bring a claim under the Securities Act. The Chancery Court held that a Delaware corporation can only use its constitutive documents to bind a plaintiff to a particular forum where the claim involves rights or relationships established by or under Delaware's corporate law. This case may be appealed to the Delaware Supreme Court. As such, and in light of the recent *Sciabacucchi* decision, we do not intend to enforce the foregoing federal forum selection provision unless the *Sciabacucchi* decision is appealed and the Delaware Supreme Court reverses the decision. If there is no appeal of the *Sciabacucchi* decision or if the Delaware Supreme Court affirms the Chancery Court's decision, then we will seek approval by our stockholders to amend our amended and restated certificate of incorporation at our next regularly-scheduled annual meeting of stockholders to remove the invalid provision.

Our board of directors has the ability to issue blank check preferred stock, which may discourage or impede acquisition attempts or other transactions.

Our board of directors has the power, subject to applicable law, to issue series of preferred stock that could, depending on the terms of the series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, a series of preferred stock may impede a business combination by including class voting rights, which would enable the holder or holders of such series to block a proposed transaction. Our board of directors will make any determination to issue shares of preferred stock on its judgment as to our and our stockholders' best interests. Our board of directors, in so acting, could issue shares of preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders may believe to be in their best interests or in which stockholders would have received a premium for their stock over the then prevailing market price of the stock.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We are a global company with dual corporate headquarters located in San Jose, California and Carlsbad, California. Effective June 2018, we entered into a lease agreement for our San Jose corporate headquarters for approximately 77,800 square feet of office space, which expires in June 2029. Effective December 1, 2018, we entered into a lease for Carlsbad headquarters for approximately 63,500 square feet of office space, which expires in November 2023. Until December 31, 2018, we shared office space with NETGEAR in NETGEAR's San Jose and Carlsbad headquarters and paid NETGEAR a fee in connection with such use.

Our international headquarters occupy approximately 5,000 square feet in an office complex in Cork, Ireland, under a lease that expires in December 2026. During fiscal 2019, our international sales personnel are based out of local sales offices or home offices in Australia, Canada, France, Germany, Hong Kong, Ireland, Italy, and the United Kingdom. Our operations personnel use leased facilities in Hong Kong. We maintain our marketing and research and development facilities in Irvine (the United States), Carlsbad (the United States) and Taipei (Taiwan). In addition, we use third parties to provide warehousing services to us, consisting of facilities in Southern California, Arizona, and Hong Kong.

We believe that the facilities described above are suitable and adequate for our present purposes and that the productive capacity in our facilities is substantially being utilized or we have plans to utilize it.

Item 3. *Legal Proceedings*

The information set forth under the heading "Litigation and Other Legal Matters" in Note 11, *Commitments and Contingencies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Item 1A, Risk Factors.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Use of Proceeds

On August 7, 2018, we completed our initial public offering (the "IPO") in which we issued and sold 11,747,250 shares of common stock (including 1,532,250 shares of common stock pursuant to the underwriters' option to purchase additional shares, which was exercised in full on August 3, 2018) at a price to the public of \$16.00 per share. Cash proceeds from the IPO were \$173.4 million, net of the portion of the offering cost paid by Arlo, which portion was \$1.4 million. The total offering cost was \$4.6 million, of which \$3.2 million was paid by NETGEAR. No offering expenses were paid directly or indirectly to any of our directors, officers, or persons owning ten percent or more of our common stock or to their associates or affiliates.

The offer and sale of all of shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-226088), which was declared effective by the SEC on August 2, 2018. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc, and Guggenheim Securities LLC acted as lead book-running managers for the offering. Raymond James & Associates, Inc., Cowen and Company LLC, and Imperial Capital LLC acted as joint book-running managers for the offering. The offering commenced on August 2, 2018 and did not terminate before all securities registered in the registration statement were sold. There has been no material change in the planned use of proceeds from the IPO as described in our final prospectus filed with the Securities and Exchange Commission on August 6, 2018, pursuant to Rule 424(b) of the Securities Act of 1933, as amended.

Market Information

Our common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol "ARLO".

Holders of Common Stock

On February 21, 2020, we had 8 stockholders of record of our common stock. The number of record holders is based upon the actual number of holders registered on our books at such date and does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depository trust companies.

Dividends

We have not historically declared or paid cash dividends on our common stock. We do not anticipate paying cash dividends in the foreseeable future.

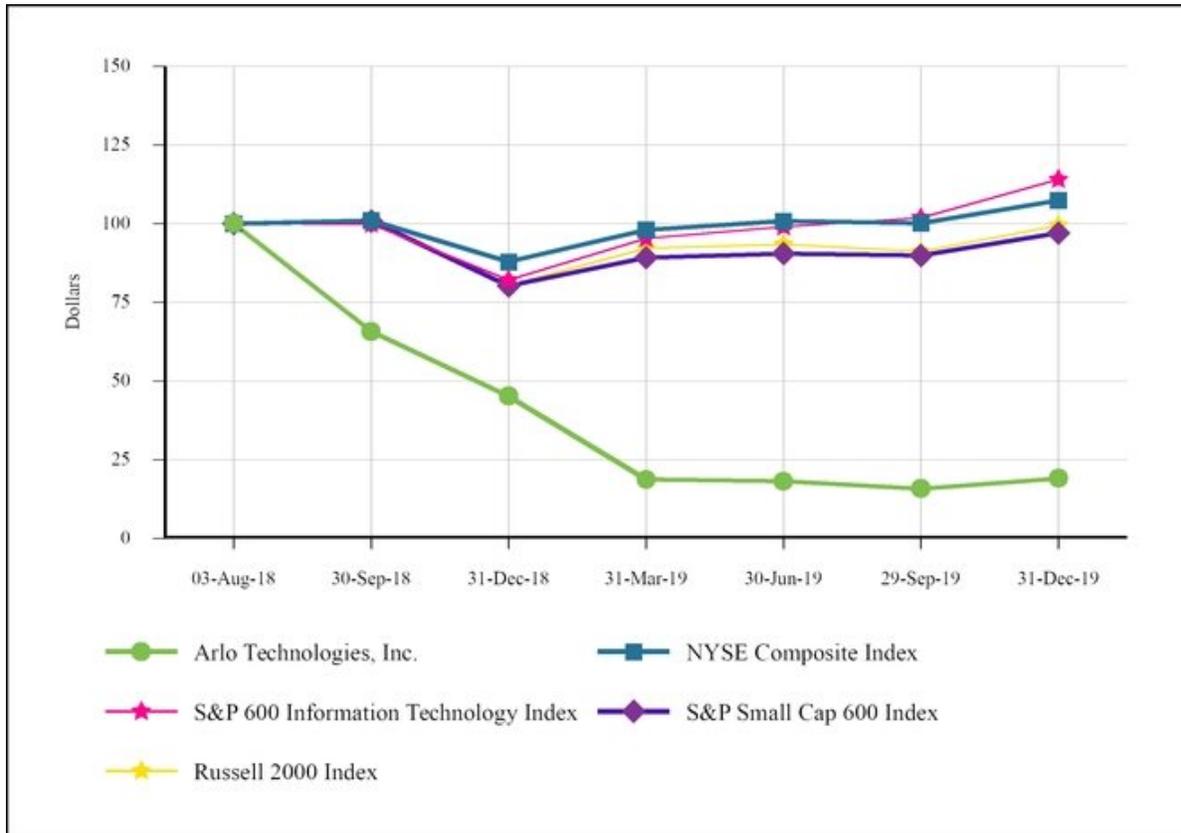
Sales of Unregistered Securities and Issuer Purchases of Equity Securities

For the year ended December 31, 2019, we did not sell any unregistered securities.

Stock Performance Graph

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed “filed” with the SEC or “soliciting material” under the Exchange Act and shall not be incorporated by reference into any such filings.

The following graph shows a comparison from August 3, 2018 through December 31, 2019 of cumulative total return for our common stock, the NYSE Composite Index, the Standard and Poor’s 600 Information Technology Index, (“S&P 600 Information Technology Index”) and the Standard and Poor’s Small Cap 600 Index (“S&P Small Cap 600 Index”). The measurement points in the graph below are August 3, 2018 (the first trading day of our common stock on the NYSE) and the last trading day of each fiscal quarter through the fiscal year ended December 31, 2019. The graph assumes that \$100 was invested in Arlo common stock at the closing price of \$22.10 on August 3, 2018 and in the NYSE Composite Index, the S&P 600 Information Technology Index, and the S&P Small Cap 600 Index on August 3, 2018, and assumes reinvestment of any dividends. The stock price performance shown in the following graph is not intended to forecast or be indicative of possible future stock price performance.



Item 6. Selected Financial Data

The following selected consolidated financial data are qualified in their entirety, and should be read in conjunction with the consolidated financial statements and related notes thereto, and “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” in Item 7 of Part II of this Annual Report on Form 10-K.

We derived the selected consolidated statements of operations data for the years ended December 31, 2019, 2018 and 2017 and the selected consolidated balance sheets data as of December 31, 2019 and 2018 from our audited consolidated financial statements in Item 8 of Part II of this Annual Report on Form 10-K. Historical results are not necessarily indicative of results to be expected for future periods.

The full year of 2016 and 2017 and first and second quarters of 2018, are based on carve-out financials and reflect the transactions which are directly attributable to Arlo and certain allocated costs, whereas third quarter and fourth quarter of 2018 and fiscal year 2019 are based on our actual results for the periods as a standalone public company.

Consolidated Statements of Operations Data

	Year Ended December 31,			
	2019	2018	2017	2016
	(In thousands, except per share data)			
Revenue ⁽¹⁾	\$ 370,007	\$ 464,918	\$ 370,658	\$ 184,604
Cost of revenue ⁽²⁾	334,203	372,843	279,424	146,570
Gross profit	35,804	92,075	91,234	38,034
Operating expenses:				
Research and development ⁽²⁾	69,384	58,794	34,683	24,438
Sales and marketing ⁽²⁾	56,985	52,593	34,340	18,455
General and administrative ⁽²⁾	47,624	28,209	15,096	8,289
Separation expense	1,913	27,252	1,384	—
Gain on sale of business ⁽³⁾	(54,881)	—	—	—
Total operating expenses	121,025	166,848	85,503	51,182
Income (loss) from operations	(85,221)	(74,773)	5,731	(13,148)
Interest income	2,737	1,239	—	—
Other income (expense), net	913	(1,177)	1,946	(512)
Income (loss) before income taxes	(81,571)	(74,711)	7,677	(13,660)
Provision for income taxes	4,380	772	1,128	83
Net income (loss)	\$ (85,951)	\$ (75,483)	\$ 6,549	\$ (13,743)
Net income (loss) per share:				
Basic ⁽⁴⁾	\$ (1.14)	\$ (1.12)	\$ 0.11	\$ (0.22)
Diluted ⁽⁴⁾	\$ (1.14)	\$ (1.12)	\$ 0.11	\$ (0.22)

⁽¹⁾ On January 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) (“ASC 606”) and applied this guidance to those contracts which were not completed at the date of adoption using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods (“ASC 605”). The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of Net parent investment.

(2) Stock-based compensation expense was allocated as follows:

	Year Ended December 31,									
	2019		2018		2017			2016		
	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
	(In thousands)									
Cost of revenue	\$ 2,013	\$ 608	\$ 583	\$ 1,191	\$ 102	\$ 599	\$ 701	\$ 61	\$ 266	\$ 327
Research and development	6,868	3,078	396	3,474	1,959	455	2,414	1,349	195	1,544
Sales and marketing	3,859	1,992	969	2,961	390	866	1,256	110	407	517
General and administrative	10,154	3,153	2,100	5,253	—	2,547	2,547	—	1,216	1,216
Total	\$ 22,894	\$ 8,831	\$ 4,048	\$ 12,879	\$ 2,451	\$ 4,467	\$ 6,918	\$ 1,520	\$ 2,084	\$ 3,604

(3) Relates to the sale of our commercial operations in Europe in the fourth quarter of 2019. Refer to Note 4, *Disposal of business*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for a complete discussion of this disposal.

(4) Information regarding calculation of per share data is described in Note 14, *Net Income (Loss) Per Share*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.

Consolidated Balance Sheets Data:

	As of December 31,			
	2019	2018	2017	2016
	(In thousands)			
Cash, cash equivalents and short-term investments ⁽¹⁾	\$ 256,670	\$ 201,027	\$ 108	\$ 220
Working capital	\$ 175,668	\$ 233,484	\$ 112,878	\$ 54,967
Total assets ⁽²⁾	\$ 542,712	\$ 595,946	\$ 269,820	\$ 158,581
Deferred revenue (current and non-current)	\$ 66,098	\$ 49,991	\$ 47,404	\$ 23,393
Non-current operating lease liabilities ⁽²⁾	\$ 29,001	\$ —	\$ —	\$ —
Non-current financing lease obligation ⁽³⁾	\$ —	\$ 19,978	\$ —	\$ —
Total liabilities	\$ 339,336	\$ 326,444	\$ 144,401	\$ 85,407
Stockholders' equity	\$ 203,376	\$ 269,502	\$ 125,419	\$ 73,174

(1) In fiscal year 2018, reflects \$70.9 million in cash contributed by NETGEAR prior to the completion of the IPO in 2018, and the net proceeds of \$173.4 million raised from the IPO, net of the portion of the offering cost paid by Arlo, which portion was \$1.4 million. Our total offering cost is \$4.6 million, of which \$3.2 million was paid by NETGEAR. In fiscal year 2019, reflects \$75.2 million from Verisure related to sale of the Company's commercial operations in Europe and advance payment on the product purchase and NRE services under the Supply Agreement.

(2) On January 1, 2019, the Company adopted ASU 2016-12, "Leases" (Topic 842) and applied this guidance utilizing the modified retrospective transition method through a cumulative-effect adjustment at the beginning of the first fiscal quarter of 2019. Refer to Note 11, *Commitments and Contingencies* in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further information about our leases.

(3) The Company was deemed to be the accounting owner of its build-to-suit lease arrangement for its San Jose corporate headquarters and the construction was in progress at adoption date. As such, the Company reevaluated its build-to-suit lease arrangement under ASU 2016-02 to ascertain whether it meets the criteria as the accounting owner of the build-to-suit lease arrangement through control of the underlying leased asset. The Company concluded that it did not have control over the underlying leased asset. As a result, the Company de-recognized the build to suit asset and liability as of January 1, 2019. Refer to Note 11, *Commitments and Contingencies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further details.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations together with the audited consolidated financial statements and notes to the financial statements included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed under "Risk Factors" in Part I, Item 1A above.

Business and Executive Overview

Arlo combines an intelligent cloud infrastructure and mobile app with a variety of smart connected devices that transform the way people experience the connected lifestyle. Our cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection. Since the launch of our first product in December 2014, we have shipped over 15.8 million smart connected devices, and, as of December 31, 2019, our smart platform had approximately 4.02 million cumulative registered accounts across more than 100 countries around the world.

We conduct business across three geographic regions—the Americas; Europe, Middle-East and Africa (“EMEA”); and Asia Pacific (“APAC”) and we primarily generate revenue by selling devices through retail, wholesale distribution and wireless carrier channels and paid subscription services through in-app purchases. International revenue was 48.6%, 22.6% and 24.6% of our revenue for the years ended December 31, 2019, 2018 and 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017, we generated revenue of \$370.0 million, \$464.9 million and \$370.7 million, respectively. Loss from operations was \$85.2 million for the year ended December 31, 2019 compared with Loss from operations of \$74.8 million for the year ended December 31, 2018 and Income from operations of \$5.7 million for the year ended December 31, 2017. Income (loss) from operations for the year ended December 31, 2019, 2018 and 2017 included separation expense of \$1.9 million, \$27.3 million, and \$1.4 million, respectively.

Our goal is to continue to develop innovative, world-class connected lifestyle solutions to expand and further monetize our current and future user and subscriber bases. We believe that the growth of our business is dependent on many factors, including our ability to innovate and launch successful new products on a timely basis and grow our installed base, to increase subscription-based recurring revenue, to invest in brand awareness and channel partnerships and to continue our global expansion. We expect to maintain our investment in research and development going forward as we continue to introduce new and innovative products and services to enhance the Arlo platform.

Key Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions. In addition, management's incentive compensation is partially determined using certain of these key business metrics. We believe these key business metrics provide useful information by offering the ability to make more meaningful period-to-period comparisons of our on-going operating results and a better understanding of how management plans and measures our underlying business. Our key business metrics may be calculated in a manner different from the same key business metrics used by other companies. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to better reflect our business or to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated.

	As of and for the Year Ended December 31, ⁽¹⁾				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Cumulative registered accounts	4,015	40.9 %	2,850	70.7%	1,670
Cumulative paid accounts	230	59.7 %	144	84.6%	78
Devices shipped for the period	4,060	(20.2)%	5,086	34.9%	3,770

⁽¹⁾ Starting with this Annual Report Form 10-K, Service Revenue is included as a line item in the consolidated statement of operations in Item 8 of Part II of this Annual Report on Form 10-K.

Cumulative Registered Accounts. We believe that our ability to increase our user base is an indicator of our market penetration and growth of our business as we continue to expand and innovate our Arlo platform. We define our registered accounts at the end of a particular period as the number of unique registered accounts on the Arlo platform as of the end of such particular period. The number of registered accounts does not necessarily reflect the number of end-users on the Arlo platform, as one registered account may be used by multiple people. We have changed our definition from registered users to registered accounts due to the Verisure transaction, Verisure will own the registered accounts but we will continue to provide services to these European customers under the Verisure Agreements.

Paid Accounts. Paid accounts worldwide measured as any account where a subscription to a paid service is being collected (either by the Company or by the Company's customers or channel partners), plus paid service plans of a duration of more than 3 months bundled with products (such bundles being counted as a paid account after 90 days have elapsed from the date of registration). During the second quarter of 2019, we factored in an adjustment to the first quarter of 2019 paid account number and have subsequently revised the first quarter of 2019 paid accounts total to 162,000. We have redefined paid subscribers as paid accounts to include customers that were transferred to Verisure as part of the disposal of our commercial operations in Europe because we will continue to provide services to these European customers and receive payments under the Verisure Agreements.

Devices Shipped. Devices shipped represents the number of Arlo cameras, lights, and doorbells that are shipped to our customers during a period. Devices shipped does not include shipments of Arlo accessories and Arlo base stations, nor does it take into account returns of Arlo cameras, lights, and doorbells. The growth rate of our revenue is not necessarily correlated with our growth rate of devices shipped, as our revenue is affected by a number of other variables, including but not limited to returns from customers, end-user customer rebates and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance for revenue recognition, sales of accessories, and premium services, the types of Arlo products sold during the relevant period and the introduction of new product offerings that have different U.S. manufacturer's suggested retail prices.

Comparability of Historical Results

The operating results of Arlo have historically been disclosed as a reportable segment within the consolidated financial statements of NETGEAR, enabling the identification of directly attributable transactional information, functional departments, and headcount. Through July 1, 2018, Revenue and Cost of revenue, with the exception of channel sales incentives, were derived from transactional information specific to Arlo products and services. Directly attributable operating expenses were derived from activities relating to Arlo functional departments and headcount. Arlo employees also historically participated in NETGEAR's stock-based incentive plans, in the form of restricted stock units ("RSUs"), stock options, and purchase rights issued pursuant to NETGEAR's employee stock purchase plan. Stock-based compensation expense has been either directly reported by or allocated to Arlo based on the awards and terms previously granted to NETGEAR's employees.

The consolidated statements of operations of the Company as presented reflect the directly attributable transactional information specific to Arlo and certain additional allocated costs through July 1, 2018. The allocated costs for corporate functions included, but were not limited to, allocations of general corporate expenses from NETGEAR including expenses related to corporate services, such as executive management, information technology, legal, finance and accounting,

human resources, tax, treasury, research and development, sales and marketing, shared facilities and other shared services. These costs were allocated based on revenue, headcount, or other measures the Company has determined as reasonable. Following July 1, 2018, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

The amount of these allocations from NETGEAR reflected within operating expenses in the consolidated statements of operations was \$30.6 million from January 1, 2018 to the date of the completion of the IPO, which included \$9.4 million for research and development, \$10.0 million for sales and marketing, and \$11.2 million for general and administrative expense. For the year ended December 31, 2017, allocations amounted to \$40.0 million, which included \$11.8 million for research and development, \$13.1 million for sales and marketing and \$15.1 million for general and administrative expense.

The management of Arlo believes the assumptions underlying the consolidated financial statements, including the assumptions regarding the allocated expenses, reasonably reflect the utilization of services provided, or the benefit received by Arlo during the periods presented. Nevertheless, the consolidated financial statements may not be indicative of Arlo's future performance and do not necessarily reflect Arlo's results of operations, financial position, and cash flows had Arlo been a standalone company during the periods presented.

Our Relationship with NETGEAR

On August 2, 2018, in connection with the IPO, the Company entered into a master separation agreement, a transition services agreement, an intellectual property rights cross-license agreement, a tax matters agreement, an employee matters agreement, and a registration rights agreement, in each case with NETGEAR, which effect the Separation, provide a framework for the Company's relationship with NETGEAR after the Separation and provide for the allocation between NETGEAR and the Company of NETGEAR's assets, employees, liabilities and obligations (including its investments, property and employee benefits assets and liabilities) attributable to periods prior to, at and after the Separation.

NETGEAR has provided certain of the services on a transitional basis following the Distribution pursuant to the Transition Services Agreement ("NETGEAR TSA"). Under the NETGEAR TSA, NETGEAR charges a fee that is consistent with our historical allocation for such services. During the year ended December 31, 2018, we incurred \$6.3 million in NETGEAR TSA related costs, which included \$0.4 million for research and development, \$1.6 million for sales and marketing, and \$4.3 million for general and administrative expense. During the year ended December 31, 2019, we incurred \$0.7 million in NETGEAR TSA related costs, which included \$0.1 million for cost of revenue, \$0.3 million for research and development, \$0.1 million for sales and marketing, and \$0.2 million for general and administrative expense. We do not expect to incur any NETGEAR TSA related costs during fiscal year 2020.

In addition, to operate as a standalone company, we incurred costs to replace certain services that were previously provided by NETGEAR, which were higher than those reflected in our historical combined financial statements. The most significant component of these costs was IT-related costs, including capital expenditures, to implement certain new systems, including infrastructure and an enterprise resource planning system. As of December 31, 2018, we have fully completed the implementation of these new systems.

We are subject to the reporting requirements of the Exchange Act, and we are required to establish procedures and practices as a standalone public company in order to comply with our obligations under the Exchange Act and related rules and regulations, as well as rules of the New York Stock Exchange. As a result, we will continue to incur additional costs, including internal audit, investor relations, stock administration, and regulatory compliance costs. These additional costs may differ from the costs that were historically allocated to us by NETGEAR.

Components of Our Operating Results

Revenue

Our gross revenue consists primarily of sales of devices and prepaid and paid subscription service revenue. We generally recognize revenue from product sales at the time the product is shipped and transfer of control from us to the customer occurs. Our prepaid services primarily pertain to devices which are sold with our Arlo prepaid services offering, providing users with the ability to store and access data for up to five cameras for a rolling seven-day period, one-year free subscription for basic services. Prepaid services also include one year of Arlo Smart bundled with our for our Arlo Ultra products launched in early 2019, and three-month free subscription for Arlo Smart services for our Arlo Pro 3 products launched in late September 2019 and Arlo Video Doorbell launched in late November 2019. Upon device shipment, we attribute a portion of the sales price to the prepaid service, deferring this revenue at the outset and subsequently recognizing it ratably over the estimated useful life of the device or free trial period, as applicable. Our paid subscription services relate to sales of subscription plans to our registered accounts.

Our revenue consists of gross revenue, less end-user customer rebates and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance for revenue recognition, allowances for estimated sales returns, price protection, and net changes in deferred revenue. A significant portion of our marketing expenditure is with customers and is deemed to be a reduction of revenue under authoritative guidance for revenue recognition.

Under the Supply Agreement, Verisure became the exclusive distributor of our products in Europe for all channels, and will non-exclusively distribute our products through its direct channels globally. Revenue associated with the NRE arrangement under the Supply Contract is not significant for the year ended December 31, 2019. We expect that our revenue and profitability in Europe will improve over the life of the Supply Agreement.

We expect that our revenue and gross margin for the first half of 2020 will be negatively impacted by delayed delivery of components from suppliers located in regions affected by COVID-19 and other potential impacts of COVID-19 on our operations.

Cost of Revenue

Cost of revenue consists of both product costs and costs of service. Product costs primarily consist of: the cost of finished products from our third-party manufacturers; overhead costs, including purchasing, product planning, inventory control, warehousing and distribution logistics, third-party software licensing fees, inbound freight, warranty costs associated with returned goods, write-downs for excess and obsolete inventory, royalties to third parties; and amortization expense of certain acquired intangibles. Cost of service consists of costs attributable to the provision and maintenance of our cloud-based platform, including personnel, storage, security, and computing.

Our cost of revenue as a percentage of revenue can vary based upon a number of factors, including those that may affect our revenue set forth above and factors that may affect our cost of revenue, including, without limitation: product mix, sales channel mix, registered user acceptance of paid subscription service offerings, fluctuation in foreign exchange rates and changes in our cost of goods sold due to fluctuations in prices paid for components, net of vendor rebates, cloud platform costs, warranty and overhead costs, inbound freight and duty product conversion costs, charges for excess or obsolete inventory, and amortization of acquired intangibles. We outsource our manufacturing, warehousing, and distribution logistics. We also outsource certain components of the required infrastructure to support our cloud-based back-end IT infrastructure. We believe this outsourcing strategy allows us to better manage our product and services costs and gross margin.

Research and Development

Research and development expense consists primarily of personnel-related expense, safety, security, regulatory services and testing, other research and development consulting fees, and corporate IT and facilities overhead. We recognize research and development expense as it is incurred. We have invested in and expanded our research and development organization to enhance our ability to introduce innovative products and services. We believe that innovation and technological leadership are critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products, and services, including our hardware devices, cloud-based software,

AI-based algorithms, and machine learning capabilities. We expect research and development expense to stay relatively flat in absolute dollars as we manage our expenses while continuing to develop new product and service offerings to support the connected lifestyle market. We expect research and development expense to fluctuate depending on the timing and number of development activities in any given period, and such expense could vary significantly as a percentage of revenue, depending on actual revenue achieved in any given period.

Sales and Marketing

Sales and marketing expense consists primarily of personnel expense for sales and marketing staff; technical support expense; advertising; trade shows; corporate communications and other marketing expense; product marketing expense; IT and facilities overhead; outbound freight costs; and amortization of certain intangibles. We expect our sales and marketing expense to fluctuate based on the seasonality of our business for the foreseeable future.

General and Administrative

General and administrative expense consists primarily of personnel-related expense for certain executives, finance and accounting, investor relations, human resources, legal, information technology, professional fees, corporate IT and facilities overhead, strategic initiative expense, and other general corporate expense. We expect our general and administrative expense to moderately decrease in absolute dollars. However, we also expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

Separation Expense

Separation expense consists primarily of costs associated with our separation from NETGEAR, including third-party advisory, consulting, legal and professional services for separation matters including IPO-related litigation, IT-related expenses directly related to our separation from NETGEAR, and other items that are incremental and one-time in nature. To operate as a standalone company, we have incurred separation costs of \$27.3 million and \$1.9 million during the years ended December 31, 2018 and 2019, respectively, to replicate certain services previously provided by NETGEAR. The significant reduction during the year ended December 31, 2019 was as a result of the substantial completion of our Separation from NETGEAR on December 31, 2018.

Gain on sale of business

Gain on sale of business represents the gain on sale of the Company's commercial operations in Europe in the fourth quarter of 2019.

Interest Income

Interest income represents interest earned on our cash, cash equivalents and short-term investments.

Other Income (Expense), Net

Other income (expense), net primarily represents gains and losses on transactions denominated in foreign currencies, foreign currency contract gain (loss), net, and other miscellaneous income and expense. We have also included any reimbursement for the Verisure TSA in Other income.

Income Taxes

We record our provision for income taxes in our consolidated financial statements using the asset and liability method. Under this method, we recognize income tax liabilities or receivable for the current year. We also recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting

and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. Our assessment considers the recognition of deferred tax assets on a jurisdictional basis. Accordingly, in assessing our future taxable income on a jurisdictional basis, we consider the effect of its transfer pricing policies on that income. We have placed a valuation allowance against U.S. federal and state deferred tax assets and certain foreign tax attribute carryforwards since we do not anticipate to realize the benefits of deferred tax assets.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. As we expand internationally, we will face increased complexity in determining the appropriate tax jurisdictions for revenue and expense items. Our policy is to adjust these reserves when facts and circumstances change, such as the closing of a tax audit or refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

The Tax Cuts and Jobs Act of 2017 ("Tax Act") introduced the global intangible low-taxed income ("GILTI") provisions effective in 2018, which generally impose a tax on the net income earned by foreign subsidiaries of U.S. company in excess of a deemed return on their tangible assets. We recognize the tax on GILTI as a period cost when the tax is incurred.

Results of Operations

We operate as one operating and reportable segment. The following table sets forth, for the periods presented, the consolidated statements of operations data, which we derived from the accompanying consolidated financial statements:

	Year Ended December 31,					
	2019		2018		2017	
	(In thousands, except percentage data)					
Revenue:						
Products	\$ 323,242	87.4 %	\$ 427,113	91.9 %	\$ 341,581	92.2 %
Services	46,765	12.6 %	37,805	8.1 %	29,077	7.8 %
Total revenue	370,007	100.0 %	464,918	100.0 %	370,658	100.0 %
Cost of revenue:						
Products	307,348	83.1 %	354,023	76.1 %	270,382	72.9 %
Services	26,855	7.3 %	18,820	4.0 %	9,042	2.4 %
Total cost of revenue	334,203	90.3 %	372,843	80.2 %	279,424	75.4 %
Gross profit	35,804	9.7 %	92,075	19.8 %	91,234	24.6 %
Operating expenses:						
Research and development	69,384	18.8 %	58,794	12.6 %	34,683	9.4 %
Sales and marketing	56,985	15.4 %	52,593	11.3 %	34,340	9.3 %
General and administrative	47,624	12.9 %	28,209	6.1 %	15,096	4.1 %
Separation expense	1,913	0.5 %	27,252	5.9 %	1,384	0.4 %
Gain on sale of business	(54,881)	(14.8)%	—	— %	—	— %
Total operating expenses	121,025	32.7 %	166,848	35.9 %	85,503	23.1 %
Income (loss) from operations	(85,221)	(23.0)%	(74,773)	(16.1)%	5,731	1.5 %
Interest income	2,737	0.7 %	1,239	0.3 %	—	— %
Other income (expense), net	913	0.3 %	(1,177)	(0.3)%	1,946	0.5 %
Income (loss) before income taxes	(81,571)	(22.0)%	(74,711)	(16.1)%	7,677	2.1 %
Provision for income taxes	4,380	1.2 %	772	0.1 %	1,128	0.3 %
Net income (loss)	\$ (85,951)	(23.2)%	\$ (75,483)	(16.2)%	\$ 6,549	1.8 %

Revenue

We conduct business across three geographic regions: Americas, EMEA, and APAC. We generally base revenue by geography on the ship-to location of the customer for device sales and device location for service sales.

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
(In thousands, except percentage data)					
Americas	\$ 289,160	(23.3)%	\$ 376,805	28.7%	\$ 292,671
<i>Percentage of revenue</i>	78.1%		81.0%		79.0%
EMEA	\$ 57,232	(12.6)%	\$ 65,462	11.3%	\$ 58,795
<i>Percentage of revenue</i>	15.5%		14.1%		15.9%
APAC	\$ 23,615	4.3%	\$ 22,651	18.0%	\$ 19,192
<i>Percentage of revenue</i>	6.4%		4.8%		5.1%
Total revenue	\$ 370,007	(20.4)%	\$ 464,918	25.4%	\$ 370,658

Revenue decreased 20.4% across all geographic regions for the year ended December 31, 2019 compared to the prior year. The decrease was primarily driven by a slowdown in our customer demand for connected cameras, increased competition, higher marketing expenditures deemed to be a reduction of revenues, increased in provisions for price protection that are deemed to be a reduction of revenue, offset by higher service revenue. We launched Arlo Ultra, with 4K video resolution capability, in the first fiscal quarter of 2019, Arlo Pro 3, with 2K video resolution capability, in the third fiscal quarter of 2019 and Arlo Video Doorbell with 180 degree viewing angle, in the fourth quarter of 2019. Service revenue increased by \$9.0 million, or 23.7%, for the year ended December 31, 2019 compared to the prior year, as our paid subscribers increased compared to the prior year.

Revenue increased 25.4% across all geographic regions for the year ended December 31, 2018 compared to the prior year. The increase was primarily driven by continued rollout of our Arlo Pro 2 camera, which launched in the fourth quarter of fiscal 2017. Additionally, service revenue increased by \$8.7 million, or 30.0%, for the year ended December 31, 2018 compared to the prior year. We experienced a slowdown in end user demand for our cameras in the fourth quarter of 2018.

Cost of Revenue and Gross Margin

The following table presents cost of revenue and gross margin for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
(In thousands, except percentage data)					
Cost of revenue:					
Products	\$ 307,348	(13.2)%	\$ 354,023	30.9%	\$ 270,382
Services	26,855	42.7%	18,820	108.1%	9,042
Total cost of revenue	\$ 334,203	(10.4)%	\$ 372,843	33.4%	\$ 279,424
<i>Gross margin</i>	9.7%		19.8%		24.6%

Cost of revenue decreased for the year ended December 31, 2019, due primarily to a decline in product revenue compared to the prior year. Service cost of revenue increased for the year ended December 31, 2019, in line with the service revenue growth and due to our continued investment in our cloud service offerings to improve our customer experience and to enhance our security profile. Gross margin decreased significantly for the year ended December 31, 2019 compared to the prior year, due to a combination of both product and service margin declines. The product margin decline is primarily due to increased marketing expenditures deemed to be a reduction of revenues, increased provisions for price

protection that are deemed to be reductions of revenue, increased warranty costs, product overhead and freight-related costs, offset by less charges for excess or obsolete inventory. Service margin decreased for the year ended December 31, 2019 compared to the prior year, primarily due to higher service cost growth which included the cost of the free 3-month and 12-month trials of Arlo Smart included in our new product offerings in fiscal 2019.

Cost of revenue increased for the year ended December 31, 2018, due primarily to revenue growth compared to the prior year. Gross margin decreased for the year ended December 31, 2018 compared to the prior year due primarily to higher channel marketing promotion activities deemed to be a reduction of revenue and due to an increase in inventory reserves for excess and obsolete products as well as excess materials from our original design manufacturers (“ODMs”). The decrease was partially offset by higher revenue and product margin, mainly from the continued rollout of our Arlo Pro 2 camera. During the fourth quarter of 2018, we experienced a decline in our gross margin mainly from increased marketing expenditures that are deemed to be a reduction in revenue.

Operating Expenses

For the year ended December 31, 2019, our operating expenses, which reflect a full year as a standalone public company, were expected to increase compared to historical periods. The full year of 2017 and first and second quarters of 2018, are based on carve-out financials and reflect the transactions which are directly attributable to Arlo and certain allocated costs, whereas third quarter and fourth quarter of 2018 and 2019 are based on our actual results for the periods as a standalone public company.

Research and Development

The following table presents research and development expense for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Research and development expense	\$ 69,384	18.0%	\$ 58,794	69.5%	\$ 34,683

Research and development expense increased for the year ended December 31, 2019 compared to the prior year due to increases of \$2.5 million in personnel-related expenses and \$8.3 million in corporate IT and facilities overhead. The increased expenditures on personnel-related expense and engineering projects were due to continuous investment in strategic focus areas, principally the expansion of our Arlo product and service offerings and the growth of our cloud platform capabilities. The increase in corporate IT and facilities overhead is due to the fact that starting in late 2018 Arlo moved to separate facilities globally and for the whole of 2019 Arlo maintained its own facilities and IT infrastructures and systems globally as a standalone public company.

Research and development expense increased for the year ended December 31, 2018 compared to the prior year due to increases of \$11.6 million in personnel-related expenses, \$9.2 million in corporate IT and facilities overhead, \$2.5 million in engineering projects and outside professional services, and \$0.4 million in NETGEAR TSA related expense. The increased expenditures on personnel-related expense, engineering projects and outside professional services were due to continuous investment in strategic focus areas, principally the expansion of our Arlo product and service offerings and the growth of our cloud platform capabilities.

Sales and Marketing

The following table presents sales and marketing expense for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Sales and marketing expense	\$ 56,985	8.4%	\$ 52,593	53.2%	\$ 34,340

Sales and marketing expense increased for the year ended December 31, 2019 compared to the prior year, primarily due to an increase in outside professional services of \$2.0 million, corporate IT and facilities overhead of \$2.7 million, and personnel-related expenses of \$1.2 million. The increases were partially offset by a decrease NETGEAR TSA related expenses of \$1.5 million. The increased in corporate IT and facilities overhead is due to the fact that starting in late 2018 Arlo moved to separate facilities globally and for the whole of 2019 Arlo maintained its own facilities and IT infrastructures and systems globally as a standalone public company.

Sales and marketing expense increased for the year ended December 31, 2018 compared to the prior year, primarily due to an increase in personnel-related expenses of \$7.7 million, digital advertising, media and other costs of \$7.1 million, IT and facilities overhead of \$2.3 million, NETGEAR TSA related expense of \$1.6 million, and sales freight out expenses of \$0.7 million. The increase was partially offset by a decrease in marketing expenditures of \$1.1 million further to the launch of our Arlo Pro 2 camera in fiscal 2017.

General and Administrative

The following table presents general and administrative expense for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
General and administrative expense	\$ 47,624	68.8%	\$ 28,209	86.9%	\$ 15,096

General and administrative expense increased for the year ended December 31, 2019 compared to the prior year, primarily due to higher corporate IT and facilities overhead of \$9.7 million, higher personnel-related expenditures of \$6.0 million, higher legal and professional services of \$5.3 million, and transaction costs of \$1.9 million related to the disposal of our commercial operations in Europe, partially offset by \$4.2 million decrease in NETGEAR TSA related expenses. The increase in general and administrative expense was driven by the increase in related corporate IT and facilities overhead due to the fact that starting in late 2018 Arlo moved to separate facilities globally and for the whole of 2019 Arlo maintained its own facilities and IT infrastructures and systems globally, increased customary public company costs, including outside legal and audit fees, insurance and other costs as our company became a standalone public company since August 2018.

General and administrative expense increased for the year ended December 31, 2018 compared to the prior year, primarily due to higher personnel-related expenditures of \$7.0 million, NETGEAR TSA related expense of \$4.3 million, and higher legal and professional services of \$1.8 million. Refer to Overview for further detail about the NETGEAR TSA.

Separation Expense

The following table presents separation expense for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Separation expense	\$ 1,913	(93.0)%	\$ 27,252	**	\$ 1,384

**Percentage change not meaningful.

Separation expense consists primarily of charges for third-party advisory, consulting, legal and professional services, IT-related expenses, and other items that are incremental and one-time in nature related to our separation from NETGEAR. There was a significant reduction in our separation expense in the fiscal year ended December 31, 2019 as we completed our Separation from NETGEAR on December 31, 2018.

Gain on sale of business

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Gain on sale of business	\$ (54,881)	**	\$ —	**	\$ —

**Percentage change not meaningful.

Our disposal of our commercial operations in Europe generated a gain on sale of business for the year ended December 31, 2019 of \$54.9 million in the fourth quarter of 2019. There was no gain or loss for the year ended December 31, 2018. Refer to Note 4, *Disposal of business*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for a complete discussion of this disposal.

Interest Income and Other Income (Expense), Net

The following table presents other income (expense), net for the periods indicated:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Interest income	2,737	**	1,239	**	—
Other income (expense), net	913	**	(1,177)	**	1,946

**Percentage change not meaningful.

During the year ended December 31, 2019, we earned interest income of \$2.7 million from our cash equivalents and short-term investments. Other income (expense), net increased for the year ended December 31, 2019 compared to the prior year, due primarily to Verisure TSA related income of \$798 thousand and higher foreign currency transaction gains, mainly as a result of the U.S. dollar strengthening against transaction currencies.

During the year ended December 31, 2018, we earned interest income of \$1.2 million from our cash proceeds from the IPO and from our cash equivalents and short-term investments. Other income (expense), net decreased for the year ended December 31, 2018 compared to the prior year, due primarily to higher foreign currency transaction losses, mainly as a result of the U.S. dollar strengthening against transaction currencies. We entered into a foreign currency hedging program during the third quarter of fiscal 2018, which effectively reduced volatility associated with hedged currency exchange rate movements. For a detailed discussion of our hedging program and related foreign currency

contracts, refer to Note 7, *Derivative Financial Instruments*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.

Provision for Income Taxes

Provision for income taxes and effective tax rate consisted of the following:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(In thousands, except percentage data)				
Provision for income taxes	\$ 4,380	467.4%	\$ 772	(31.6)%	\$ 1,128
<i>Effective tax rate</i>	<i>(5.4)%</i>		<i>(1.0)%</i>		<i>14.7%</i>

The increase in provision for income taxes for the year ended December 31, 2019 compared to 2018 was primarily due to higher foreign earnings in 2019 and gain on sale of certain assets related to the Company's commercial operations in Europe during the fourth quarter of 2019. Losses incurred predominantly in the U.S continue to be subject to a full valuation allowance.

The decrease in provision for income taxes for the year ended December 31, 2018 compared to 2017 was primarily caused by the deemed repatriation of foreign earnings in 2017 following the 2017 U.S. Tax Act. The negative 1.0% effective tax rate was a result of losses in the U.S for which the Company was not recognizing a tax benefit due to its full U.S federal and state valuation allowance.

Liquidity and Capital Resources

Following the completion of the IPO, our capital structure and sources of liquidity changed significantly from our historical capital structure as we became a standalone public company. We are no longer participating in cash management and funding arrangements managed by NETGEAR. Arlo maintained a separate cash management and financing function for our operations.

We have a history of losses and may continue to incur operating and net losses for the foreseeable future. As of December 31, 2019, our accumulated deficit was \$131.5 million.

Our principal sources of liquidity are cash, cash equivalents and short-term investments. Short-term investments are marketable government securities with an original maturity or a remaining maturity at the time of purchase of greater than three months and no more than 12 months. The marketable securities are held in our company's name with a high quality financial institution, which acts as our custodian and investment manager. As of December 31, 2019, we had cash, cash equivalents and short-term investments totaling \$256.7 million.

In November 2019, we entered into a business financing agreement with Western Alliance Bank providing for a credit facility to up to \$40.0 million and as of December 31, 2019, we have not borrowed against this credit facility. Refer to Note 10. *Debt* in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further details on such business financing agreement.

In December 2019, we received a total of \$75.2 million from Verisure for the disposal of our commercial operations in Europe, including a \$20.0 million prepayment for product purchases and a \$2.5 million installment payment for the NRE Services under the Supply Agreement.

As of December 31, 2019, 25.2% of our cash and cash equivalents were held outside of the U.S. Starting in 2018, as a result of the Tax Cuts and the Jumpstart Our Business Startups Act of 2017 (the "Tax Act"), due to the one-time transition tax on un-repatriated earnings, the tax impact is generally immaterial should we repatriate our cash from foreign

earnings. The cash and cash equivalents balance outside of the U.S is subject to fluctuation based on the settlement of intercompany balances.

Based on our current plans, business financing agreement with Western Alliance Bank, and market conditions, we believe that such sources of liquidity will be sufficient to satisfy our anticipated cash requirements for at least the next 12 months. However, in the future, including sooner as may be anticipated, we may require or desire additional funds to support our operating expenses and capital requirements or for other purposes, such as acquisitions, and may seek to raise such additional funds through public or private equity or debt financings or collaborative agreements or from other sources. To preserve the tax-free treatment of our separation from NETGEAR, we have agreed in the tax matters agreement with NETGEAR to certain restrictions on our business, which generally will be effective during the two-year period following the Distribution that could limit our ability to pursue certain transactions including equity issuances.

We have no commitments to obtain such additional financing and cannot assure you that additional financing will be available at all or, if available, that such financing would be obtainable on terms favorable to us and would not be dilutive. Our future liquidity and cash requirements will depend on numerous factors, including the introduction of new products, the growth in our service revenue, as well as the ability to increase our gross margin dollars and continue to maintain controls over our operating expenditures.

Cash Flow

The following table presents our cash flows for the periods presented.

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 9,171	\$ (17,686)	\$ (38,985)
Net cash provided by (used in) investing activities	76,262	(71,285)	(4,315)
Net cash provided by (used in) financing activities	(38)	244,287	43,188
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 85,395	\$ 155,316	\$ (112)

Operating activities

Net cash provided by operating activities increased by \$26.9 million for the year ended December 31, 2019 compared to the prior year, due primarily to improved working capital management, offset by a \$55.0 million year over year decrease in the adjusted net loss from operations. Our cash inflow from changes in assets and liabilities increased by \$81.9 million year over year as a result of increased accounts receivable collections, prepayments from Verisure product purchases and NRE services under the Supply Agreement and lower inventory balance.

Net cash used in operating activities decreased by \$21.3 million for the year ended December 31, 2018 compared to the prior year, due primarily to the favorable net working capital changes offset by the net loss incurred. Changes in operating activities also reflected the movements of the balances for Statements of Cash Flows purposes since the balances contributed by NETGEAR on or before the initial public offering reflects the contributed balances to us as per the master separation agreement between Arlo and NETGEAR and related documents governing the Contribution.

Our days sales outstanding (“DSO”) decreased to 97 days as of December 31, 2019 as compared to 125 days as of December 31, 2018. Inventory decreased to \$68.6 million as of December 31, 2019 from \$124.8 million as of December 31, 2018, primarily due to better inventory management. As a result, ending inventory turns were 5.9x in the three months ended December 31, 2019 down from 3.6x turns in the three months ended December 31, 2018. Our accounts payable increased to \$111.7 million as of December 31, 2019 from \$82.5 million as of December 31, 2018, primarily as a result of extended payment terms with our suppliers.

Investing activities

Net cash provided by investing activities increased by \$147.5 million for the year ended December 31, 2019 compared to the prior year, primarily due to the more maturity of short-term investments in the amount of \$55.0 million, less purchases of short-term investments of \$24.9 million, less purchases of property equipment of \$15.0 million, and proceeds from sale of our commercial operations in Europe in the amount of \$52.7 million.

Net cash used in investing activities increased by \$67.0 million for the year ended December 31, 2018 compared to the prior year, primarily due to the purchase of short-term investments of \$54.6 million and the increased capital expenditures as we implement certain new systems, including infrastructure and an enterprise resource planning system. In the year ended December 31, 2017, we made a \$0.7 million payment in connection with our Placemeter acquisition.

Financing activities

Net cash used in financing activities was \$38 thousand in the year ended December 31, 2019 represented by proceeds from ESPP contributions of \$1.8 million, partially offset by \$1.9 million in tax withholdings from restricted stock unit releases.

Net cash provided by financing activities was \$244.3 million in the year ended December 31, 2018, primarily due to net proceeds from IPO of \$173.4 million and net investment from parent of \$70.9 million. Prior to the completion of the IPO, because cash and cash equivalents were held by NETGEAR at the corporate level and were not attributable to Arlo, cash flows related to financing activities primarily reflect changes in Net parent investment.

Backlog

Our backlog consists of products for which customer purchase orders have been received and that are scheduled or in the process of being scheduled for shipment. As of December 31, 2019, we had a backlog of \$5.4 million, compared to \$18.9 million as of December 31, 2018 and \$15.6 million as of December 31, 2017. As we typically fulfill orders received within a relatively short period (e.g., within one week for our top three customers) after receipt, our revenue in any fiscal year depends primarily upon orders booked and the availability of supply of our products in that year. In addition, most of our backlog is subject to rescheduling or cancellation with minimal penalties. As a result, our backlog as of any particular date may not be an indicator of revenue for any succeeding period. Similarly, there is a lack of meaningful correlation between year-over-year changes in backlog as compared with year-over-year changes in revenue. Accordingly, we do not believe that backlog information is material to an understanding of our overall business, and backlog as of any particular date should not be considered a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

Contractual Obligations

The following table summarizes our non-cancelable operating lease commitments and purchase obligations as of December 31, 2019:

	Payments due by period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands)				
Operating leases	\$ 41,011	\$ 5,660	\$ 11,324	\$ 9,358	\$ 14,669
Purchase obligations	29,615	29,615	—	—	—
	<u>\$ 70,626</u>	<u>\$ 35,275</u>	<u>\$ 11,324</u>	<u>\$ 9,358</u>	<u>\$ 14,669</u>

Operating leases

We entered into several office lease agreements under non-cancelable operating leases with various expiration dates through June 2029. The terms of certain of our facility leases provide for rental payments on a graduated scale. We recognize rent expense on a straight-line basis over the lease period and have accrued for rent expense incurred but not paid. The amounts presented are consistent with contractual terms and are not expected to differ significantly, unless a substantial change in our headcount requires us to exit an office facility early or expand our occupied space. For the year ended December 31, 2019, rent expense was \$7 million. For the year ended December 31, 2017 and six months ended July 1, 2018, rent expense reflected allocations from NETGEAR and may not be indicative of our results. Rent expense was \$1.4 million after the Separation through December 31, 2018.

Letters of Credit

In connection with the lease agreement for the headquarters located in San Jose, California, we executed a letter of credit with the landlord as the beneficiary. As of December 31, 2019, we had approximately \$3.6 million of unused letters of credit outstanding, of which \$3.1 million pertains to the lease arrangement.

Purchase obligations

We enter into various inventory-related purchase agreements with suppliers. Generally, under these agreements, 50% of the orders are cancelable by giving notice of 46 to 60 days prior to the expected shipment date and 25% of orders are cancelable by giving notice 31 to 45 days prior to the expected shipment date. Orders are not cancelable within 30 days prior to the expected shipment date. As of December 31, 2019, we had \$29.6 million in non-cancelable purchase commitments with suppliers. We expect to sell all products for which we have committed purchases from suppliers.

Uncertain tax position

As of December 31, 2019, the total gross unrecognized tax benefits and related interest and penalties was \$0.7 million. The timing of any payments that could result from these unrecognized tax benefits will depend upon a number of factors. The unrecognized tax benefits have been excluded from the contractual obligations table because reasonable estimates cannot be made of whether, or when, any cash payments for such items might occur. We do not expect to reduce our liabilities for uncertain tax positions in any jurisdiction, where the impact would affect the statement of operations, in the next 12 months. We do not estimate any long-term liability related to a one-time transaction tax that resulted from the passage of the Tax Act.

Off-Balance Sheet Arrangements

As of December 31, 2019, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the regulations of the SEC. The preparation of the consolidated financial statements requires management to make assumptions, judgments and estimates that can have a significant impact on the reported amounts of assets, liabilities, revenue and expenses. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. Actual results could differ significantly from these estimates. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. On a regular basis, we evaluate our assumptions, judgments and estimates and make changes accordingly. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors. Note 2, *Summary of Significant Accounting Policies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K describes the significant accounting policies used in the preparation of the

consolidated financial statements. We have listed below our critical accounting policies that we believe to have the greatest potential impact on our consolidated financial statements.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The majority of revenue comes from sales of hardware products to customers (retailers, distributors, and service providers). Revenue is recognized at a point in time when control of the goods is transferred to the customer, generally occurring upon shipment or delivery dependent upon the terms of the underlying contract. The amount recognized reflects the consideration we expect to be entitled to in exchange for the transferred goods.

We sell paid subscription services to our end user customers where we provide customers access to our cloud services. Revenue for subscription sales is generally recognized on a ratable basis over the contract term, beginning on the date that the service is made available to the customers at the time of registration. The subscription contracts are generally 30 days or 12 months in length, billed in advance. All such service or support sales are typically recognized using an output measure of progress by looking at the time elapsed as the contracts generally provide the customer equal benefit throughout the contract period. In addition to selling paid subscriptions, we also sell services bundled with hardware products and accounts for these sales in line with the multiple performance obligations guidance.

Revenue from all sales types is recognized at transaction price, the amount we expect to be entitled to in exchange for transferring goods or providing services. Transaction price is calculated as selling price net of variable consideration which may include estimates for future returns, sales incentives, and price protection related to current period product revenue. Our standard obligation to our direct customers generally provides for a full refund in the event that such product is not merchantable or is found to be damaged or defective. In determining estimates for future returns, management analyzes historical sales and returns data, channel inventory levels, current economic trends, and changes in customer demand for our products. Sales incentives and price protection are determined based on a combination of the actual amounts committed and estimated future expenditure based upon historical customary business practice. Typically variable consideration does not need to be constrained as estimates are based on predictive historical data or future commitments that we plan and control. However, we continue to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple promised goods or services. Such contracts include hardware products with bundled services, various subscription services, and support. For these contracts, we account for the promises separately as individual performance obligations if they are distinct. Performance obligations are determined to be considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, we consider a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. The embedded software in most of the hardware products is not considered distinct and therefore the combined hardware and incidental software are treated as one performance obligation and recognized at the point in time when control of product transfers to the customer. Services that are included with certain hardware products are considered distinct and therefore the hardware and service are treated as separate performance obligations.

After identifying the separate performance obligations, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are generally determined based on the prices charged to customers or using an adjusted market assessment. Standalone selling price of the hardware

is directly observable from add-on camera and base station sales. Standalone selling price of the premium services are directly observable from direct sales to end users, while the service is estimated using an adjusted market approach.

Revenue is then recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware is recognized at the time control of the product transfers to the customer. The transaction price allocated to the service is recognized over the specified service period or over the estimated useful life of the hardware, beginning when the customer is expected to activate their account. Useful life of the hardware is determined by industry norms, technical and financial relevance, frequency of new model releases, and user history.

Long-term Supply Arrangement - Verisure

We have entered into a Supply Agreement as part of the disposal of our commercial operations in Europe where Verisure prepays future product purchases with a minimum product purchase commitment also required. The Supply Agreement includes product purchases, paid subscription services, basic services, and an option for Verisure to acquire development services by submitting a statement of work ("SOW"). Products sold come with a standard twelve month warranty. Verisure assumes responsibilities for all warranty claims, returns on products and certain technical support to the end users. We provide technical support for paid subscription services where Verisure can not resolve the issue. Verisure is responsible for any marketing and promotion of our products and services sold in Europe.

Products are priced at a cost plus markup based on markups specified in the agreement and that price varies based on the cost of the product. The paid subscription services and basic services pricing is based on the number of users monthly and is priced at a cost plus markup specified in the Supply Agreement that varies based on the user and service type. The transaction price for products and paid subscription services is entirely variable because the consideration is dependent on the actual costs. We allocate variable consideration specified for products entirely to products, and variable consideration specified for the paid subscription services entirely to the paid subscription services. For development services, no contract exists until an SOW is submitted and approved by both parties. For products, since quantity and product types are not specified in the agreement, contracts are not deemed to exist until we receive and accept the customer purchase order (PO). Each product with a valid PO is a single performance obligation.

We recognize variable consideration for products upon delivery and for services when the monthly service is rendered for paid subscription services and basic services. The non-refundable prepayment does not relate to future goods or services, as such no further assessment of material rights is required. Further, as the transfer of products is at the discretion of the customer (i.e. when Verisure issues a PO), a significant financing component does not exist as it relates to the prepayment. We also expect that prepayment will be fully utilized by Verisure within one year, hence, no additional accounting consideration is necessary for breakage. We also concluded that we are acting as the principal in the Supply Agreement and determined that revenue should be presented gross.

Non-recurring Engineering ("NRE") Arrangement - Verisure

The Supply Agreement also provides for certain development services under an SOW to Verisure ("NRE arrangement") as part of the disposal of our commercial operations in Europe. In the NRE arrangement, Verisure pays non-refundable installments upon the commencement of agreed-upon milestones. There is a single performance obligation as the distinct goods and services promised under the SOW are highly interdependent or interrelated inputs that produce a single combined output given the nature of such arrangement. The output (or work-in-progress of such output) typically has no alternative use to us given the customized nature of the arrangement and we have enforceable rights given that the non-refundable milestone payments are prepayments in nature; control for NRE development services therefore transfers over time.

We determined that the most appropriate measure of progress for revenue recognition is the input method based on cost because we can reasonably estimate the total costs for the NRE, and the costs incurred reasonably reflects our efforts to satisfy the performance obligation. The NRE costs include labor, material, overhead as well as the use of outside services. The total estimated NRE costs are based on a combination of historical costs together with quotes from vendors

for supplying parts or services towards the completion. Adjustments to cost and profit estimates are made periodically due to changes in scope of work, hours to complete and estimated profitability, including those arising from final contract settlements. These changes may result in revisions to revenue and costs and are recognized in the period in which the revisions are determined. Any losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. If total NRE costs calculated upon completion in the current period are more than the estimated total costs at completion used to calculate revenue in a prior period, then the profits in the current period will be lower than if the estimated costs used in the prior period calculation were equal to the actual total costs upon completion.

Allowances for Warranty Obligations and Returns due to Stock Rotation

Our standard warranty obligation to our direct customers generally provides for a right of return of any product for a full refund in the event that such product is not merchantable or is found to be damaged or defective. At the time we recognize revenue, we record an estimate of future warranty returns to reduce revenue in the amount of the expected credit or refund to be provided to our direct customers. At the time we record the reduction to revenue related to warranty returns, we include within cost of revenue a write-down to reduce the carrying value of such products to net realizable value. Our standard warranty obligation to end-users provides for replacement of a defective product for one or more years. Factors that affect the warranty obligation include product failure rates, material usage and service delivery costs incurred in correcting product failures. We record the estimated cost associated with fulfilling the warranty obligation to end-users in cost of revenue. Because our products are manufactured by third-party manufacturers, in certain cases we have recourse to the third-party manufacturer for replacement or credit for the defective products. We give consideration to amounts recoverable from our third-party manufacturers in determining our warranty liability. Our estimated allowances for product warranties can vary from actual results, and we may have to record additional revenue reductions or charges to cost of revenue, which could materially impact our financial position and results of operations.

In addition to warranty-related returns, certain distributors and retailers generally have the right to return products for stock rotation purposes. Upon shipment of the product, we reduce revenue by an estimate of potential future stock rotation returns related to the current period product revenue. We analyze historical returns, channel inventory levels, current economic trends and changes in customer demand for our products when evaluating the adequacy of the allowance for stock rotation returns. Our estimated allowances for returns due to stock rotation can vary from actual results, and we may have to record additional revenue reductions, which could materially impact our financial position and results of operations.

Sales Incentives

We accrue for sales incentives as a marketing expense if we receive an identifiable benefit in exchange and can reasonably estimate the fair value of the identifiable benefit received; otherwise, it is recorded as a reduction to revenue. As a consequence, we record a substantial portion of our channel marketing costs as a reduction of revenue. We record estimated reductions to revenue for sales incentives when the related revenue is recognized or ahead of customer or end customer commitment if customary business practice creates an implied expectation that such activities will occur in the future.

Valuation of Inventory

We value our inventory at the lower of cost or net realizable value, cost being determined using the first-in, first-out method. We continually assess the value of our inventory and will periodically write down its value to account for estimated excess and obsolete inventory based upon assumptions about future demand and market conditions. On a quarterly basis, we review inventory quantities on hand and on order under non-cancelable purchase commitments and compare those quantities to our estimated forecast of product demand for the next nine months to determine what inventory, if any, is not saleable. We base our analysis on the product demand forecast but take into account market conditions, product development plans, product life expectancy and other factors. Based on this analysis, we write down the carrying value of the affected inventory to account for estimated excess and obsolete amounts. At the point of loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do

not result in the restoration or increase in that newly established cost basis. As demonstrated during prior years, demand for our products can fluctuate significantly. If actual demand is lower than our forecasted demand and we fail to reduce our manufacturing accordingly, we could be required to write down the value of additional inventory, which would have a negative effect on our gross profit.

Goodwill

Goodwill pertains to the acquisitions of Avaak, Inc. (“Avaak”) and Placemeter, Inc. (“Placemeter”). Goodwill represents the purchase price exceeds the estimated fair value of net assets of businesses acquired in a business combination. We perform an annual impairment assessment of goodwill at the reporting unit level on the first day of the fourth fiscal quarter. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. Should certain events or indicators of impairment occur between annual impairment tests, we will perform the impairment test as those events or indicators occur. Examples of such events or circumstances include: a significant decline in our expected future cash flows, a sustained, significant decline in our stock price and market capitalization, a significant adverse change in the business climate and slower growth rates.

We test goodwill for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the reporting unit is less than its carrying amount. The qualitative assessment considers: macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance, events affecting the reporting units and changes in our stock price. If the reporting unit does not pass the qualitative assessment, we estimate its fair value and compare the fair value with the carrying amount of the reporting unit, including goodwill. If the fair value is greater than the carrying amount of the reporting unit, we do not record an impairment.

We also test goodwill for impairment by performing a quantitative assessment, which is used to identify both the existence of impairment and the amount of impairment loss. The quantitative assessment compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value is less than the carrying amount, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. We would record any impairment charge within earnings in the consolidated statements of operations.

A quantitative assessment of goodwill was performed on the first day of the fourth quarter of fiscal 2019. We identified that we had one reporting unit for the purpose of goodwill impairment testing and the reporting unit is at the same level as the operating segment and reportable segment. We utilized our market capitalization as a proxy for fair value of the business and compared it to the carrying amount as of October 1, 2019. Based on the results of the quantitative assessment, the respective fair value was substantially in excess of the carrying amount by \$68.0 million, or 38%. We updated our quantitative test as of December 31, 2019 at which time the fair value of the business was substantially in excess of the carrying amount by \$115.7 million, or 57%.

No goodwill impairment was recognized for the years ended December 31, 2019 and 2018. However, included in our accounting for the disposal of our commercial operations in Europe was a derecognition of \$4.6 million of goodwill associated with the disposal of our commercial operations in Europe.

We do not believe it is likely that there will be a material change in the estimates or assumptions we use to test for impairment loss on goodwill. However, if the actual result is not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could be material.

Stock-based compensation

Our employees have historically participated in NETGEAR’s stock-based compensation plans. Stock-based compensation expense has been allocated to us based on the awards and terms previously granted to our employees as well as an allocation of NETGEAR’s corporate and shared functional employee expenses. We measure stock-based compensation at the grant date based on the fair value of the award. The fair value of stock options and the shares offered

under the employee stock purchase plan is estimated using the Black-Scholes option pricing model. Estimated compensation cost relating to restricted stock units ("RSUs") is based on the closing fair market value of NETGEAR's common stock on the date of grant.

Equity awards granted under our own stock-based compensation plans on or after the completion of the IPO are comprised of performance-based stock options (the "PSOs"), stock options, and RSUs. We use the fair value method of accounting for its equity awards granted to employees and measures the cost of employee services received in exchange for the stock-based awards. We recognize these compensation expenses generally on a straight-line basis over the requisite service period of the award. The fair value of stock options and PSOs is estimated on the grant or offering date using the Black-Scholes option pricing model and the forfeitures recorded as they occur. The fair value of RSUs is measured on the grant date based on the closing fair market value of our common stock.

The stock-based compensation cost is recognized ratably over the period during which an employee is required to provide service in exchange for the awards, usually the vesting period, which is generally four years for stock options and three to four years for RSUs. For PSOs, stock-based compensation expense of individual performance milestone is recognized over the expected performance achievement period when the achievement becomes probable.

Our 2018 Employee Stock Purchase Plan ("ESPP") is intended to provide employees with the opportunity to purchase our common stock through accumulated payroll deductions at the end of specified purchase period. Eligible employees may contribute up to 15% of compensation, subject to certain income limits, to purchase shares of our common stock. The terms of the plan include a look-back feature that enables employees to purchase stock semi-annually at a price equal to 85% of the lesser of the fair market value at the beginning of the offering period or the purchase date. The duration of each purchasing period is generally six months. We determine the fair value using the Black-Scholes Model using various inputs, including our estimate of expected volatility, term, dividend yield and risk-free interest rate. We recognize compensation costs for the ESPP on a straight-line basis over the requisite service period of the award.

Income Taxes

We record our provision for income taxes in our consolidated financial statements using the asset and liability method. Under this method, we recognize income tax liabilities or receivable for the current year. We also recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. Our assessment considers the recognition of deferred tax assets on a jurisdictional basis. Accordingly, in assessing our future taxable income on a jurisdictional basis, we consider the effect of its transfer pricing policies on that income. We have placed a valuation allowance against U.S. federal and state deferred tax assets and certain foreign tax attribute carryforwards since we do not anticipate to realize the benefits of deferred tax assets.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. As we expand internationally, we will face increased complexity in determining the appropriate tax jurisdictions for revenue and expense items. Our policy is to adjust these reserves when facts and circumstances change, such as the closing of a tax audit or refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

The Tax Act introduced the global intangible low-taxed income ("GILTI") provisions effective in 2018, which generally impose a tax on the net income earned by foreign subsidiaries of U.S. company in excess of a deemed return on their tangible assets. We recognize the tax on GILTI as a period cost when the tax is incurred.

Recent Accounting Pronouncements

For a complete description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on financial condition and results of operations, refer to Note 2, *Summary of Significant Accounting Policies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.

Emerging Growth Company Status

As an emerging growth company (“EGC”), under the Jumpstart Our Business Startups Act (“JOBS Act”), we are allowed to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, unless we otherwise irrevocably elect not to avail ourselves of this exemption. While we have not made such an irrevocable election, we have not delayed the adoption of any applicable accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We do not use derivative financial instruments in our investment portfolio. We have an investment portfolio of fixed income securities that are classified as available-for-sale securities. These securities, like all fixed income instruments, are subject to interest rate risk and will fall in value if market interest rates increase. We attempt to limit this exposure by investing primarily in highly rated short-term securities. Our investment policy requires investments to be rated triple-A with the objective of minimizing the potential risk of principal loss. Due to the short duration and conservative nature of our investment portfolio, a hypothetical movement of 10% in interest rates would not have a material impact on our operating results and the total value of the portfolio over the next fiscal year. We monitor our interest rate and credit risks, including our credit exposure to specific rating categories and to individual issuers. There were no impairment charges on our investments during fiscal 2019.

Foreign Currency Exchange Rate Risk

We invoice some of our international customers in foreign currencies, including the Australian dollar, British pound, Canadian dollar, and euro. As the customers that are currently invoiced in local currency become a larger percentage of our business, or to the extent we begin to bill additional customers in foreign currencies, the impact of fluctuations in foreign currency exchange rates could have a more significant impact on our results of operations. For those customers in our international markets that we continue to sell to in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive and therefore reduce the demand for our products. Such a decline in the demand for our products could reduce sales and materially adversely affect our business, results of operations, and financial condition. Certain operating expenses of our foreign operations require payment in local currencies.

We are exposed to risks associated with foreign exchange rate fluctuations due to our international sales and operating activities. These risks may change over time as our business evolves and could negatively impact our operating results and financial condition. As we grow our operations, our exposure to foreign currency risk could become more significant. In the third fiscal quarter of 2018, we established a hedge program to hedge foreign currency exchange risks and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

As of December 31, 2019, we had net assets in various local currencies. A hypothetical 10% movement in foreign exchange rates would have an immaterial impact on our net income (loss) for the period. Actual future gains and losses associated with our foreign currency exposures and positions may differ materially from the sensitivity analysis performed as of December 31, 2019 due to the inherent limitations associated with predicting foreign currency exchange rates and our actual exposures and positions. For the year ended December 31, 2019 and 2018, 24.7% and 20.9% of revenue was denominated in a currency other than the U.S. dollar, respectively.

Item 8. *Financial Statements and Supplementary Data*

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Arlo Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Arlo Technologies, Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and December 31, 2018, and the related consolidated statements of operations, of comprehensive income (loss), of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and December 31, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue from contracts with customers in 2018.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

San Jose, California
February 28, 2020

We have served as the Company's auditor since 2018.

ARLO TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2019	2018
(In thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 236,680	\$ 151,290
Short-term investments	19,990	49,737
Accounts receivable, net	127,317	166,045
Inventories	68,624	124,791
Prepaid expenses and other current assets	16,958	23,611
Total current assets	469,569	515,474
Property and equipment, net	21,352	49,428
Operating lease right-of-use assets, net	31,300	—
Intangibles, net	1,306	2,823
Goodwill	11,038	15,638
Restricted cash	4,139	4,134
Other non-current assets	4,008	8,449
Total assets	\$ 542,712	\$ 595,946
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 111,650	\$ 82,542
Deferred revenue	50,362	26,678
Accrued liabilities	127,400	172,036
Income tax payable	4,489	734
Total current liabilities	293,901	281,990
Non-current deferred revenue	15,736	23,313
Non-current operating lease liabilities	29,001	—
Non-current financing lease obligation	—	19,978
Non-current income taxes payable	92	22
Other non-current liabilities	606	1,141
Total liabilities	339,336	326,444
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock: \$0.001 par value; 50,000,000 shares authorized; none issued or outstanding	—	—
Common stock: \$0.001 par value; 500,000,000 shares authorized; shares issued and outstanding: 75,785,952 at December 31, 2019 and 74,247,250 at December 31, 2018	76	74
Additional paid-in capital	334,821	315,277
Accumulated other comprehensive income (loss)	(2)	—
Accumulated deficit	(131,519)	(45,849)
Total stockholders' equity	203,376	269,502
Total liabilities and stockholders' equity	\$ 542,712	\$ 595,946

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

ARLO TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2019	2018	2017
(In thousands, except per share data)			
Revenue:			
Products	\$ 323,242	\$ 427,113	\$ 341,581
Services	46,765	37,805	29,077
Total revenue	370,007	464,918	370,658
Cost of revenue:			
Products	307,348	354,023	270,382
Services	26,855	18,820	9,042
Total cost of revenue	334,203	372,843	279,424
Gross profit	35,804	92,075	91,234
Operating expenses:			
Research and development	69,384	58,794	34,683
Sales and marketing	56,985	52,593	34,340
General and administrative	47,624	28,209	15,096
Separation expense	1,913	27,252	1,384
Gain on sale of business	(54,881)	—	—
Total operating expenses	121,025	166,848	85,503
Income (loss) from operations	(85,221)	(74,773)	5,731
Interest income	2,737	1,239	—
Other income (expense), net	913	(1,177)	1,946
Income (loss) before income taxes	(81,571)	(74,711)	7,677
Provision for income taxes	4,380	772	1,128
Net income (loss)	\$ (85,951)	\$ (75,483)	\$ 6,549
Net income (loss) per share:			
Basic	\$ (1.14)	\$ (1.12)	\$ 0.11
Diluted	\$ (1.14)	\$ (1.12)	\$ 0.11
Weighted average shares used to compute net income (loss) per share:			
Basic	75,074	67,231	62,250
Diluted	75,074	67,231	62,250

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

ARLO TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Net income (loss)	\$ (85,951)	\$ (75,483)	\$ 6,549
Other comprehensive income (loss), before and after tax:			
Unrealized gain (loss) on derivative instruments	(27)	2	—
Unrealized gain (loss) on available-for-sale securities	25	(2)	—
Total other comprehensive income (loss), before tax	(2)	—	—
Tax provision related to derivative instruments	—	—	—
Tax benefit related to available-for-sale securities	—	—	—
Total other comprehensive income (loss), net of tax	(2)	—	—
Comprehensive income (loss)	\$ (85,953)	\$ (75,483)	\$ 6,549

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

ARLO TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount					
	(In thousands)						
Balance as of December 31, 2016	—	\$ —	\$ —	\$ 73,174	\$ —	\$ —	\$ 73,174
Net income	—	—	—	6,549	—	—	6,549
Net transfer from Parent	—	—	—	43,245	—	—	43,245
Stock-based compensation expense funded by Parent	—	—	—	2,451	—	—	2,451
Balance as of December 31, 2017	—	—	—	125,419	—	—	125,419
Cumulative impact from adoption of ASC 606, net of tax	—	—	—	(3,061)	—	—	(3,061)
Net loss, prior to the completion of the Contribution	—	—	—	(29,634)	—	—	(29,634)
Net loss, after the completion of the Contribution	—	—	—	—	—	(45,849)	(45,849)
Issuance of common stock from initial public offering	11,747	12	174,725	—	—	—	174,737
Initial public offering costs paid by the Company	—	—	(1,404)	—	—	—	(1,404)
Initial public offering costs paid by Parent	—	—	(3,148)	—	—	—	(3,148)
Net transfer from Parent	—	—	—	43,549	—	—	43,549
Conversion of Net parent investment into common stock	62,500	62	139,030	(139,030)	—	—	62
Stock-based compensation expense funded by Parent	—	—	—	2,757	—	—	2,757
Stock-based compensation expense post-initial public offering	—	—	6,074	—	—	—	6,074
Change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	(2)	—	(2)
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	—	2	—	2
Balance as of December 31, 2018	74,247	74	315,277	—	—	(45,849)	269,502
Cumulative-effect adjustment from adoption of ASC 842, net of tax	—	—	—	—	—	281	281
Net loss	—	—	—	—	—	(85,951)	(85,951)
Stock-based compensation expense	—	—	19,582	—	—	—	19,582
Issuance of common stock under stock-based compensation plans	1,152	1	12	—	—	—	13
Issuance of common stock under Employee Stock Purchase Plan	767	1	1,825	—	—	—	1,826
Restricted stock unit withholdings	(380)	—	(1,875)	—	—	—	(1,875)
Change in unrealized gains and losses on available-for-sale securities, net of tax	—	—	—	—	25	—	25
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	—	(27)	—	(27)
Balance as of December 31, 2019	75,786	\$ 76	\$ 334,821	\$ —	\$ (2)	\$ (131,519)	\$ 203,376

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

ARLO TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
(In thousands)			
Cash flows from operating activities:			
Net income (loss)	\$ (85,951)	\$ (75,483)	\$ 6,549
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	10,681	5,307	3,740
Stock-based compensation expense	22,894	8,831	2,451
Provision for (release of) bad debts and inventory	(2,921)	6,739	404
Gain on sale of business	(54,881)	—	—
Deferred income taxes	(210)	(1,108)	(388)
Premium amortization/discount accretion on investments, net	(461)	(120)	—
Changes in assets and liabilities:			
Accounts receivable, net	38,247	(118,778)	(75,838)
Inventories	53,604	(48,934)	(35,639)
Prepaid expenses and other assets	11,525	(16,592)	62
Accounts payable	28,791	87,307	(350)
Deferred revenue	22,567	11,253	24,011
Accrued liabilities	(34,714)	123,892	36,013
Net cash provided by (used in) operating activities	<u>9,171</u>	<u>(17,686)</u>	<u>(38,985)</u>
Cash flows from investing activities:			
Purchases of property and equipment	(6,664)	(21,666)	(3,578)
Proceeds from sale of business	52,694	—	—
Purchases of short-term investments	(29,768)	(54,619)	—
Proceeds from maturities of short-term investments	60,000	5,000	—
Payments made in connection with business acquisition, net of cash acquired	—	—	(737)
Net cash provided by (used in) investing activities	<u>76,262</u>	<u>(71,285)</u>	<u>(4,315)</u>
Cash flows from financing activities:			
Proceeds from initial public offering, net of offering costs	—	173,395	—
Restricted stock unit withholdings	(1,875)	—	—
Proceeds related to employee benefit plans	1,837	—	—
Net investment from NETGEAR	—	70,892	43,188
Net cash provided by (used in) financing activities	<u>(38)</u>	<u>244,287</u>	<u>43,188</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	85,395	155,316	(112)
Cash and cash equivalents and restricted cash, at beginning of period	155,424	108	220
Cash and cash equivalents and restricted cash, at end of period	<u>\$ 240,819</u>	<u>\$ 155,424</u>	<u>\$ 108</u>
Non-cash investing and financing activities:			
Purchases of property and equipment included in accounts payable and accrued liabilities	\$ 1,086	\$ 16,003	\$ 81
De-recognized fair value of build-to-suit lease	\$ (21,610)	\$ —	\$ —
Estimated fair value of a facility under build-to-suit lease including tenant improvements	\$ —	\$ 28,357	\$ —
Supplemental cash flow information:			
Cash paid for income taxes, net	\$ 960	\$ 89	\$ —

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

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Basis of Presentation

The Company

Arlo Technologies, Inc. (“Arlo” or the “Company”) combines an intelligent cloud infrastructure and mobile app with a variety of smart connected devices that transform the way people experience the connected lifestyle. The Company's cloud-based platform provides users with visibility, insight and a powerful means to help protect and connect in real-time with the people and things that matter most, from any location with a Wi-Fi or a cellular connection. The Company primarily generates revenue by selling devices through retail channels, wholesale distribution and wireless carrier channels and paid subscription services through in-app purchases.

The Company has dual corporate headquarters located in San Jose, California and Carlsbad, California and also maintains offices to provide sales and customer support at various global locations.

On February 6, 2018, NETGEAR Inc. (“NETGEAR”) announced that its board of directors had unanimously approved the pursuit of a separation of its Arlo business from NETGEAR (the “Separation”) to be effected through an initial public offering (the “IPO”) of newly issued shares of the common stock of Arlo, then a wholly owned subsidiary of NETGEAR. On July 6, 2018, the Company filed a registration statement (as amended, the “IPO Registration Statement”) relating to the IPO of common stock of Arlo with the U.S. Securities and Exchange Commission (the “SEC”). Following a series of restructuring steps prior to the completion of the IPO of Arlo common stock, the Arlo business was transferred from NETGEAR to Arlo (collectively, the “Contribution”).

On August 2, 2018, NETGEAR and Arlo announced the pricing of the IPO of 10,215,000 shares of Arlo’s common stock at a price to the public of \$16.00 per share. On August 3, 2018, Arlo’s shares began trading on the New York Stock Exchange under the ticker symbol “ARLO.” On August 7, 2018, the Company completed its IPO of 11,747,250 shares of common stock (including 1,532,250 shares of common stock pursuant to the underwriters’ option to purchase additional shares, which was exercised in full on August 3, 2018), at \$16.00 per share, before underwriting discounts and commissions and estimated offering costs. Cash proceeds from the IPO were \$173.4 million, net of the portion of the offering cost paid by Arlo, which portion was \$1.4 million. The total offering cost was \$4.6 million, of which \$3.2 million was paid by NETGEAR.

Prior to the completion of the IPO, the Company was a wholly owned subsidiary of NETGEAR and upon the closing of the IPO (including the issuance of additional shares of common stock pursuant to the underwriters’ option to purchase additional shares, which was exercised in full) on August 7, 2018, NETGEAR owned approximately 84.2% of the shares of Arlo’s outstanding common stock.

On November 29, 2018, NETGEAR announced that its board of directors had approved a special stock dividend (the “Distribution”) to NETGEAR stockholders of the 62,500,000 shares of Arlo common stock owned by NETGEAR. The Distribution was made on December 31, 2018 (the “Distribution Date”) to all NETGEAR stockholders of record as of the close of business on December 17, 2018 (the “Record Date”). In the Distribution, each NETGEAR stockholder of record on the Record Date received 1.980295 shares of Arlo common stock for every share of NETGEAR common stock held on the Record Date, subject to cash in lieu of fractional shares. The Distribution was intended to qualify as generally tax free to NETGEAR stockholders for U.S. federal income tax purposes. In connection with the Distribution, 62,500,000 shares of Arlo common stock held by NETGEAR were distributed to its stockholders and NETGEAR is no longer considered a related party to the Company.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Basis of Presentation

The combined financial statements of Arlo that cover dates prior to the completion of the IPO have been derived and carved out from the consolidated financial statements and accounting records of NETGEAR as if Arlo had operated on a stand-alone basis within the periods presented. In connection with the Separation and IPO, certain assets and liabilities presented have been transferred to Arlo at carry-over (historical cost) basis. Balances contributed by NETGEAR on or before the completion of the IPO were based on the master separation agreement between the Company and NETGEAR and related documents governing the Contribution.

Following the completion of the IPO, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All periods presented have been accounted for in conformity with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and pursuant to the regulations of the U.S. Securities and Exchange Commission (“SEC”).

Reclassification

Certain reclassifications have been made to the prior year's consolidated balance sheets, statement of operations and statements of cash flows to conform to the current year's presentation. The reclassifications has had no effect on prior years' net income (loss), total assets, total liabilities, total stockholders' equity or cash flows.

Allocated Expenses from NETGEAR

Prior to the completion of the IPO, NETGEAR provided certain corporate services to the Company, which were allocated based on revenue, headcount, or other measures the Company has determined as reasonable through July 1, 2018. The amount of these allocations from NETGEAR reflected within operating expenses in the consolidated statements of operations was \$30.6 million for the six months ended July 1, 2018, which included \$9.4 million for research and development, \$10.0 million for sales and marketing, and \$11.2 million for general and administrative expense. For the year ended December 31, 2017, allocations amounted to \$40.0 million, which included \$11.8 million for research and development, \$13.1 million for sales and marketing, and \$15.1 million for general and administrative expense. Following July 1, 2018, the Company assumed responsibility for the costs of these functions.

Fiscal periods

The Company's fiscal year begins on January 1 of the year stated and ends on December 31 of the same year. The Company reports its results on a fiscal quarter basis rather than on a calendar quarter basis. Under the fiscal quarter basis, each of the first three fiscal quarters ends on the Sunday closest to the calendar quarter end, with the fourth quarter ending on December 31.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Management bases its estimates on various assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates and operating results for the year ended December 31, 2019 are not necessarily indicative of the results that may be expected for any future period.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies***Cash and cash equivalents***

The Company considers all highly liquid investments with an original maturity or a remaining maturity at the time of purchase of three months or less to be cash equivalents. The Company deposits cash and cash equivalents with high credit quality financial institutions.

Restricted cash

The Company maintains certain cash balances restricted as to withdrawal or use. Restricted cash is comprised primarily of cash used as a collateral for a letter of credit associated with the Company's lease agreement for its headquarters in San Jose, California. The Company deposits restricted cash with high credit quality financial institutions.

The following table shows reconciliation of cash and cash equivalents and restricted cash within the consolidated balance sheets to the amounts shown in the statements of cash flows:

	As of December 31,		
	2019	2018	2017
	(In thousands)		
Cash and cash equivalents	\$ 236,680	\$ 151,290	\$ 108
Restricted cash	4,139	4,134	—
Total as presented on the consolidated statements of cash flows	<u>\$ 240,819</u>	<u>\$ 155,424</u>	<u>\$ 108</u>

Short-term investments

Short-term investments are comprised of marketable securities that consist of government securities with an original maturity or a remaining maturity at the time of purchase of greater than three months and no more than 12 months. The marketable securities are held in the Company's name with a high quality financial institution, which acts as the Company's custodian and investment manager. These marketable securities are classified as available-for-sale securities in accordance with the provisions of the authoritative guidance for investments and are carried at fair value with unrealized gains and losses reported as a separate component of stockholders' equity.

Fair value measurements

The carrying amounts of the Company's financial instruments, including cash equivalents, restricted cash, short-term investments, accounts receivable, and accounts payable approximate their fair values due to their short maturities. Foreign currency forward contracts are recorded at fair value based on observable market data. The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Derivative financial instruments

The Company's subsidiaries have had, and will continue to have material future cash flows, including revenue and expenses, which are denominated in currencies other than the Company's functional currency. The Company and all its subsidiaries designate the U.S. dollar as the functional currency. Changes in exchange rates between the Company's functional currency and other currencies in which the Company transacts business will cause fluctuations in cash flow expectations and

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

cash flow realized or settled. Accordingly, the Company uses derivatives to mitigate its business exposure to foreign exchange risk. The Company enters into foreign currency forward contracts in Australian dollars, British pounds, euros, and Canadian dollars to manage its exposure to foreign exchange risk related to expected future cash flows on certain forecasted revenue, costs of revenue, operating expenses and existing assets and liabilities.

The Company's foreign currency forward contracts do not contain any credit risk-related contingent features. The Company is exposed to credit losses in the event of nonperformance by the counter-parties of its forward contracts. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any one counter-party. In addition, the derivative contracts typically mature in less than six months and the Company continuously evaluates the credit standing of its counter-party financial institutions. The counter-parties to these arrangements are large highly rated financial institutions and the Company does not consider non-performance a material risk.

The Company may choose not to hedge certain foreign exchange exposures for a variety of reasons, including, but not limited to, materiality, accounting considerations or the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign exchange rates. The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments in accordance with the authoritative guidance for derivatives and hedging. The Company records all derivatives on the balance sheets at fair value. Cash flow hedge gains and losses are recorded in other comprehensive income ("OCI") until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in Other income (expense), net in the consolidated statements of operations.

Cash flow hedges

To help manage the exposure of operating margins to fluctuations in foreign currency exchange rates, the Company hedges a portion of its anticipated foreign currency revenue, costs of revenue and certain operating expenses. These hedges are designated at the inception of the hedge relationship as cash flow hedges. The effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) ("AOCI") in stockholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in current earnings.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur within the designated hedge period or if not recognized within 60 days following the end of the hedge period. Deferred gains and losses in AOCI with such derivative instruments are reclassified immediately into earnings through Other income (expense), net. Any subsequent changes in fair value of such derivative instruments also are reflected in current earnings unless they are re-designated as hedges of other transactions.

Non-designated hedges

The Company enters into non-designated hedges under the authoritative guidance for derivatives and hedging to manage the exposure of non-functional currency monetary assets and liabilities held on its financial statements to fluctuations in foreign currency exchange rates, as well as to reduce volatility in other income and expense. The non-designated hedges are generally expected to offset the changes in value of its net non-functional currency asset and liability position resulting from foreign exchange rate fluctuations. Foreign currency denominated accounts receivable and payable are hedged with non-designated hedges when the related anticipated foreign revenue and expenses are recognized in the Company's financial statements.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of principally investments, derivative financial instruments, and accounts receivable. The Company believes that there is minimal credit risk associated with the investment of its cash and cash equivalents, restricted cash, and short-term investments, due to the restrictions placed on the type of investment that can be entered into under the Company's investment policy. The Company's short-term investments consist of investment-grade securities, and the Company's cash and investments are held and managed by high credit quality financial institutions.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the foreign currency forward contracts used to mitigate the effect of foreign currency exchange rate changes. The Company enters into derivative

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

contracts with high-quality financial institutions and limits the amount of credit exposure to any counterparty. The Company's foreign currency forward contracts do not contain any credit-risk-related contingent features. In addition, the derivative contracts typically mature in less than six months and the Company continuously evaluates the credit standing of its counterparty financial institutions. The counterparties to these arrangements are large highly rated financial institutions and the Company does not consider non-performance a material risk. The Company believes the counterparties for its outstanding contracts are large, financially sound institutions and thus, the Company does not anticipate nonperformance by these counterparties.

The Company's customers are primarily retailers and wholesale distributors who sell or distribute the products to a large group of end-users. The Company regularly performs credit evaluations of the Company's customers' financial condition and considers factors such as historical experience, credit quality, age of the accounts receivable balances, geographic or country-specific risks and current economic conditions that may affect customers' ability to pay. The Company does not require collateral from its customers. Historically, a substantial portion of the Company's revenue has been derived from a limited number of retailers and wholesale distribution partners. As of December 31, 2019, one customer accounted for 51.3% of the Company's total accounts receivable, net. As of December 31, 2018, two customers accounted for 36.4% and 18.0% of the Company's total accounts receivable, net, respectively. No other customer accounted for 10% or greater of the Company's total accounts receivable, net.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance for doubtful accounts is reviewed periodically and adjusted if necessary based on the Company's assessments of its customers' ability to pay. If the financial condition of the Company's customers should deteriorate or if actual defaults are higher than the Company's historical experience, additional allowances may be required, which could have an adverse impact on operating expenses.

Inventories

Inventories consist of finished goods which are valued at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method. The Company writes down its inventories based on estimated excess and obsolete amounts, determined primarily based on demand forecasts, but takes into account market conditions, product development plans, product life expectancy and other factors. At the point of loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase of the newly established cost basis. While management believes the estimates and assumptions underlying its current forecasts are reasonable, there is risk that additional charges may be necessary if current forecasts are greater than actual demand.

Property and equipment, net

Property and equipment are stated at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Asset Category:	Range of Useful Lives
Computer equipment	2 years
Furniture and fixtures	5 years
Software	2-5 years
Machinery and equipment	2-3 years
Leasehold improvements	Shorter of remaining lease term or 7 years

Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The carrying value of the asset is reviewed on a regular basis for the existence of facts, both internal and external, that may suggest impairment. There was no impairment loss of property and equipment for the years ended December 31, 2019 and 2018, and charges related to the impairment of property and equipment were insignificant in 2017.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Goodwill

Goodwill pertained to the acquisitions of Avaak, Inc. (“Avaak”) and Placemeter, Inc. (“Placemeter”). Goodwill represents the amount by which the purchase price exceeds estimated fair value of net assets of businesses acquired in a business combination. The Company performs an annual impairment assessment of goodwill at the reporting unit level on the first day of the fourth fiscal quarter. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. Should certain events or indicators of impairment occur between annual impairment tests, the Company will perform the impairment test as those events or indicators occur. Examples of such events or circumstances include a significant decline in the Company’s expected future cash flows, a sustained, significant decline in the Company’s stock price and market capitalization, a significant adverse change in the business climate and slower growth rates.

Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the reporting unit is less than its carrying amount. The qualitative assessment considers macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance, events affecting the reporting units, and changes in the Company’s stock price. If the reporting unit does not pass the qualitative assessment, the Company estimates its fair value and compares the fair value with the carrying amount of its reporting unit, including goodwill. If the fair value is greater than the carrying amount of its reporting unit, no impairment is recorded.

Goodwill is also tested for impairment by performing a quantitative assessment, which is used to identify both the existence of impairment and the amount of impairment loss. The quantitative assessment compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value is less than the carrying amount, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The impairment charge, if any would be recorded to earnings in the consolidated statements of operations.

A quantitative assessment of goodwill was performed on the first day of the fourth quarter of fiscal 2019. The Company identified that it has one reporting unit for the purpose of goodwill impairment testing and the reporting unit is at the same level as its operating segment and reportable segment. The Company utilized its market capitalization as a proxy for fair value of the business and compared it to the carrying amount as of October 1, 2019. Based on the results of the quantitative assessment, the respective fair value was substantially in excess of the carrying amount by \$68.0 million, or 38%. The Company updated its quantitative test as of December 31, 2019 at which time the fair value of the business was substantially in excess of the carrying amount by \$115.7 million, or 57%.

No goodwill impairment was recognized for the years ended December 31, 2019, 2018 and 2017.

The Company does not believe it is likely that there will be a material change in the estimates or assumptions the Company uses to test for impairment loss on goodwill. However, if the actual result is not consistent with the Company’s estimates or assumptions, the Company may be exposed to an impairment charge that could be material. Refer to Note 4 *Disposal of business*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for goodwill derecognized in the Verisure transaction.

Intangibles, net

Intangibles, net pertained to the acquisitions of Avaak and Placemeter. Purchased intangibles with finite lives are amortized using the straight-line method over the estimated economic useful life, which range from three to five years. Finite-lived intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Examples of such events or circumstances include: a significant decrease in the market price of the asset, a significant decline in the Company’s expected future cash flows, significant changes or planned changes in its use of the assets, and a significant adverse change in the business climate. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the carrying amount of the asset exceeds its estimated undiscounted future net cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The carrying amount of the asset is reviewed on a regular basis for the existence of facts, both internal and external, that may suggest impairment.

During the years ended December 31, 2019 and 2018, there were no events or changes in circumstances that indicated the carrying amount of the Company’s finite-lived assets may not be recoverable from their undiscounted cash flows. Consequently, the Company did not perform an impairment test and did not record any impairments to intangibles for the years ended December 31, 2019, 2018 and 2017.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

On January 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) (“ASC 606”) and applied this guidance to those contracts which were not completed at the date of adoption using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods (“ASC 605”). The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to Net parent investment effective January 1, 2018.

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The majority of revenue comes from sales of hardware products to customers (retailers, distributors, and service providers). Revenue is recognized at a point in time when control of the goods is transferred to the customer, generally occurring upon shipment or delivery, dependent upon the terms of the underlying contract. The amount recognized reflects the consideration the Company expects to be entitled to in exchange for the transferred goods.

The Company sells paid subscription services to its end user customers where it provides customers access to its cloud services. Revenue for subscription sales is generally recognized on a ratable basis over the contract term, beginning on the date that the service is made available to the customers at the time of registration. The subscription contracts are generally 30 days or 12 months in length, billed in advance. All such service or support sales are typically recognized using an output measure of progress by looking at the time elapsed, as the contracts generally provide the customer equal benefit throughout the contract period. In addition to selling paid subscriptions, the Company also sells services bundled with hardware products and accounts for these sales in line with the multiple performance obligations guidance.

Revenue from all sales types is recognized at transaction price, which is the amount the Company expects to be entitled to in exchange for transferring goods or providing services. Transaction price is calculated as selling price net of variable consideration which may include estimates for future returns, sales incentives, and price protection related to current period product revenue. The Company’s standard obligation to its direct customers generally provides for a full refund in the event that such product is not merchantable or is found to be damaged or defective. In determining estimates for future returns, management analyzes historical sales and returns data, channel inventory levels, current economic trends, and changes in customer demand for the Company’s products. Sales incentives and price protection are determined based on a combination of the actual amounts committed and estimated future expenditure based upon historical customary business practice. Typically variable consideration does not need to be constrained as estimates are based on predictive historical data or future commitments that are planned and controlled by the Company. However, the Company continues to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur.

Contracts with multiple performance obligations

Some of the Company’s contracts with customers contain multiple promised goods or services. Such contracts include hardware products with bundled services, various subscription services, and support. For these contracts, the Company accounts for the promises separately as individual performance obligations if they are distinct. Performance obligations are determined to be considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. The embedded software in most of the hardware products is not considered distinct and therefore the combined hardware and incidental software are treated as one performance obligation and recognized at the point in time when control of product transfers to the customer. Services that are included with certain hardware products are considered distinct and therefore the hardware and service are treated as separate performance obligations.

After identifying the separate performance obligations, the transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis. Stand-alone selling prices are generally determined based on the prices charged to customers or using an adjusted market assessment. Stand-alone selling price of the hardware is directly observable from add-on camera and base station sales. Stand-alone selling price of the premium services are directly observable from direct sales to end users while the service is estimated using an adjusted market approach.

Revenue is then recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware is recognized at the time control of the product transfers to the customer. The transaction

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

price allocated to the service is recognized over the specified service period or over the estimated useful life of the hardware, beginning when the customer is expected to activate their account. Useful life of the hardware is determined by industry norms, technical and financial relevance, frequency of new model releases, and user history.

Long-term Supply Arrangement - Verisure

The Company has entered into a Supply Agreement as part of the disposal of the Company's commercial operations in Europe as discussed in Note 4, where Verisure prepays future product purchases with a minimum product purchase commitment also required. The Supply Agreement includes product purchases, paid subscription services, basic services, and an option for Verisure to acquire development services by submitting a statement of work ("SOW"). Products sold come with a standard twelve month warranty. Verisure assumes responsibilities for all warranty claims, returns on products and certain technical support to the end users. The Company provides technical support for paid subscription services where Verisure can not resolve the issue. Verisure is responsible for any marketing and promotion of the Company's products and services sold in Europe.

Products are priced at a cost plus markup based on markups specified in the Supply Agreement and that price varies based on the cost of the product. The paid subscription services and basic services pricing is based on the number of users monthly and is priced at a cost plus markup specified in the Supply Agreement that varies based on the user and service type. The transaction price for products and paid subscription services is entirely variable because the consideration is dependent on the actual costs. The Company allocates variable consideration specified for products entirely to products, and variable consideration specified for the paid subscription services entirely to the paid subscription services. For development services, no contract exists until an SOW is submitted and approved by both parties. For products, since quantity and product types are not specified in the agreement, contracts are not deemed to exist until the Company receives and accepts the customer purchase order (PO). Each product with a valid PO is considered a single performance obligation.

The Company recognizes variable consideration for products upon delivery and for services when the monthly service is rendered for paid subscription services and basic services. The non-refundable prepayment does not relate to future goods or services, as such no further assessment of material rights is required. Further, as the transfer of products is at the discretion of the customer (i.e. when Verisure issues a PO), a significant financing component does not exist as it relates to the prepayment. The Company also expects that prepayments will be fully utilized by Verisure with one year, hence, no additional accounting consideration is necessary for breakage. The Company also concluded that it is acting as the principal in the Supply Agreement and determined that revenue should be presented gross.

Non-recurring Engineering ("NRE") Arrangement - Verisure

The Supply Agreement also provides for certain development services under an SOW to Verisure ("NRE arrangement") as part of the disposal of the Company's commercial operations in Europe as discussed in Note 4. In the NRE arrangement, Verisure pays non-refundable installments upon the commencement of agreed-upon milestones. There is a single performance obligation as the distinct goods and services promised under the SOW are highly interdependent or interrelated inputs that produce a single combined output given the nature of such arrangements. The output (or work-in-progress of such output) typically has no alternative use to the Company given the customized nature of the arrangement and the Company has enforceable rights given that the non-refundable milestone payments are prepayments in nature; control for NRE development services therefore transfers over time.

The Company determined that the most appropriate measure of progress for revenue recognition is the input method based on cost because the Company can reasonably estimate the total costs for the NRE, and the costs incurred reasonably reflects the Company's efforts to satisfy the performance obligation. The NRE costs include labor, material, overhead as well as the use of outside services. The total estimated NRE costs are based on a combination of historical costs together with quotes from vendors for supplying parts or services towards the completion. Adjustments to cost and profit estimates are made periodically due to changes in scope of work, hours to complete and estimated profitability, including those arising from final contract settlements. These changes may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Any losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. If total NRE costs calculated upon completion in the current period are more than the estimated total costs at completion used to calculate revenue in a prior period, then the profits in the current period will be lower than if the estimated costs used in the prior period calculation were equal to the actual total costs upon completion.

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Warranties

Sales of hardware products regularly include warranties to end customers that cover bug fixes, minor updates such that the product continues to function according to published specifications in a dynamic environment, and phone support. These standard warranties are assurance type warranties and do not offer any services in addition to the assurance that the product will continue working as specified for one or more years. Therefore, warranties are not considered separate performance obligations in the arrangement. Instead, the expected cost of warranties is accrued as an expense in accordance with authoritative guidance.

Sales incentives

The Company accrues for sales incentives as a marketing expense if it receives an identifiable benefit in exchange and can reasonably estimate the fair value of the identifiable benefit received; otherwise, it is recorded as a reduction to revenues. As a consequence, the Company records a substantial portion of its channel marketing costs as a reduction of revenue.

The Company records estimated reductions to revenue for sales incentives when the related revenue is recognized or ahead of customer or end customer commitment if customary business practice creates an implied expectation that such activities will occur in the future.

Shipping and handling costs

The Company includes shipping and handling fees billed to customers in Revenue. Shipping and handling costs associated with inbound freight are included in Cost of revenue. In cases where the Company gives a freight allowance to the customer for their own inbound freight costs, such costs are appropriately recorded as a reduction in Revenue. Shipping and handling costs associated with outbound freight are included in Sales and marketing expenses. The Company has elected to account for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. Shipping and handling costs associated with outbound freight totaled \$2.3 million, \$3.7 million and \$2.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Contract costs

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that otherwise would have been recognized is one year or less. These costs are included in sales and marketing and general and administrative expenses. If the incremental costs of obtaining a contract, which consist of sales commissions, relate to a service recognized over a period longer than one year, costs are deferred and amortized in line with the related services over the period of benefit. Deferred commissions are classified as non-current based on the original amortization period of over one year. There were no deferred commissions as of December 31, 2019 and 2018.

Contract balances

The Company records accounts receivable when it has an unconditional right to consideration. Contract liabilities are recorded when cash payments are received or due in advance of performance. Contract liabilities consist of advance payments and deferred revenue, where the Company has unsatisfied performance obligations. Contract liabilities are classified as Deferred revenue on the consolidated balance sheets. Payment terms vary by customer. The time between invoicing and when payment is due is not significant. For certain products or services and customer types, payment is required before the products or services are delivered to the customer. Refer to Note 3, *Deferred Revenue*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for detailed disclosures regarding changes in contract balances for the years ended December 31, 2019 and 2018.

Research and development

Costs incurred in the research and development of new products are expensed as incurred.

Advertising costs

Advertising costs are expensed as incurred. Total advertising and promotional expenses were \$9.5 million, \$10.8 million and \$10.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock-based compensation

The Company's employees have historically participated in NETGEAR's stock-based compensation plans. Stock-based compensation expense has been allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of NETGEAR's corporate and shared functional employee expenses. The Company measures stock-based compensation at the grant date based on the fair value of the award. The fair value of stock options and the shares offered under the employee stock purchase plan is estimated using the Black-Scholes option pricing model. Estimated compensation cost relating to restricted stock units ("RSUs") is based on the closing fair market value of NETGEAR's common stock on the date of grant.

Equity awards granted by the Company under its own stock-based compensation plans on or after the completion of the IPO are comprised of performance-based stock options (the "PSOs"), stock options, and RSUs. The Company uses the fair value method of accounting for its equity awards granted to employees and measures the cost of employee services received in exchange for the stock-based awards. The Company recognizes this compensation expense generally on a straight-line basis over the requisite service period of the award. The fair value of stock options and PSOs is estimated on the grant or offering date using the Black-Scholes option pricing model and the forfeitures are recorded as they occur. The fair value of RSUs is measured on the grant date based on the closing fair market value of the Company's common stock.

The stock-based compensation cost is recognized ratably over the period during which an employee is required to provide service in exchange for the awards, usually the vesting period, which is generally four years for stock options and three to four years for RSUs. For PSOs, stock-based compensation expense of individual performance milestone is recognized over the expected performance achievement period when the achievement becomes probable.

The Company's 2018 Employee Stock Purchase Plan ("ESPP") is intended to provide employees with the opportunity to purchase the Company's common stock through accumulated payroll deductions at the end of specified purchase period. Eligible employees may contribute up to 15% of compensation, subject to certain income limits, to purchase shares of the Company's common stock. The terms of the plan include a look-back feature that enables employees to purchase stock semi-annually at a price equal to 85% of the lesser of the fair market value at the beginning of the offering period or the purchase date. The duration of each purchasing period is generally six months. The Company determines the fair value using the Black-Scholes Model using various inputs, including our estimate of expected volatility, term, dividend yield and risk-free interest rate. The Company recognizes compensation costs for the ESPP on a straight-line basis over the requisite service period of the award.

The Company issued equity awards consisting of 50% of time-based vesting RSUs, 25% of performance-based RSUs ("PSUs") and 25% of market-based performance RSUs ("MPSUs") to its named executive officers ("NEOs") during the fiscal quarter ended September 29, 2019:

- The time-based vesting RSUs will vest in three equal annual installments during the period that begins on the RSU grant date.
- The PSUs will vest in three equal annual installments during the period that begins on the PSU grant date based on the extent to which a revenue milestone for the fiscal year ending December 31, 2019 is achieved.
- The MPSUs will vest on the three-year anniversary of the MPSU grant date based on the performance of the Company's common stock relative to the Russell 2000 Index ("the Benchmark") during the three-year period from grant date. A positive 3.3x or negative 2.5x multiplier will be applied to the total shareholder returns ("TSR"), such that the number of shares vested will increase by 3.3% or decrease by 2.5% of the target numbers, for each 1% of positive or negative relative TSR relative to the Benchmark. In the event the Company's common stock performance is below negative 30% relative to the Benchmark, no shares will vest. In no event will the number of shares vested in each tranche exceed 200% of the target for that tranche.

ARLO TECHNOLOGIES, INC.
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The estimated compensation cost relating to the PSUs, is based on the closing fair market value of the Company's stock on the date of grant. The maximum number of shares that NEOs can earn is 150% of the target number of the PSUs. The minimum number of shares that NEOs can earn is 50% of the target number of the PSUs.

To estimate the compensation cost relating to the MPSUs, the Company utilized a Monte Carlo simulation model on the date of grant. The fair value determined using the Monte Carlo simulation model varies based on the assumptions used for the expected stock price volatility, the correlation coefficient between the Company and Russell 2000 Index, risk-free interest rates, and dividend yield.

On the Distribution Date, outstanding equity awards granted to Arlo employees under NETGEAR's stock-based compensation plans were adjusted into NETGEAR awards and Arlo awards based on the conversion ratio as set forth in the employee matters agreement between Arlo and NETGEAR. The Company did not recognize any incremental expense in connection with the conversion of NETGEAR's Stock based awards into Arlo awards. Refer to Note 13, *Employee Benefit Plans*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for a further discussion on stock-based compensation.

Leases

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) utilizing the modified retrospective transition method through a cumulative-effect adjustment at the beginning of the first fiscal quarter of 2019. For additional information on the changes resulting from the new standard and the impact to our financial results on adoption, refer to the section *Recently Adopted Accounting Pronouncements* below.

The Company determines if an arrangement is a lease at inception. Under the new standard, operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities, and non-current operating lease liabilities in the consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Fixed lease expense for lease payments are recognized in the consolidated statements of operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the incremental borrowing rate based on the information available was used at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made before the lease commencement date less any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the options. The lease agreements with lease and non-lease components are generally accounted as a single component.

Net income (loss) per share

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. Potentially dilutive common shares include common shares issuable upon exercise of stock options and vesting of restricted stock awards, which are reflected in diluted net income (loss) per share by application of the treasury stock method. Potentially dilutive common shares are excluded from the computation of diluted net income (loss) per share when their effect is anti-dilutive.

Segment Information

The Company operates as one operating and reportable segment. The Company has identified its CEO as the Chief Operating Decision Maker ("CODM"). The CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Comprehensive income (loss)

Comprehensive income consists of net income (loss) and other gains and losses affecting stockholders' equity that the Company excluded from net income (loss), including unrealized gains and losses related to fair value of short-term investments and the effective portion of cash flow hedges that were outstanding at the end of the year.

Foreign currency translation and re-measurement

The Company's functional currency is the U.S. dollar. Foreign currency transactions of international subsidiaries are re-measured into U.S. dollars at the end-of-period exchange rates for monetary assets and liabilities, and at historical exchange rates for non-monetary assets and liabilities. Revenue is re-measured at average exchange rates in effect during each period. Expenses are re-measured at average exchange rates in effect during each period, except for expenses related to non-monetary assets and liabilities, which are re-measured at historical exchange rates. Gains and losses arising from foreign currency transactions are included in Other income (expense), net on the consolidated statements of operations.

Income taxes

We record our provision for income taxes in our consolidated financial statements using the asset and liability method. Under this method, we recognize income tax liabilities or receivable for the current year. We also recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. Our assessment considers the recognition of deferred tax assets on a jurisdictional basis. Accordingly, in assessing our future taxable income on a jurisdictional basis, we consider the effect of its transfer pricing policies on that income. We have placed a valuation allowance against U.S. federal and state deferred tax assets and certain foreign tax attribute carryforwards since we do not anticipate to realize the benefits of deferred tax assets.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. As we expand internationally, we will face increased complexity in determining the appropriate tax jurisdictions for revenue and expense items. Our policy is to adjust these reserves when facts and circumstances change, such as the closing of a tax audit or refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

The Tax Act introduced the global intangible low-taxed income ("GILTI") provisions effective in 2018, which generally impose a tax on the net income earned by foreign subsidiaries of U.S. company in excess of a deemed return on their tangible assets. We recognize the tax on GILTI as a period cost when the tax is incurred.

Certain risks and uncertainties

The Company's products are concentrated in the connected lifestyle solution industries, which are characterized by rapid technological advances, changes in customer requirements and evolving regulatory requirements and industry standards. The success of the Company depends on management's ability to anticipate and/or to respond quickly and adequately to such changes. Any significant delays in the development or introduction of products and services could materially adversely affect the Company's business, results of operations and financial condition.

The Company relies on a limited number of third parties to manufacture all of its products. If any of the Company's third-party manufacturers cannot or will not manufacture its products in required volumes, on a cost-effective basis, in a timely manner or at all, the Company will have to secure additional manufacturing capacity. Any interruption or delay in manufacturing could materially adversely affect the Company's business, results of operations and financial condition.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Recent accounting pronouncements

Emerging Growth Company Status

As an emerging growth company (“EGC”), the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, unless the Company otherwise irrevocably elects not to avail itself of this exemption. The Company did not make such an irrevocable election and has not delayed the adoption of any applicable accounting standards.

Accounting Pronouncements Recently Adopted

ASU 2016-02 - Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, “Leases” (Topic 842), which requires lessees to recognize on the balance sheets a ROU asset, representing its right to use the underlying asset for the lease term, and a corresponding lease liability for all leases with terms greater than 12 months. The liability is equal to the net present value of minimum lease payments while the ROU asset is based on the liability, subject to adjustment, such as for initial direct costs. On January 1, 2019 (“adoption date”), the Company adopted the new standard utilizing the modified retrospective transition method through a cumulative-effect adjustment at the beginning of the first fiscal quarter of 2019. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether an expired or existing contract as of adoption date contains a lease, (2) lease classification for any expired or existing lease as of the adoption date and (3) initial direct costs for any existing lease as of the adoption date. The Company also elected to account for each separate lease component of a contract and its associated non-lease components as a single lease component. The adoption of ASU 2016-02 resulted in the recognition of ROU assets and lease liabilities for operating leases of \$14.4 million as of January 1, 2019 on its consolidated balance sheets, with no material impact on its consolidated statements of operations and cash flows.

In addition, the Company was deemed to be the accounting owner of its build-to-suit lease arrangement for its San Jose corporate headquarters and the construction was in progress at adoption date. As such, the Company reevaluated its build-to-suit lease arrangement under ASU 2016-02 to ascertain whether it meets the criteria as the accounting owner of the build-to-suit lease arrangement through control of the underlying leased asset. The Company concluded that it did not have control over the underlying leased asset. As a result, the Company de-recognized the build-to-suit asset and liability as of adoption date of \$21.6 million of property and equipment and \$21.9 million of financing lease obligations. The difference of \$0.3 million between the de-recognized assets and the associated financing lease obligations was recorded as an adjustment to accumulated deficit as of adoption date as mentioned above. The Company accounted for its San Jose Corporate lease arrangement as operating lease under ASU 2016-02. Consequently, as of March 31, 2019, the construction of its leasehold improvements for its San Jose corporate headquarters was partially completed and partially occupied by the Company resulting in lease commencement for the portion that was completed and occupied by the Company. Therefore, the Company proportionally recorded ROU assets and lease liabilities of \$14.3 million, representing two thirds of the total value of the ROU assets and lease liabilities. As of June 30, 2019, upon the completion of the leasehold improvements and full occupation of the entire building, the Company recognized the remaining value of ROU assets and lease liabilities of \$7.2 million. Refer to Note 11. *Commitments and Contingencies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further details of the impacts on the adoption.

Accounting Pronouncements Not Yet Effective

ASU 2016-13 - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” (Topic 326), which replaces the incurred-loss impairment methodology and requires immediate recognition of estimated credit losses expected to occur for most financial assets, including trade receivables. Credit losses on available-for-sale debt securities with unrealized losses will be recognized as allowances for credit losses limited to the amount by which fair value is below amortized cost. ASU 2016-13 is effective for the Company beginning in the first fiscal quarter of 2023 (or the first fiscal quarter of 2020 should the Company cease to be classified as an EGC), with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its financial statements.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning January 1, 2022 (or January 1, 2021 should the Company cease to be classified as an EGC), with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2019-12 on its financial statements.

With the exception of the new standards discussed above, there have been no other new accounting pronouncements that have significance, or potential significance, to the Company's financial position, results of operations, or cash flows.

Note 3. Deferred Revenue

Deferred revenue consists of advance payments and deferred revenue, where the Company has unsatisfied performance obligations. Deferred revenue primarily consists of prepaid services and customer billings in advance of revenues being recognized from the Company's subscription contracts.

Transaction Price Allocated to the Remaining Performance Obligations

Remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. Unsatisfied and partially unsatisfied performance obligations consist of contract liabilities, in-transit orders with destination terms, and non-cancellable backlog. Non-cancellable backlog includes goods and services for which customer purchase orders have been accepted and that are scheduled or in the process of being scheduled for shipment.

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2019:

	1 year	2 years	Greater than 2 years	Total
	(In thousands)			
Performance obligations	\$ 58,441	\$ 12,108	\$ 3,915	\$ 74,464

The majority of the performance obligation over one year pertains to revenue deferral from prepaid services.

Contract Balances

The following table reflects the changes in contract balances for the year ended December 31, 2019 and 2018:

		December 31, 2019	December 31, 2018	January 1, 2018	2019 \$ change	2019 % change
Balance Sheet Location	Balance Sheet Location	(In thousands)				
Accounts receivable, net	Accounts receivable, net	\$ 127,317	\$ 166,045	\$ 158,507	\$ (38,728)	(23.3)%
Contract liabilities - current	Deferred revenue	\$ 50,362	\$ 26,678	\$ 24,746	\$ 23,684	88.8 %
Contract liabilities - non-current	Non-current deferred revenue	\$ 15,736	\$ 23,313	\$ 13,091	\$ (7,577)	(32.5)%

For the year ended December 31, 2019, deferred revenue increased primarily as a result of the \$20.0 million prepayment for product purchases for fiscal 2020 and \$2.5 million installment payments, less \$279 thousand service revenue recognized under the NRE arrangement with Verisure. The non-current deferred revenue decreased is substantially due to the derecognition of the deferred revenue associated with disposal of the Company's commercial operations in Europe.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the years ended December 31, 2019 and 2018, \$71.6 million and \$50.9 million of revenue was deferred due to unsatisfied performance obligations, primarily relating to over time service revenue, and \$47.4 million and \$38.8 million of revenue was recognized for the satisfaction of performance obligations over time, respectively. \$26.4 million and \$24.7 million of this recognized revenue was included in the contract liability balance at the beginning of the period. There were no significant changes in estimates during the period that would affect the contract balances.

Disaggregation of Revenue

The Company conducts business across three geographic regions: Americas, EMEA, and APAC. Sales and usage-based taxes are excluded from revenue. Refer to Note 15, *Segment and Geographic Information*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for revenue by geography.

Note 4. Disposal of Business

On November 4, 2019, the Company and Verisure concurrently entered into an Asset Purchase Agreement (the “Purchase Agreement”) and Supply Agreement (the “Supply Agreement”) and together with the Purchase Agreement, the “Verisure Agreements”). The Verisure Agreements created a strategic partnership that leverages both the Company and Verisure’s capabilities to create incremental scale to address the ever-growing demand for residential and commercial security. The strategic partnership will combine the Company’s innovative connected cameras and cloud services platform with Verisure’s professionally monitored security solutions to provide a new level of smart security for European customers. The Purchase Agreement contains customary representations and warranties regarding Verisure, the Business and the Assets, indemnification provisions, termination rights and other customary provisions. The Company has agreed not to engage in any business that competes with the Business for a period of three years.

Under the Purchase Agreement, the Company sold and transferred certain assets and liabilities related to the Company’s commercial operations in Europe. The transaction closed on December 30, 2019 for \$52.7 million following working capital adjustments, which was reported as Investing Activities on the statement of cash flows. The transaction resulted in a pretax gain of \$54.9 million that was recorded in Gain on sale of business in the Company’s consolidated statements of operations. As part of the transaction, certain employees were transferred to Verisure. These employees hold Company RSU awards, the terms of the RSU awards were modified such that the RSU awards will continue to vest and settle after closing of the transaction in accordance with the original terms and conditions of RSU awards. Refer to Note 13 Employee Benefit Plans, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further detail relating to this modification.

The assets and liabilities sold and assigned to Verisure were determined to have met the criteria to be classified as held for sale as of November 4, 2019, the execution date of the Purchase Agreement. The transaction contemplated by the Purchase Agreement did not meet the criteria for discontinued operations as the Company is expected to have continued involvement in Europe through manufacturing and shipping of products to the region through sales to Verisure as part of the Supply Agreement and therefore no significant change in revenue from the region is expected; it was determined the transaction did not represent a strategic shift. The Company also assessed whether a loss is needed to be recorded upon initial classification of the assets and liabilities as held for sale to adjust its carrying amount to the fair value less cost to sell. As the carrying amount of the assets and liabilities was lower than fair value less cost to sell, no adjustment was necessary. As of the closing date of December 30, 2019, the Company concluded that no impairment exists for the assets and no adjustment was necessary for the liabilities. Further, the Company reassessed the fair value and cost to sell, and noted that they did not change since the initial classification of the assets and liabilities as held for sale. Given such, no loss adjustment was necessary.

The Supply Agreement provides that Verisure will become the exclusive distributor of Company products in Europe for all channels, and will non-exclusively distribute the Company’s products through its direct channels globally for an initial terms of five years. During the five-year period commencing January 1, 2020, Verisure has an aggregate minimum purchase commitment of \$500.0 million, which includes annual minimum commitments. On December 30, 2019, Verisure prepaid the

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Company \$20.0 million for product purchases in fiscal 2020 and will prepay \$40.0 million on the first anniversary of the closing of the Purchase Agreement for product purchases in fiscal 2021.

The Supply Agreement also provides certain NRE service to Verisure, including developing certain custom products specified by Verisure in exchange for an aggregate of \$10.0 million, payable in installments upon meeting certain development milestones. As of December 31, 2019, Verisure has paid \$2.5 million for this NRE service. For the year ended December 31, 2019, the Company has recognized service revenue of \$279 thousand for this NRE service.

As part of the Purchase Agreement, the Company also entered into a Transition Services Agreement with Verisure (“Verisure TSA”) to assist Verisure with the transition of the Company’s European commercial operations. These transition services primarily include IT support for 12 months, and other services for 3 to 6 months, including sales and marketing, operations and supply chain, finance, legal, and human resources. As compensation for these transition services, the Company will be reimbursed by Verisure based on actual direct costs plus allocation of overhead. For the year ended December 31, 2019, the Company charged Verisure \$798 thousand for Verisure TSA services which was recorded as Other income, given such services are not related to the primary business in which the Company operates. The related Verisure TSA expenses in the same amount were recognized as incurred and reported under their natural expense classification.

As of December 31, 2019, the Company received a prepayment of \$22.5 million related to the Supply Agreement, which was recorded in Deferred revenue on the Company's consolidated balance sheets.

Note 5. Balance Sheet Components

Available-for-sale short-term investments

	As of December 31, 2019				As of December 31, 2018			
	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
(In thousands)								
U.S. treasuries	\$ 19,967	\$ 23	\$ —	\$ 19,990	\$ 49,739	\$ 2	\$ (4)	\$ 49,737

The Company’s short-term investments are classified as available-for-sale and consist of government securities with an original maturity or remaining maturity at the time of purchase of greater than three months and no more than twelve months. Accordingly, none of the available-for-sale securities have unrealized losses greater than twelve months.

Accounts receivable, net

	As of December 31,	
	2019	2018
(In thousands)		
Gross accounts receivable	\$ 127,926	\$ 166,172
Allowance for doubtful accounts	(609)	(127)
Total accounts receivable, net	\$ 127,317	\$ 166,045

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Allowance for doubtful accounts

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Balance at the beginning of the period	\$ 127	\$ 207	\$ 206
Additions	482	—	1
Deductions	—	(80)	—
Balance at the end of the period	<u>\$ 609</u>	<u>\$ 127</u>	<u>\$ 207</u>

Property and equipment, net

	As of December 31,	
	2019	2018
	(In thousands)	
Machinery and equipment	\$ 13,402	\$ 11,415
Software	11,945	10,624
Computer equipment	4,047	4,342
Leasehold improvements	8,087	3,007
Furniture and fixtures	4,075	2,698
Construction in progress ⁽¹⁾	—	28,357
Total property and equipment, gross	<u>41,556</u>	<u>60,443</u>
Accumulated depreciation	(20,204)	(11,015)
Total property and equipment, net	<u>\$ 21,352</u>	<u>\$ 49,428</u>

⁽¹⁾ The Company had a build-to-suit lease arrangement under its corporate headquarters lease in San Jose, California. Upon the adoption of ASU 2016-02, the Company concluded that it did not have control over the underlying leased asset and de-recognized \$21.6 million of construction in progress. Refer to Note 11, *Commitments and Contingencies*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for further details.

Depreciation expense pertaining to property and equipment was \$9.2 million, \$3.8 million and \$1.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. Allocated depreciation expense from NETGEAR was \$1.2 million and \$2.0 million for the years ended December 31, 2018 and 2017, respectively. For the periods prior to the completion of the IPO, the consolidated statements of operations include both the depreciation expense directly identifiable as Arlo's and allocated depreciation expense from NETGEAR. Refer to *Allocated Expenses from NETGEAR* as discussed in Note 1, *The Company and Basis of Presentation*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for detailed disclosures regarding the methodology used for allocated expenses from NETGEAR.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Intangibles, net

	As of December 31, 2019			As of December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Technology	\$ 9,800	\$ (8,540)	\$ 1,260	\$ 9,800	\$ (7,165)	\$ 2,635
Other	500	(454)	46	800	(612)	188
Total intangibles, net	\$ 10,300	\$ (8,994)	\$ 1,306	\$ 10,600	\$ (7,777)	\$ 2,823

As of December 31, 2019, the remaining weighted-average estimated useful life of intangibles was 0.9 years. Amortization of intangibles was \$1.5 million, \$1.5 million and \$1.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. No impairment charges were recorded for all periods presented.

As of December 31, 2019, estimated amortization expense related to finite-lived intangibles for the remaining year was \$1.3 million.

Goodwill

	As of December 31,	
	2019	2018
	(In thousands)	
Goodwill	\$ 11,038	\$ 15,638

On December 30, 2019, the Company derecognized \$4.6 million goodwill associated with the Company's commercial operations in Europe, which was incorporated in the calculation of the gain on the sale of business to Verisure.

Goodwill Impairment

The Company performs an annual assessment of goodwill at the reporting unit level on the first day of the fourth fiscal quarter and during interim periods if there are triggering events to reassess goodwill. The Company's common stock declined after the Company announced its fourth quarter of fiscal year 2018 earnings release on February 5, 2019. The average closing price per share for the common stock for the eight trading days after such earnings release was \$3.71, a 223.3% decrease compared to the average closing price for the fourth quarter of fiscal year 2018. A sustained decline in common stock and the resulting impact to the Company's market capitalization as well as a downward revision to the Company's business outlook for fiscal year ending December 31, 2019 are qualitative factors to consider when evaluating whether events or changes in circumstances indicate it is a more likely than not a potential goodwill impairment exists. Management performed a quantitative assessment of impairment on October 1, 2019 in accordance with its policy and with consideration of qualitative factors, and performed a further quantitative assessment of impairment on December 31, 2019.

The Company operates as one operating and reportable segment. The Company utilized its market capitalization as a proxy for fair value of the business and compared it to the carrying amount as of October 1, 2019. Based on the results of the quantitative assessment, the respective fair value was substantially in excess of the carrying amount by \$68 million, or 38%. The Company updated its quantitative test as of December 31, 2019 at which time the fair value of the business was substantially in excess of the carrying amount by \$115.7 million, or 57%.

As fair value was greater than carrying amount, goodwill was not impaired as of December 31, 2019. If there is a further decline in the Company's stock price based on market conditions and deterioration of the Company's business, the Company may have to record a charge to its earnings for the goodwill impairment of up to \$11.0 million.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other non-current assets

	As of December 31,	
	2019	2018
	(In thousands)	
Non-current deferred income taxes	\$ 1,318	\$ 1,108
Deposits	764	4,084
Other	1,926	3,257
Total other non-current assets	<u>\$ 4,008</u>	<u>\$ 8,449</u>

Accrued liabilities

	As of December 31,	
	2019	2018
	(In thousands)	
Sales and marketing	\$ 53,974	75,863
Sales returns	28,817	49,247
Warranty obligation	3,169	3,712
Accrued employee compensation	11,795	11,897
Operating lease liabilities	3,912	—
Freight	2,690	3,913
Current financing lease obligation	—	1,632
Other	23,043	25,772
Total accrued liabilities	<u>\$ 127,400</u>	<u>\$ 172,036</u>

Note 6. Fair Value Measurements

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	As of December 31, 2019		
	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)
	(In thousands)		
Assets:			
Cash equivalents: money-market funds (<90 days)	\$ 31,472	\$ 31,472	\$ —
Available-for-sale securities: U.S. treasuries ⁽¹⁾	19,990	19,990	—
Foreign currency forward contracts ⁽²⁾	27	—	27
Total assets measured at fair value	<u>\$ 51,489</u>	<u>\$ 51,462</u>	<u>\$ 27</u>
Liabilities:			
Foreign currency forward contracts ⁽³⁾	\$ 375	\$ —	\$ 375
Total liabilities measured at fair value	<u>\$ 375</u>	<u>\$ —</u>	<u>\$ 375</u>

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	December 31, 2018		
	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)
	(In thousands)		
Assets:			
Cash equivalents: U.S. treasuries (<90 days)	\$ 438	\$ 438	\$ —
Available-for-sale securities: U.S. treasuries ⁽¹⁾	49,737	49,737	—
Foreign currency forward contracts ⁽²⁾	322	—	322
Total assets measured at fair value	\$ 50,497	\$ 50,175	\$ 322
Liabilities:			
Foreign currency forward contracts ⁽³⁾	\$ 71	\$ —	\$ 71
Total liabilities measured at fair value	\$ 71	\$ —	\$ 71

⁽¹⁾ Included in Short-term investments on the Company's consolidated balance sheets.

⁽²⁾ Included in Prepaid expenses and other current assets on the Company's consolidated balance sheets.

⁽³⁾ Included in Accrued liabilities on the Company's consolidated balance sheets.

The Company's investments in cash equivalents and available-for-sale securities are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company enters into foreign currency forward contracts with only those counterparties that have long-term credit ratings of A-/A3 or higher. The Company's foreign currency forward contracts are classified within Level 2 of the fair value hierarchy as they are valued using pricing models that take into account the contract terms as well as currency rates and counterparty credit rates. The Company verifies the reasonableness of these pricing models using observable market data for related inputs into such models. Additionally, the Company includes an adjustment for non-performance risk in the recognized measure of fair value of derivative instruments. As of December 31, 2019, the adjustment for non-performance risk did not have a material impact on the fair value of the Company's foreign currency forward contracts. The carrying value of non-financial assets and liabilities measured at fair value in the financial statements on a recurring basis, including accounts receivable and accounts payable, approximate fair value due to their short maturities. As of December 31, 2019, the Company has no Level 3 fair value assets or liabilities.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Derivative Financial Instruments
Fair value of derivative instruments

The fair values of the Company's derivative instruments and the line items on the consolidated balance sheets to which they were recorded as of December 31, 2019 and 2018 are summarized as follows:

Derivative Assets	Balance Sheet Location	December 31,		Balance Sheet Location	December 31,	
		2019	2018		2019	2018
		(In thousands)			(In thousands)	
Derivative assets not designated as hedging instruments	Prepaid expenses and other current assets	\$ 27	\$ 293	Other accrued liabilities	\$ 347	\$ 46
Derivative assets designated as hedging instruments	Prepaid expenses and other current assets	—	29	Other accrued liabilities	28	25
Total		\$ 27	\$ 322		\$ 375	\$ 71

Refer to Note 6, *Fair Value Measurements*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for detailed disclosures regarding fair value measurements in accordance with the authoritative guidance for fair value measurements and disclosures.

Gross amounts offsetting of derivative instruments

The Company has entered into master netting arrangements which allow net settlements under certain conditions. Although netting is permitted, it is currently the Company's policy and practice to record all derivative assets and liabilities on a gross basis in the consolidated balance sheets.

The following tables set forth the offsetting of derivative assets and liabilities as of December 31, 2019 and 2018:

As of December 31, 2019	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net AmountS Of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Pledged	Net Amount
				(In thousands)		
HSBC	\$ 6	\$ —	\$ 6	\$ (6)	\$ —	\$ —
Wells Fargo Bank	21	—	21	(21)	—	—
Total	\$ 27	\$ —	\$ 27	\$ (27)	\$ —	\$ —

As of December 31, 2019	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net AmountS Of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Pledged	Net Amount
				(In thousands)		
HSBC	\$ 83	\$ —	\$ 83	\$ (6)	\$ —	\$ 77
Wells Fargo Bank	292	—	292	(21)	—	271
Total	\$ 375	\$ —	\$ 375	\$ (27)	\$ —	\$ 348

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As of December 31, 2018	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Pledged	Net Amount
(In thousands)						
HSBC	\$ 100	\$ —	\$ 100	\$ —	\$ —	\$ 100
Wells Fargo Bank	222	—	222	(68)	—	154
Total	\$ 322	\$ —	\$ 322	\$ (68)	\$ —	\$ 254

As of December 31, 2018	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Pledged	Net Amount
(In thousands)						
JP Morgan	\$ 3	\$ —	\$ 3	\$ —	\$ —	\$ 3
Wells Fargo Bank	68	—	68	(68)	—	—
Total	\$ 71	\$ —	\$ 71	\$ (68)	\$ —	\$ 3

Cash flow hedges

The Company typically hedges portions of its anticipated foreign currency exposure which generally are less than six months. The Company enters into about eight forward contracts per quarter with an average size of \$2.0 million USD equivalent related to its cash flow hedging program.

The effects of the Company's cash flow hedges on the consolidated statements of operations for the years ended December 31, 2019 and 2018 are summarized as follows:

Year Ended December 31, 2019	Location and Amount of Gains (Losses) Recognized in Income on Cash Flow Hedges				
	Revenue	Cost of revenue	Research and development	Sales and marketing	General and administrative
(In thousands)					
Statements of operations	\$ 370,007	\$ 334,203	\$ 69,384	\$ 56,985	\$ 47,624
Gains (losses) on cash flow hedge	\$ 390	\$ (3)	\$ (28)	\$ (44)	\$ (13)

Year Ended December 31, 2018	Location and Amount of Gains (Losses) Recognized in Income on Cash Flow Hedges				
	Revenue	Cost of revenue	Research and development	Sales and marketing	General and administrative
(In thousands)					
Statements of operations	\$ 464,918	\$ 372,843	\$ 58,794	\$ 52,593	\$ 28,209
Gains (losses) on cash flow hedge	\$ 315	\$ —	\$ (2)	\$ (28)	\$ (11)

The Company expects to reclassify to earnings all of the amounts recorded in AOCI associated with its cash flow hedges over the next twelve months. For information on the unrealized gains or losses on derivatives reclassified out of

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AOCI into the consolidated statements of operations, refer to Note 8, *Accumulative Other Comprehensive Income (Loss)*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur within the designated hedge period or if not recognized within 60 days following the end of the hedge period. The Company did not recognize any material net gains or losses related to the loss of hedge designation as there were no discontinued cash flow hedges during the year ended December 31, 2019 and 2018.

Non-designated hedges

The Company adjusts its non-designated hedges monthly and enters into about 10 non-designated derivative per quarter with an average size of \$1.7 million USD equivalent. The hedges range typically from 1 to 3 months in duration. The effects of the Company's non-designated hedge included in Other income (expense), net on the consolidated statements of operations for the years ended December 31, 2019 and 2018 are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gains (Losses) Recognized in Income on Derivative	December 31,	
		2019	2018
(In thousands)			
Foreign currency forward contracts	Other income (expense), net	\$ (24)	\$ 589

Note 8. Accumulated Other Comprehensive Income (Loss)

The following table sets forth the changes in accumulated other comprehensive income (loss) ("AOCI") by component for the years ended December 31, 2019 and 2018:

	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on derivatives	Estimated tax benefit (provision)	Total
(In thousands)				
Balance as of December 31, 2017	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss) before reclassifications	(2)	276	—	274
Less: Amount reclassified from accumulated other comprehensive income (loss)	—	274	—	274
Net current period other comprehensive income (loss)	(2)	2	—	—
Balance as of December 31, 2018	(2)	2	—	—
Other comprehensive income (loss) before reclassifications	25	275	—	300
Less: Amount reclassified from accumulated other comprehensive income (loss)	—	302	—	302
Net current period other comprehensive income (loss)	25	(27)	—	(2)
Balance as of December 31, 2019	\$ 23	\$ (25)	\$ —	\$ (2)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables provide details about significant amounts reclassified out of each component of AOCI for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2019		Year Ended December 31, 2018		Affected Line Item in the Statements of Operations
	Gains (Losses) Recognized in OCI - Effective Portion	Gains (Losses) Reclassified from OCI to Income - Effective Portion	Gains (Losses) Recognized in OCI - Effective Portion	Gains (Losses) Reclassified from OCI to Income - Effective Portion	
(In thousands)					
Gains (losses) on cash flow hedge:					
Foreign currency contracts	\$ 275	\$ 390	\$ 276	\$ 315	Revenue
Foreign currency contracts	—	(3)	—	—	Cost of revenue
Foreign currency contracts	—	(28)	—	(2)	Research and development
Foreign currency contracts	—	(44)	—	(28)	Sales and marketing
Foreign currency contracts	—	(13)	—	(11)	General and administrative
	\$ 275	\$ 302	\$ 276	\$ 274	Total *

* There is no tax impact on all hedging gains and losses from derivative contracts due to the Company's full valuation allowance of its deferred tax assets.

Note 9. Income Taxes

Income (loss) before provision for income taxes consisted of the following:

	Year Ended December 31,		
	2019	2018	2017
(In thousands)			
United States	\$ (103,836)	\$ (79,581)	\$ 3,318
International	22,265	4,870	4,359
Total	\$ (81,571)	\$ (74,711)	\$ 7,677

Provision for income taxes consisted of the following:

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Current:			
U.S. Federal	\$ —	\$ —	\$ —
State	58	16	260
Foreign	4,524	1,425	1,255
	<u>4,582</u>	<u>1,441</u>	<u>1,515</u>
Deferred:			
U.S. Federal	—	—	(66)
State	—	—	—
Foreign	(202)	(669)	(321)
	<u>(202)</u>	<u>(669)</u>	<u>(387)</u>
Total	<u>\$ 4,380</u>	<u>\$ 772</u>	<u>\$ 1,128</u>

Net deferred tax assets consisted of the following:

	As of December 31,	
	2019	2018
	(In thousands)	
Deferred Tax Assets:		
Accruals and allowances	\$ 11,334	\$ 17,974
Net operating loss carryforwards	14,355	2,946
Stock-based compensation	3,228	1,927
Lease liabilities	8,212	—
Deferred revenue	4,417	2,573
Tax credit carryforwards	3,262	—
Depreciation and amortization	7,877	567
Deferred rent	—	373
Total deferred tax assets	<u>52,685</u>	<u>26,360</u>
Deferred Tax Liabilities:		
Depreciation and amortization	—	(775)
Lease assets	(7,450)	—
Total deferred tax liabilities	<u>(7,450)</u>	<u>(775)</u>
Valuation Allowance	(43,917)	(24,477)
Net deferred tax assets	<u>\$ 1,318</u>	<u>\$ 1,108</u>

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Changes in allowance for deferred tax assets were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Balance at the beginning of the period	\$ 24,477	\$ 15,611	\$ 22,155
Additions	38,336	13,760	10,896
Deductions	(18,896)	(4,894)	(17,440)
Balance at the end of the period	<u>\$ 43,917</u>	<u>\$ 24,477</u>	<u>\$ 15,611</u>

Realization of the Company's deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. The Company does not anticipate to realize the net U.S. federal and state deferred tax assets and certain foreign tax attributes, which have been fully offset by a valuation allowance. As of December 31, 2019 and 2018, the valuation allowance was \$43.9 million and \$24.5 million, respectively. Accordingly, the valuation allowance increased by \$19.4 million during 2019 mainly caused by the increase in attribute carryforwards and capitalized expenditures, partially offset with the decrease in accruals and allowances. The deferred tax asset related to tax credit carryforwards was decreased to zero in 2018 as a result of transferring the attributes to NETGEAR per the tax matters agreement.

The utilization of our net operating loss and credit carryforwards may be subject to annual limitation due to the ownership changes provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss and tax credit carryforwards before utilization.

As of December 31, 2019, net operating loss carryforwards consisted of the following:

	Amount	Beginning Year of Expiration
	(in thousands)	
U.S. Federal ⁽¹⁾	\$ 14,028	2031
U.S. Federal	47,059	Indefinite
California	44,613	2039
Other State (tax effected, net of federal benefit)	836	2024

⁽¹⁾ All of the losses are subject to annual usage limitations under Internal Revenue Code Section 382.

As of December 31, 2019, tax credit carryforwards consisted of the following:

	Amount	Beginning Year of Expiration
	(in thousands)	
U.S. Federal	\$ 1,664	2039
California	1,395	Indefinite
Foreign	814	2038

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The effective tax rate differs from the applicable U.S. statutory federal rate as follows:

	Year Ended December 31,		
	2019	2018	2017
Tax at federal statutory rate ⁽¹⁾	21.0 %	21.0 %	35.0 %
State, net of federal benefit	3.0 %	5.9 %	(8.7)%
Impact of international operations	1.4 %	0.4 %	(6.2)%
U.S. Taxes on Foreign Entities	(3.6)%	(1.8)%	— %
Stock-based compensation	(2.6)%	(0.1)%	(5.0)%
Tax credits	1.6 %	1.5 %	(6.8)%
Change in valuation allowance	(23.8)%	(25.2)%	(105.1)%
Impact of the Tax Act	— %	— %	115.6 %
Non-deductible transaction costs	(0.7)%	(2.6)%	— %
Goodwill derecognition	(1.2)%	— %	— %
Others	(0.5)%	(0.1)%	(4.1)%
Provision for income taxes	(5.4)%	(1.0)%	14.7 %

⁽¹⁾The Tax Act of 2017 reduced the U.S federal statutory tax rate from 35% to 21% beginning in 2018.

The increase in provision for income taxes for the year ended December 31, 2019 compared to 2018 was primarily due to higher foreign earnings in 2019 and the gain on sale of certain assets related to the Company's commercial operations in Europe during the fourth quarter of 2019. Losses incurred predominantly in the U.S. continue to be subject to a full valuation allowance.

The decrease provision for income taxes for the year ended December 31, 2018 compared to 2017 was primarily caused by the deemed repatriation of foreign earnings in 2017 following the 2017 U.S. Tax Act. The negative 1.0% effective tax rate was a result of losses in the U.S. for which the Company didn't recognize tax benefit due to its full U.S. federal and state valuation allowance.

As of December 31, 2019, withholding taxes and state income taxes expected to be incurred on foreign subsidiaries' earnings that are not considered indefinitely reinvested are not material.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (“UTB”) is as follows:

	Federal, State, and Foreign Tax
	(In thousands)
Balance as of December 31, 2016	\$ 676
Additions based on tax positions related to the current year	361
Additions for tax positions of prior years	30
Reductions for tax positions of prior years	(45)
Balance as of December 31, 2017	1,022
Additions based on tax positions related to the current year	338
Adjustments to Net parent investments	(1,338)
Balance as of December 31, 2018	22
Additions based on tax positions related to the current year	674
Additions for tax positions of prior years	8
Balance as of December 31, 2019	\$ 704

The total amount of unrecognized tax benefits, including interest and penalties, was \$0.7 million and \$0.02 million as of December 31, 2019 and 2018 respectively; if recognized, there would be immaterial impact to the Company's effective tax rate. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as part of the provision for income taxes.

The Company files income tax returns in the U.S., various state and foreign jurisdictions. The income taxes are subject to review by taxing jurisdictions globally. As a result of the spin-off of Arlo from NETGEAR in 2018, Arlo received certain net operating losses generated before 2017. Therefore, tax years ended on or after December 31, 2016 are subject to examination in the U.S. In addition, tax years ending on or after December 31, 2018 are subject to examination in Ireland and State of California in the U.S. The Company's estimate of the potential outcome of any uncertain tax positions is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Company believes that the estimate has adequately reflected these matters. However, the Company's future results may include adjustments to estimates in the period the audits will be resolved, which may impact the Company's effective tax rate. The Company does not expect a significant change in unrecognized tax benefits within the next twelve months.

Note 10. Debt

Revolving Credit Facility

On November 5, 2019, the Company entered into a Business Financing Agreement (the “Credit Agreement”) with Western Alliance Bank, an Arizona corporation, as lender (the “Lender”).

The Credit Agreement provides for a two-year revolving credit facility (the “Credit Facility”) that matures on November 5, 2021 and that may, by its terms, be extended by mutual written agreement between the Company and the Lender. Borrowings under the Credit Facility are limited to the lesser of (x) \$40.0 million, and (y) an amount equal to the borrowing base. The borrowing base will be 60% of the Company's eligible receivables and eligible accounts receivable, less such reserves as the Lender may deem proper and necessary from time to time. The Lender is not required to make any advance under the Credit Facility during the period beginning on January 1st and continuing through June 30th, except for advances made against eligible receivables first invoiced between July 1 and December 31, 2019. The Credit Agreement also includes sublimits for the issuance by the Lender of letters of credit, credit card indebtedness and foreign exchange forward contract. Repayment of the borrowings under the Credit Facility are due upon collection of the eligible

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

receivables. The proceeds of the borrowings under the Credit Facility may be used for working capital and general corporate purposes.

The obligations of the Company under the Credit Agreement are secured by substantially all of the Company's domestic personal property, excluding intellectual property assets and more than 65% of the shares of voting capital stock of any of the Company's foreign subsidiaries.

Borrowings under the Credit Agreement generally bear interest at floating rates based upon the prime rate plus two and one-quarter percentage points (2.25%), plus an additional five percentage points (5.0%) during any period that an event of default has occurred and is continuing. Among other fees, the Company is required to pay an annual facility fee equal to 0.25% of the limit under the Credit Facility due upon entry into the Credit Agreement and on each anniversary thereof. The annual facility fee is capitalized and being amortized as interest expense over a 12-month period. The Company incurred debt issuance costs for the Credit Agreement, which are recorded in prepaid expenses and other current assets in the Company's Consolidated Balance Sheets and are being amortized as interest expense over the contractual term of the Credit Agreement.

The Credit Agreement contains customary events of default and other restrictions, including a financial covenant that requires the Company to maintain certain amount of domestic cash and certain restrictions on the Company's ability to incur additional indebtedness, consolidate or merge, enter into acquisitions, pay any dividend or distribution on the Company's capital stock, redeem, retire or purchase shares of the Company's capital stock, make investments or pledge or transfer assets, in each case subject to limited exceptions. If an event of default under the Credit Agreement occurs, then the Lender may cease making advances under the Credit Agreement and declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if the Company files a bankruptcy petition, a bankruptcy petition is filed against the Company and is not dismissed or stayed within forty-five days, or the Company makes a general assignment for the benefit of creditors, then any outstanding obligations under the Credit Agreement will automatically and without notice or demand become immediately due and payable. As of December 31, 2019, the Company is in compliance with all the covenants of the Credit Agreement.

No amounts had been drawn under the Credit Facility as of December 31, 2019.

Note 11. Commitments and Contingencies

Operating Leases

The Company primarily leases office space, with various expiration dates through June 2029. Some of the leases include options to extend such leases for up to five years, and some include options to terminate such leases within one year. The terms of certain of the Company's leases provide for rental payments on a graduated scale. The Company recognizes lease expense on a straight-line basis over the lease term. For six months ended July 1, 2018 and the year ended December 31, 2017, lease expense reflected allocations from NETGEAR and may not be indicative of the Company's results. Lease expense was \$1.4 million after the Separation through December 31, 2018 and \$7.0 million for the year ended December 31, 2019. The lease expense was recorded within Cost of revenue, Research and development, Sales and marketing, and General and administrative on the Company's consolidated statements of operations. Short-term and variable lease costs were included in the lease expense and they were immaterial.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The effect of accounting standards adoption of ASU 2016-02 on the consolidated statement of balance sheets and supplemental balance sheet information related to operating leases were as follows:

Leases	Balance Sheet Location	December 31, 2019	January 1, 2019	December 31, 2018
(In thousands)				
Build-to-suit lease ⁽¹⁾	Property and equipment, net	\$ —	\$ (21,610)	\$ 21,610
Build-to-suit lease ⁽¹⁾	Accrued liabilities	—	(281)	281
Build-to-suit lease ⁽¹⁾	Accrued liabilities	—	(1,632)	1,632
Build-to-suit lease ⁽¹⁾	Non-current financing lease obligation	—	(19,978)	19,978
Build-to-suit lease ⁽¹⁾	Retained earnings (Accumulated deficit)	281	281	—
Operating leases ⁽²⁾	Operating lease right-of-use assets, net	31,300	14,400	—
Operating leases ⁽²⁾	Accrued liabilities	—	(107)	107
Operating leases ⁽²⁾	Accrued liabilities	3,912	2,356	—
Operating leases ⁽²⁾	Non-current deferred rent	—	(1,141)	1,141
Operating leases ⁽²⁾	Non-current operating lease liabilities	29,001	12,044	—

⁽¹⁾ The Company was deemed to be the accounting owner of its build-to-suit lease arrangement for its San Jose corporate headquarters and the construction was in progress at adoption date. As such, the Company reevaluated its build-to-suit lease arrangement under ASU 2016-02 to ascertain whether it meets the criteria as the accounting owner of the build-to-suit lease arrangement through control of the underlying leased asset. The Company concluded that it did not have control over the underlying leased asset. As a result, the Company de-recognized the build to suit asset and liability as of adoption date of \$21.6 million of Property and equipment and \$21.9 million of financing lease obligations. The difference of \$0.3 million between the de-recognized assets and the associated financing lease obligations was recorded as an adjustment to Accumulated deficit as of the adoption date.

⁽²⁾ The Company adopted ASU 2016-02 on January 1, 2019 which resulted in the recognition of ROU assets and lease liabilities for operating leases of \$14.4 million on its consolidated balance sheets. The ROU assets were reduced by \$0.1 million current deferred rent and \$1.1 million non-current deferred rent which were de-recognized along with the adoption. As of March 31, 2019, the construction of the Company's leasehold improvements for its San Jose corporate headquarters was partially completed and partially occupied by the Company, resulting in lease commencement inception for the portion that was completed and occupied by the Company. Therefore, the Company proportionally recorded ROU assets and lease liabilities of \$14.3 million, representing two thirds of the total value of the ROU assets and lease liabilities. As of June 30, 2019, upon the completion of the leasehold improvements and full occupation of the entire building, the Company recognized the remaining value of ROU assets and lease liabilities of \$7.2 million. As of September 29, 2019, the Company received \$3.1 million reimbursement for leasehold improvements that the Company de-recognized during the quarter.

Supplemental cash flow information related to operating leases for the year ended December 31, 2019 was as follows:

	Year Ended December 31,
	2019
	(in thousands)
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 4,888
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 21,742
Other non-cash increases in operating right of use assets	\$ 788

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Weighted average remaining lease term and weighted average discount rate related to operating leases as of December 31, 2019 were as follows:

Weighted average remaining lease term	7.7 years
Weighted average discount rate	5.67%

The maturity of lease liabilities related to operating leases for each of the next five years and thereafter as of December 31, 2019 was as follows (in thousands):

2020	\$	5,660
2021		5,735
2022		5,589
2023		4,908
2024		4,450
Thereafter		14,669
Total lease payments		41,011
Less: interest ⁽¹⁾		(8,098)
Total	\$	32,913
Accrued liabilities	\$	3,912
Non-current operating lease liabilities		29,001
Total	\$	32,913

⁽¹⁾ Calculated using the Company's incremental borrowing rate on a collateralized basis plus LIBOR rate that closely matches contractual term of most leases on adoption date.

As of December 31, 2018, maturity of lease liabilities related to operating leases for each of the next five years and thereafter were as follows (in thousands):

		Leases ⁽¹⁾
2019	\$	4,634
2020		5,813
2021		5,678
2022		5,580
2023		4,903
Thereafter		19,252
Total	\$	45,860

⁽¹⁾ Amounts are based on ASC 840, *Leases* that was superseded upon the adoption of ASC 842, *Leases* on January 1, 2019.

Letters of Credit

In connection with the build-to-suit lease agreement for the headquarters located in San Jose, California, the Company executed a letter of credit with the landlord as the beneficiary. As of December 31, 2019, the Company had

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

approximately \$3.6 million of unused letters of credit outstanding, of which \$3.1 million pertains to the lease arrangement in San Jose, California.

Purchase Obligations

The Company has entered into various inventory-related purchase agreements with suppliers. Generally, under these agreements, 50% of orders are cancelable by giving a 46 to 60 days notice prior to the expected shipment date and 25% of orders are cancelable by giving a 31 to 45 days notice prior to the expected shipment date. Orders are non-cancelable within 30 days prior to the expected shipment date. As of December 31, 2019, the Company had approximately \$29.6 million in non-cancelable purchase commitments with suppliers, respectively. The Company establishes a loss liability for all products it does not expect to sell for which it has committed purchases from suppliers. As of December 31, 2019, the loss liability from committed purchases was \$1.1 million. From time to time the Company's suppliers procure unique complex components on the Company's behalf. If these components do not meet specified technical criteria or are defective, the Company should not be obligated to purchase the materials.

Warranty Obligations

Changes in the Company's warranty liability, which is included in Accrued liabilities in the consolidated balance sheets, were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Balance at the beginning of the period	\$ 3,712	\$ 31,756	\$ 15,949
Reclassified to sales returns upon adoption of ASC 606 ⁽¹⁾	—	(28,713)	—
Provision for warranty obligation made during the period	260	1,477	51,709
Settlements made during the period	(803)	(808)	(35,902)
Balance at the end of the period	<u>\$ 3,169</u>	<u>\$ 3,712</u>	<u>\$ 31,756</u>

⁽¹⁾ Upon adoption of ASC 606 on January 1, 2018, warranty reserve balances totaling \$28.7 million were reclassified to sales returns as these liabilities are payable to the Company's customers and settled in cash or by credit on account. Under ASC 606, these amounts are to be accounted for as sales with right of return.

Litigation and Other Legal Matters

The Company is involved in disputes, litigation, and other legal actions, including, but not limited to, the matters described below. In all cases, at each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. In such cases, the Company accrues for the amount, or if a range, the Company accrues the low end of the range, only if there is not a better estimate than any other amount within the range, as a component of legal expense within litigation reserves, net. The Company monitors developments in these legal matters that could affect the estimate the Company had previously accrued. In relation to such matters, the Company currently believes that there are no existing claims or proceedings that are likely to have a material adverse effect on its financial position within the next twelve months, or the outcome of these matters is currently not determinable. There are many uncertainties associated with any litigation, and these actions or other third-party claims against the Company may cause the Company to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any intellectual property litigation may require the Company to make royalty payments, which could have an adverse effect in future periods. If any of those events were to occur, the Company's business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from the Company's estimates, which could result in the need to adjust the liability and record additional expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Beginning on December 11, 2018, purported stockholders of Arlo Technologies, Inc. filed six putative securities class action complaints in the Superior Court of California, County of Santa Clara, and one complaint in the U.S. District Court for the Northern District of California against the Company and certain of its executives and directors. Some of these actions also name as defendants the underwriters in the Company's IPO and NETGEAR, Inc. The actions pending in state court are *Aversa v. Arlo Technologies, Inc., et al.*, No. 18CV339231, filed Dec. 11, 2018; *Pham v. Arlo Technologies, Inc. et al.*, No. 19CV340741, filed January 9, 2019; *Patel v. Arlo Technologies, Inc.*, No. 19CV340758, filed January 10, 2019; *Perros v. NetGear, Inc.*, No. 19CV342071, filed February 1, 2019; *Vardanian v. Arlo Technologies, Inc.*, No. 19CV342318, filed February 8, 2019; and *Hill v. Arlo Technologies, Inc. et al.*, No. 19CV343033, filed February 22, 2019. On April 26, 2019, the state court consolidated these actions as *In re Arlo Technologies, Inc. Shareholder Litigation*, No. 18CV339231 (the "State Action"). The action pending in federal court is *Wong v. Arlo Technologies, Inc. et al.*, No. 19-CV-00372 (the "Federal Action").

The plaintiffs in the State Action filed a consolidated complaint on May 1, 2019. The consolidated complaint generally alleges that the Company failed to adequately disclose quality control problems and adverse sales trends ahead of its IPO, violating the Securities Act of 1933, as amended. The complaint seeks unspecified monetary damages and other relief on behalf of investors who purchased Arlo common stock issued pursuant and/or traceable to the IPO offering documents.

On June 21, 2019, the court stayed the State Action pending resolution of the Federal Action, given the substantial overlap between the claims. The court has set a case management conference for June 19, 2020, so the parties can provide an update regarding the status of the Federal Action.

In the Federal Action, four investors filed motions to be appointed lead plaintiff. On May 6, 2019, the court appointed a shareholder named Matis Nayman to serve as lead plaintiff and the law firm of Keller Lenkner LLC as lead counsel. On June 7, 2019, plaintiff filed an amended complaint, which alleges that defendants violated the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, by failing to adequately disclose quality control problems and adverse sales trends surrounding the Company's IPO. The amended complaint also named as defendants the underwriters in the IPO and NETGEAR, Inc. Defendants filed a motion to dismiss the amended complaint on August 6, 2019. Plaintiff opposed the motion to dismiss on September 6, 2019, and defendants filed a reply on October 4, 2019. On December 19, 2019, the court granted defendants' motion to dismiss with leave to amend. On February 13, 2020, plaintiff filed a second amended complaint. On the same day, the parties asked the court to stay the case to allow for plaintiff to file a motion for preliminary approval of a class-wide settlement. On February 14, 2020, the court agreed to stay the case until March 30, 2020.

In addition, a shareholder named Leonard Pinto filed a tagalong derivative action on June 13, 2019 (the "Derivative Action") in the Northern District of California. The action is brought on behalf of the Company against the majority of the Company's current directors. The complaint is based on the same alleged misconduct as the securities class actions but asserts claims for breach of fiduciary duty, waste of corporate assets, and violation of the Securities Exchange Act of 1934, as amended. On August 20, 2019, the court stayed the Derivative Action in deference to the Federal Action.

Regardless of the merits or ultimate results of the above-described litigation matters, they could result in substantial costs, which would hurt the Company's financial condition and results of operations and divert management's attention and resources from our business. As of December 31, 2019, the Company had accrued a loss contingency of \$1.25 million for the Federal Action.

Indemnification of Directors and Officers

The Company, as permitted under Delaware law and in accordance with its bylaws, has agreed to indemnify its officers and directors for certain events or occurrences, subject to certain conditions, while the officer or director is or was serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's

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lifetime. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that will enable it to recover a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the fair value of each indemnification agreement will be minimal. The Company had no liabilities recorded for these agreements as of December 31, 2019 and 2018.

Indemnifications

Prior to the completion of the IPO, the Company historically participated in NETGEAR's sales agreements. In its sales agreements, NETGEAR typically agrees to indemnify its direct customers, distributors and resellers (the "Indemnified Parties") for any expenses or liability resulting from claimed infringements by NETGEAR's products of patents, trademarks or copyrights of third parties that are asserted against the Indemnified Parties, subject to customary carve-outs. The terms of these indemnification agreements are generally perpetual after execution of the agreement. The maximum amount of potential future indemnification is generally unlimited. From time to time, the Company receives requests for indemnity and may choose to assume the defense of such litigation asserted against the Indemnified Parties. The Company had no liabilities recorded for these agreements as of December 31, 2019 and 2018. In connection with the Separation, and after July 1, 2018, certain sales agreements were transferred to the Company, and the Company has replaced certain shared contracts, which include similar indemnification terms.

In addition, pursuant to the master separation agreement and certain other agreements entered into with NETGEAR in connection with the Separation and the IPO, NETGEAR has agreed to indemnify the Company for certain liabilities. The master separation agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of its business with the Company and financial responsibility for the obligations and liabilities of NETGEAR's business with NETGEAR. Under the intellectual property rights cross-license agreement entered into between the Company and NETGEAR, each party, in its capacity as a licensee, indemnifies the other party, in its capacity as a licensor, and its directors, officers, agents, successors and subsidiaries against any losses suffered by such indemnified party as a result of the indemnifying party's practice of the intellectual property licensed to such indemnifying party under the intellectual property rights cross-license agreement. Also, under the tax matters agreement entered into between the Company and NETGEAR, each party is liable for, and indemnifies the other party and its subsidiaries from and against any liability for, taxes that are allocated to the indemnifying party under the tax matters agreement. In addition, the Company has agreed in the tax matters agreement that each party will generally be responsible for any taxes and related amounts imposed on it or NETGEAR as a result of the failure of the Distribution, together with certain related transactions, to qualify as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) and certain other relevant provisions of the Code, to the extent that the failure to so qualify is attributable to actions, events or transactions relating to such party's respective stock, assets or business, or a breach of the relevant representations or covenants made by that party in the tax matters agreement. The transition services agreement generally provides that the applicable service recipient indemnifies the applicable service provider for liabilities that such service provider incurs arising from the provision of services other than liabilities arising from such service provider's gross negligence, bad faith or willful misconduct or material breach of the transition services agreement, and that the applicable service provider indemnifies the applicable service recipient for liabilities that such service recipient incurs arising from such service provider's gross negligence, bad faith or willful misconduct or material breach of the transition services agreement. Pursuant to the registration rights agreement, the Company has agreed to indemnify NETGEAR and its subsidiaries that hold registrable securities (and their directors, officers, agents and, if applicable, each other person who controls such holder under Section 15 of the Securities Act) registering shares pursuant to the registration rights agreement against certain losses, expenses and liabilities under the Securities Act, common law or otherwise. NETGEAR and its subsidiaries that hold registrable securities similarly indemnify the Company but such indemnification will be limited to an amount equal to the net proceeds received by such holder under the sale of registrable securities giving rise to the indemnification obligation.

Refer to Note 1, *The Company and Basis of Presentation*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for details relating to the Company's IPO and related transactions.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Change in Control and Severance Agreements

The Company has entered into change in control and severance agreements with certain of its key executives (the “Severance Agreements”). Pursuant to the Severance Agreements, upon a termination without cause or resignation with good reason, the individual would be entitled to (1) cash severance equal to (a) the individual’s annual base salary and an additional amount equal to his or her target annual bonus (for the Chief Executive Officer and Chief Financial Officer) or (b) the individual’s base salary for six months (for other key executives), (2) (a) 12 months of health benefits continuation (for the Chief Executive Officer and Chief Financial Officer) or (b) six months of health benefits continuation (for other key executives) and (3) accelerated vesting of any unvested equity awards that would have vested during the 12 months following the termination date. Upon a termination without cause or resignation with good reason that occurs during the one month prior to or 12 months following a change in control, the individual would be entitled to (1) (a) cash severance equal to a multiple (2 times for the Chief Executive Officer and 1.5 times for the Chief Financial Officer) of the sum of the individual’s annual base salary and target annual bonus (for the Chief Executive Officer and Chief Financial Officer) or (b) a cash severance equal to the individual’s annual base salary (for other key executives), (2) a number of months of health benefits continuation (24 months for the Chief Executive Officer, 18 months for the Chief Financial Officer, and 12 months for other key executives) and (3) vesting of all outstanding, unvested equity awards. Severance will be conditioned upon the execution and non-revocation of a release of claims. The Company had no liabilities recorded for these agreements as of September 29, 2019.

On May 2, 2019, the Company and Patrick J. Collins III, the Company’s Senior Vice President of Products, entered into a Separation and Release Agreement (the “Separation Agreement”) regarding Mr. Collins’ separation from the Company, effective May 1, 2019. Pursuant to the Separation Agreement, Mr. Collins received cash severance equal to the his annual base salary, 12 months of health benefits continuation and accelerated vesting of any of his unvested equity awards that would have vested during the 12 months following the termination date.

Employment Agreements

NETGEAR has signed various employment agreements with the Company’s key executives pursuant to which, if their employment is terminated without cause, such employees are entitled to receive their base salary (and commission or bonus, as applicable) for up to one year. Such employees will also continue to have equity awards vest for up to a one-year period following such termination without cause. If a termination without cause or resignation for good reason occurs within one year of a change in control, certain key employees are entitled to up to two years acceleration of any unvested portion of his or her equity awards. The Company had no liabilities recorded for these agreements as of December 31, 2019 and 2018.

In connection with the completion of the IPO, the Company entered into executive confirmatory employment offer letters and change in control and severance agreements with each of the Company’s key executives, which superseded and replaced any employment arrangements that such executives had previously entered into with NETGEAR. Refer to Note 1, *The Company and Basis of Presentation*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for details relating to the Company’s IPO and related transactions.

Environmental Regulation

The Company is required to comply and is currently in compliance with the European Union (“EU”) and other Directives on the Restrictions of the use of Certain Hazardous Substances in Electrical and Electronic Equipment (“RoHS”), Waste Electrical and Electronic Equipment (“WEEE”) requirements, Energy Using Product (“EuP”) requirements, the REACH Regulation, Packaging Directive and the Battery Directive.

The Company is subject to various federal, state, local, and foreign environmental laws and regulations, including those governing the use, discharge, and disposal of hazardous substances in the ordinary course of its manufacturing process. The Company believes that its current manufacturing and other operations comply in all material respects with applicable environmental laws and regulations; however, it is possible that future environmental legislation may be enacted or current

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

environmental legislation may be interpreted to create an environmental liability with respect to its facilities, operations, or products.

Note 12. Restructuring Related Charges

On November 7, 2019, the Company announced a restructuring plan that includes, but is not limited to, reducing outside services, headcount, marketing and capital expenditures to manage the Company's operating expenses. As a result, the Company recorded restructuring charges of \$631 thousand during 2019, which were primarily associated with headcount-related charges under the restructuring plan. The following table represents the severance expense recorded in the Company's Consolidated Statements of Operations:

	Year Ended December 31, 2019	
	(In thousands)	
Cost of revenue	\$	69
Research and development		262
Sales and marketing		198
General and administrative		102
Total	\$	631

Accrued restructuring and other charges are classified within Accrued liabilities on the Company's Consolidated Balance Sheets. The following table provides a summary of accrued restructuring and other charges activity:

	Year Ended December 31, 2019	
	(In thousands)	
Balance at the beginning of the period	\$	—
Additions		631
Cash payments		(511)
Balance at the end of the period	\$	120

Note 13. Employee Benefit Plans

The Company's employees have historically participated in NETGEAR's various stock-based plans, which are described below and represent the portion of NETGEAR's stock-based plans in which Arlo employees participated as of December 31, 2019. The Company's consolidated statements of operations reflect compensation expense for these stock-based plans associated with the portion of NETGEAR's plans in which Arlo employees participated.

On December 31, 2018, in connection with the Distribution, all outstanding NETGEAR equity awards (whether held by Arlo employees and non-employee directors or NETGEAR employees and non-employee directors) were equitably adjusted to reflect the impact of the Distribution. The adjustments to each type of award outstanding pursuant to the NETGEAR stock-based plans as of immediately prior to the Distribution was determined in accordance with the terms of the employee matters agreement between NETGEAR and Arlo, dated as of August 2, 2018 (the "employee matters agreement"). In connection with this adjustment, certain NETGEAR equity awards were adjusted into Arlo equity awards, as follows:

- NETGEAR stock options granted prior to August 3, 2018 (the "cutoff date") were converted into both an adjusted NETGEAR stock option and an Arlo stock option. The formulas applicable to the adjustment are set forth in the employee matters agreement and, in each case, the exercise price and number of shares subject to each option was adjusted to preserve the aggregate intrinsic value of the original NETGEAR stock option as measured immediately prior to and immediately following the Distribution, subject to rounding. Following the Distribution, the NETGEAR

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

stock options and Arlo stock options are subject to substantially the same terms and vesting conditions that applied to the original NETGEAR stock option immediately prior to the Distribution.

- NETGEAR restricted stock units granted prior to the cutoff date were converted into both an adjusted NETGEAR restricted stock unit covering the same number of shares of NETGEAR common stock subject to the award prior to the distribution and an Arlo restricted stock unit covering a number of shares of Arlo common stock equal to the number of shares of NETGEAR common stock subject to the award prior to the distribution multiplied by 1.980295, subject to rounding, which is the number of shares of Arlo common stock that was distributed in respect of each share of NETGEAR common stock in the Distribution. The formulas applicable to the foregoing NETGEAR restricted stock unit adjustment are set forth in the employee matters agreement. Following the Distribution, the NETGEAR restricted stock units and Arlo restricted stock units are subject to substantially the same terms and vesting conditions that applied to the original NETGEAR restricted stock units immediately prior to the Distribution.
- NETGEAR stock options and NETGEAR restricted stock units held by non-U.S. holders: NETGEAR, in its sole discretion, determined to treat certain NETGEAR stock options and NETGEAR restricted stock unit awards that were outstanding as of the effective time of the Distribution and held by current and former service providers of Arlo and NETGEAR in jurisdictions other than the United States in a manner inconsistent with the immediately preceding two paragraphs, which, in certain jurisdiction, resulted in the issuance of additional Arlo stock options and/or Arlo restricted stock units.

The Company did not recognize any incremental expense in connection with the conversion of NETGEAR' equity awards into Arlo awards since the impact is immaterial.

2018 Equity Incentive Plan

The Company grants options and RSUs under the 2018 Equity Incentive Plan (the "2018 Plan"), under which awards may be granted to all employees. Award vesting periods for this plan are generally three to four years. Options may be granted for periods of up to 10 years or such shorter term as may be provided in the agreement and at prices no less than 100% of the fair market value of Arlo's common stock on the date of grant. Options granted under the 2018 Plan generally vest over four years, the first tranche at the end of 12 months and the remaining shares underlying the option vesting monthly over the remaining three years.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table sets forth the available shares for future grants under the 2018 Plan as of December 31, 2019 and December 31, 2018:

	Number of Shares
	(In thousands)
Shares reserved as of August 2, 2018	7,500
Granted at IPO ⁽¹⁾	(3,403)
Granted during the period	(137)
Additional authorized shares in the Distribution	6,823
Converted in the Distribution ⁽²⁾	(6,823)
Cancelled	9
Shares available for grants as of December 31, 2018	3,969
Additional authorized shares	2,970
Granted ⁽⁴⁾	(6,700)
Forfeited/ cancelled ⁽³⁾	2,011
Shares traded for taxes	380
Shares available for grants as of December 31, 2019	2,630

⁽¹⁾ Includes Arlo IPO Options of 2.8 million shares granted to the Company's NEOs with performance-based vesting criteria (in addition to service-based vesting criteria for any of such IPO Options that are deemed to have been earned). Each of the IPO Options will have a ten-year contractual term and an exercise price equal to the fair value of a share of Arlo common stock on the date of grant and will vest as follows:

- The Tranche 1 Service Option will vest in equal monthly installments during the 24-month period that begins on the two-year anniversary of the option grant date;
- The Tranche 2 Performance Option will vest on the later of (i) the date (prior to the four-year anniversary of the grant date) of satisfaction of a cumulative registered accounts milestone and (ii) if the milestone has been satisfied prior to the applicable date, then (a) with respect to 25% of the Tranche 2 Performance Option, on the first anniversary of the option grant date, (b) with respect to 25% of the Tranche 2 Performance Option, on the second anniversary of the option grant date, and (c) with respect to the remaining 50% of the Tranche 2 Performance Option, in equal monthly installments during the 24-month period on the first day of each month beginning on September 1, 2020;
- The Tranche 3 Performance Option will vest on the later of (i) the date (prior to the four-year anniversary of the grant date) of satisfaction of a paid recurring revenue milestone and (ii) if the milestone has been satisfied prior to the applicable date, then (a) with respect to 25% of the Tranche 3 Performance Option, on the first anniversary of the option grant date, (b) with respect to 25% of the Tranche 3 Performance Option, on the second anniversary of the option grant date, and (c) with respect to the remaining 50% of the Tranche 3 Performance Option, in equal monthly installments during the 24-month period on the first day of each month beginning on September 1, 2020;
- The Tranche 4 Performance Option will vest on the one-year anniversary of the grant date based on the extent to which the revenue and non-GAAP gross profit milestones for the second half of fiscal 2018 are achieved; and
- The Tranche 5 Performance Option will vest on the two-year anniversary of the grant date based on the extent to which the revenue and non-GAAP gross profit milestones for the fiscal 2019 are achieved.

As of December 31, 2019, Tranches 2 and 3 are on track in achieving the performance milestones. However, Tranches 4 and 5 performance measurement period were completed and none of the performance milestones were achieved, hence, none of the shares vested.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (2) On December 31, 2018, in connection with the Distribution, certain NETGEAR equity awards held by Arlo non-employee directors and employees and NETGEAR non-employee directors and employees were adjusted into equity awards with respect to Arlo common stock and NETGEAR common stock as described in more detail in the employee matters agreement.
- (3) Includes 0.3 million shares subject to awards that were cancelled in connection with Mr. Collins' separation from the Company, 0.5 million shares subject to the IPO Options that were voluntarily forfeited by the Chief Executive Officer as the performance metrics for Tranches 4 and 5 of the IPO Options were not achieved, 59 thousand shares subject to the IPO Options issued to the Chief Financial Officer were cancelled as the performance metrics for Tranches 4 were not achieved, and 0.2 million shares as a result of modification for the employees transferred in the Verisure transaction.
- (4) Includes \$0.8 million shares consisting of RSUs (50% of the grant), PSUs (25% of the grant) and MPSUs (25% of the grant) granted to the Company's NEOs during the fiscal quarter ended September 29, 2019. The RSUs will vest in three equal annual installments during the period that begins on the RSU grant date. The PSUs will vest in three equal annual installments during the period that begins on the PSU grant date based on the extent to which a revenue milestone for the fiscal year ended December 31, 2019 is achieved. As of December 31, 2019, the revenue milestone was not achieved, hence the PSUs were pending cancellation. The MPSUs will vest at the end of the three-year period that begins on the MPSU grant date based on performance of the Company's common stock relative to the Russell 2000 Index ("the Benchmark") during the three-year period from the grant date. This also includes 0.2 million shares as a result of modification for the employees transferred in the Verisure transaction.

ARLO Options

The following table sets forth the weighted average assumptions used to estimate the fair value of Arlo's stock options granted using Black-Scholes option pricing model during the years ended December 31, 2019 and 2018 and purchase rights granted under Arlo's ESPP during the year ended December 31, 2019:

	Stock Options		ESPP
	2019	2018	2019
Expected life (in years)	6.3	6.3	0.5
Risk-free interest rate	2.28%	2.86%	2.49%
Expected volatility	73.0%	40.0%	97.6%
Dividend yield	—	—	—

Because the Company's common stock did not have sufficient history of being publicly traded at grant date, the estimated term of Arlo's stock options granted was determined by a combination of using a simplified method, which is an average of the contractual term and vesting period of the stock options and using management best estimate of the expected term. The risk-free interest rate of stock options granted was based on the implied yield currently available on U.S. Treasury securities, with a remaining term commensurate with the estimated expected term. The estimated volatility assumption was calculated based on a compensation peer group analysis of stock price volatility on the grant date.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Arlo's stock option activity during the year ended of December 31, 2019 was as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾
	(In thousands)	(In dollars)	(In years)	(In thousands)
Outstanding as of December 31, 2018	7,209	\$ 12.08		
Granted	10	3.90		
Exercised	(4)	3.03		
Forfeited/ Cancelled ⁽²⁾	(938)	15.88		
Expired	(237)	10.00		
Outstanding as of December 31, 2019	6,040	\$ 11.56	6.39	\$ 3,100
Vested and expected to vest as of December 31, 2019	6,040	\$ 11.56	6.39	\$ 3,100
Exercisable Options as of December 31, 2019	3,238	\$ 8.54	4.64	\$ —

⁽¹⁾ Representing the total pre-tax intrinsic values (the difference between the Company's closing stock price on the last trading day of 2019 and the exercise price, multiplied by the number of shares underlying the in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2019. This amount changes based on the fair market value of the Company's stock.

⁽²⁾ Includes 0.3 million shares subject to awards that were cancelled in connection with Mr. Collins' separation from the Company. In addition, also includes 0.5 million shares subject to the IPO Options that were voluntarily forfeited by the Chief Executive Officer as the performance metrics for Tranches 4 and 5 of the IPO Options were not expected to be achieved.

	Year Ended December 31,	
	2019	2018
	(In millions, except per share data)	
Total intrinsic value of options exercised	\$ —	\$ —
Total fair value of options vested	\$ 3.10	\$ —
Weighted-average grant date fair value per share of options granted	\$ 2.59	\$ 7.02

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes significant ranges of outstanding Arlo's stock options as of December 31, 2019.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Shares Exercisable	Weighted-Average Exercise Price Per Share
	(In thousands)	(In years)	(In dollars)	(In thousands)	(In dollars)
3.90 - 6.68	1,241	3.79	\$ 6.52	1,231	\$ 6.54
6.80 - 8.11	1,107	3.56	7.59	1,071	7.58
8.21 - 10.09	637	6.92	8.84	407	8.83
13.23 - 13.23	60	8.59	13.23	20	13.23
14.39 - 14.39	616	7.49	14.39	321	14.39
16.00 - 16.00	2,379	8.59	16.00	188	16.00
3.90 - 16.00	<u>6,040</u>	6.39	11.56	<u>3,238</u>	8.54

NETGEAR Options

The following table sets forth the weighted average assumptions used to estimate the fair value of NETGEAR's stock options granted and purchase rights granted under the NETGEAR's ESPP to employees specifically identifiable to Arlo during the years ended December 31, 2018 and 2017:

	Stock Options		ESPP ⁽¹⁾	
	2018	2017	2018	2017
Expected life (in years)	4.4	4.4	0.5	0.5
Risk-free interest rate	2.32%	1.66%	1.81%	0.93%
Expected volatility	30.9%	31.6%	37.1%	29.7%
Dividend yield	—	—	—	—

⁽¹⁾ Arlo employees have completed their participation into NETGEAR's ESPP by the end of the second quarter of fiscal 2018. As of December 31, 2018, no shares had been purchased under the 2018 ESPP by Arlo employees, as the program was suspended until the completion of the Distribution.

The estimated expected term of NETGEAR's options granted to employees specifically identifiable to Arlo under NETGEAR's plans is derived from historical data on employee exercise and post-vesting employment termination behavior. The risk-free interest rate of options granted and the purchase rights granted under NETGEAR's ESPP is based on the implied yield currently available on U.S. Treasury securities, with a remaining term commensurate with the estimated expected term. Expected volatility of NETGEAR's options granted and the purchase rights granted under NETGEAR's ESPP is based on historical volatility over the most recent period commensurate with the estimated expected term.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NETGEAR's stock option activity for employees specifically identifiable to Arlo during the year ended December 31, 2019 was as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(In dollars)	(In years)	(In thousands)
Outstanding as of December 31, 2018	283	\$ 26.53		
Exercised	(48)	21.35		
Forfeited/cancelled	(16)	36.27		
Expired	(14)	41.67		
Outstanding as of December 31, 2019	205	25.94	5.76	\$ 427
Vested and expected to vest as of December 31, 2019	205	25.94	5.76	\$ 427
Exercisable options as of December 31, 2019	162	24.08	5.25	\$ 425

	Year Ended December 31,		
	2019	2018	2017
	(In millions, except per share data)		
Total intrinsic value of options exercised	\$ 0.6	\$ 0.6	\$ 0.5
Total fair value of options vested	\$ 0.8	\$ 1.1	\$ 0.2
Weighted-average grant date fair value per share of NETGEAR's stock options granted to employees specifically identifiable to Arlo	NA	\$ 20.63	\$ 12.25

For the year ended December 31, 2018, cash received from NETGEAR stock option exercises and ESPP purchases by employees specifically identifiable to Arlo was \$0.4 million through the completion of the IPO. Cash received from NETGEAR stock option exercises and ESPP purchases by employees specifically identifiable to Arlo was \$1.6 million for the years ended December 31, 2017.

ARLO RSUs

Arlo's RSU activity during the year ended of December 31, 2019 was as follows:

Range of Exercise Prices	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(In dollars)	(In years)	(In thousands)
Outstanding as of December 31, 2018	3,141	\$ 12.22		
Granted ⁽¹⁾	6,690	4.77		
Vested	(1,146)	11.22		
Cancelled ⁽²⁾	(834)	7.68		
Outstanding as of December 31, 2019	7,851	\$ 6.50	1.55	\$ 33,051

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (1) Includes 0.8 million shares consisting of RSUs (50% of the grant), PSUs (25% of the grant) and MPSUs (25% of the grant) granted to a group of NEOs during the fiscal quarter ended September 29, 2019. The RSUs will vest in three equal annual installments during the period that begins on the RSU grant date. The PSUs will vest in three equal annual installments during the period that begins on the PSU grant date based on the extent to which a revenue milestone for the fiscal year ended December 31, 2019 is achieved. As of December 31, 2019, the revenue milestone was not achieved, hence the PSUs were pending cancellation. The MPSUs will vest at the end of the three-year period that begins on the MPSU grant date based on performance of the Company's common stock relative to the Benchmark during the three-year period from the grant date. A positive 3.3x or negative 2.5x multiplier will be applied to the total shareholder returns ("TSR"), such that the number of shares vested will increase by 3.3% or decrease by 2.5% of the target numbers, for each 1% of positive or negative TSR relative to the Benchmark. In the event the Company's common stock performance is below negative 30% relative to the Benchmark, no shares will be vested. In no event will the number of shares vested exceed 200% of the target for that tranche. In addition, includes 0.2 million shares as a result of modification for the employees transferred in the Verisure transaction.
- (2) Includes 0.2 million shares as a result of modification for the employees transferred in the Verisure transaction.

	Year Ended December 31,	
	2019	2018
(In millions, except per share data)		
Total intrinsic value of RSUs vested (the release date fair value)	\$ 5.51	\$ 0.04
Total fair value of RSUs vested (the grant date fair value)	\$ 12.90	\$ 0.04
Weighted-average fair value of RSUs granted	\$ 4.77	\$ 14.46

The Company determined the fair value of the PSUs using the closing price of the Company's common stock as of the grant date. For PSUs, stock-based compensation expense of performance milestone is recognized over the expected performance achievement period when the achievement becomes probable.

The Company utilized a Monte Carlo pricing model customized to the specific provisions of the 2018 Plan to value the MPSUs awards on the grant date. The fair value of the MPSUs granted during the three months ended September 29, 2019 was \$4.14 per share. The assumptions used in this model to estimate fair value at the grant date are as follows:

	Year Ended December 31, 2019
Expected life	3.0
Risk-free interest rate	1.52%
Expected volatility	65.1%
Dividend yield	—
Stock Beta	0.30

As part of the Verisure transaction, certain employees who held Company RSU awards granted under the 2018 Plan, were transferred to Verisure. Such RSU awards will continue to vest and settle after the closing of the transaction in accordance with the terms and conditions under the original award's plan. Management determined that the modification of the RSUs awards is a Type III modification (improbable-to-probable) under ASC 718, under which any compensation expense previously recognized was reversed and the total fair value of the modified awards was recognized as a liability in the Company's consolidated balance sheets on the closing date. Accordingly, the modification of the awards resulted in a liability of \$859 thousand and total compensation expense of \$623 thousand on the closing date.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NETGEAR RSUs

NETGEAR's RSU activity for employees specifically identifiable to Arlo during the year ended December 31, 2019 was as follows:

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value Per Share (In dollars)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding as of December 31, 2018	522	\$ 34.89		
Transferred ⁽¹⁾	2			
Vested	(175)	32.04		
Forfeited	(71)	36.98		
Outstanding as of December 31, 2019	278	36.14	1.08	\$ 6,804

⁽¹⁾ Transferred RSUs are attributable to employees that transferred from NETGEAR's in the fourth quarter of 2019.

	Year Ended December 31,		
	2019	2018	2017
	(In millions, except per share data)		
Total intrinsic value of RSUs vested (the release date fair value)	\$ 5.8	\$ 6.9	\$ 2.7
Total fair value of RSUs vested (the grant date fair value)	\$ 5.6	\$ 5.0	\$ 2.0
weighted-average fair value of RSUs granted	NA	\$ 67.24	\$ 52.89

For the year ended December 31, 2018, cash paid to administer the RSU withholdings relating to employees specifically identifiable to Arlo was \$0.8 million through the completion of the IPO. Cash paid to administer the RSU withholdings relating to employees specifically identifiable to Arlo for the year ended December 31, 2017 was \$1.1 million.

Employee Stock Purchase Plan

Under the 2018 ESPP, eligible employees may contribute up to 15% of compensation, subject to certain income limits, to purchase shares of Arlo's common stock. The terms of the plan include a look-back feature that enables employees to purchase stock semi-annually at a price equal to 85% of the lesser of the fair market value at the beginning of the offering period or the purchase date. The duration of each offering period is generally six months, with the first offering period having commenced on February 15, 2019 and ended on August 14, 2019. As of December 31, 2019, approximately \$1.5 million shares were available for issuance under the ESPP.

The Company's employees have historically participated in NETGEAR's ESPP. For the years ended December 31, 2018 and 2017, the Company recognized ESPP compensation expense of \$0.2 million for each period. For the years ended December 31, 2018 and 2017, employees specifically identifiable to Arlo purchased approximately 37,000 and 19,000 shares of NETGEAR's common stock at an average exercise price of \$45.06 and \$43.09, respectively.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock-Based Compensation Expense

The Company's employees have historically participated in NETGEAR's various stock-based plans, which are described below and represent the portion of NETGEAR's stock-based plans in which Arlo employees participated. The Company's consolidated statements of income reflect compensation expense for these stock-based plans associated with the portion of NETGEAR's plans in which Arlo employees participated. The following tables set forth stock-based compensation expense for Arlo employees and allocated charges deemed attributable to Arlo operations resulting from NETGEAR's and Arlo's RSUs, PSUs, MPSUs and stock options, and the purchase rights under the NETGEAR's ESPP included in the Company's consolidated statements of operations during the periods indicated:

	Year Ended December 31,						
	2019		2018			2017	
	Total	Direct ⁽¹⁾	Indirect	Total	Direct	Indirect	Total
Cost of revenue	\$ 2,013	\$ 608	\$ 583	\$ 1,191	\$ 102	\$ 599	\$ 701
Research and development	6,868	3,078	396	3,474	1,959	455	2,414
Sales and marketing	3,859	1,992	969	2,961	390	866	1,256
General and administrative	10,154	3,153	2,100	5,253	—	2,547	2,547
Total stock-based compensation expense ⁽²⁾	<u>\$ 22,894</u>	<u>\$ 8,831</u>	<u>\$ 4,048</u>	<u>\$ 12,879</u>	<u>\$ 2,451</u>	<u>\$ 4,467</u>	<u>\$ 6,918</u>

(1) Reflecting expenses for those legacy NETGEAR stock-based plans that have converted to equivalent Arlo stock-based plans upon the spin-off transaction.

(2) There was no tax benefit as a result of the Company's net operating loss position.

The Company recognizes these compensation expenses generally on a straight-line basis over the requisite service period of the award.

As of December 31, 2019, \$12.5 million of unrecognized compensation cost related to Arlo's stock options and IPO options was expected to be recognized over a weighted-average period of 2.6 years. At December 31, 2019, \$27.8 million of unrecognized compensation cost related to unvested Arlo's RSUs, PSUs and MPSUs was expected to be recognized over a weighted-average period of 2.7 years.

As of December 31, 2019, \$0.4 million of unrecognized compensation cost related to NETGEAR's stock options for Arlo employees was expected to be recognized over a weighted-average period of 1.7 years. At December 31, 2019, \$7.2 million of unrecognized compensation cost related to unvested NETGEAR's RSUs for Arlo employees was expected to be recognized over a weighted-average period of 1.9 years.

401(k) Plan

The Company's employees historically participated in NETGEAR's 401(k) Plan, which was adopted in April 2000. Under NETGEAR's 401(k) Plan, employees were able to contribute up to 100% of salary subject to the legal maximum while NETGEAR matched 50% of contributions for employees that remain active with NETGEAR or its subsidiaries through the end of the fiscal year, up to a maximum of \$6,000 in employee contributions per fiscal year. During the years ended December 31, 2018 and 2017, the Company recognized \$0.5 million and \$0.2 million, respectively, in expenses for employees specifically identifiable to Arlo related to NETGEAR 401(k) Plan match.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In January 2019, the Company adopted Arlo 401(k) Plan to which employees may contribute up to 100% of salary subject to the legal maximum. In the fourth quarter of fiscal year 2018, the Company began matching 50% of contributions for employees that remain active with the Company through the end of the fiscal year, up to a maximum of \$8,000 in employee contributions per fiscal year. During the year ended December 31, 2019, the Company recognized \$1.5 million in expenses for Arlo employees related to Arlo 401(k) Plan match.

Note 14. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. The weighted average number of shares outstanding for the basic and diluted net income (loss) per share for the periods prior to the completion of the IPO is based on the number of shares of Arlo common stock outstanding on August 2, 2018, the effective date of the registration statement relating to the IPO (the "IPO Registration Statement"). On that date, the Company issued 62,499,000 shares of common stock to the Company's sole stockholder of record, NETGEAR (after which NETGEAR held 62,500,000 shares of common stock, which represented all of the then issued and outstanding common stock). Potentially dilutive common shares, such as common shares issuable upon exercise of stock options and vesting of restricted stock awards are typically reflected in the computation of diluted net income (loss) per share by application of the treasury stock method. For certain periods presented, due to the net losses reported, these potentially dilutive securities were excluded from the computation of diluted net loss per share, since their effect would be anti-dilutive.

Net income (loss) per share for the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands, except for per share data)		
Numerator:			
Net income (loss)	\$ (85,951)	\$ (75,483)	\$ 6,549
Denominator:			
Weighted average common shares - basic	75,074	67,231	62,250
Potentially dilutive common shares	—	—	—
Stock option and RSU conversion ⁽¹⁾	—	—	—
Weighted average common shares - dilutive	75,074	67,231	62,250
Basic net income (loss) per share	\$ (1.14)	\$ (1.12)	\$ 0.11
Diluted net income (loss) per share	\$ (1.14)	\$ (1.12)	\$ 0.11
Anti-dilutive employee stock-based awards, excluded	9,692	1,109	—

⁽¹⁾ On December 31, 2018, 6.8 million of stock options and RSUs were added to the Company's equity awards as issued and outstanding resulting from the adjustment of NETGEAR's equity awards that were granted to both NETGEAR and Arlo employees and non-employee directors, a portion of which were converted as Arlo awards. The dilutive effect of these converted stock options and RSUs is reflected above per share by application of the treasury stock method and none are potentially dilutive.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 15. Segment and Geographic Information

Segment Information

The Company operates as one operating and reportable segment. The Company has identified its CEO as the Chief Operating Decision Maker (“CODM”). The CODM reviews financial information presented on a combined basis for purposes of allocating resources and evaluating financial performance.

Geographic Information

The Company conducts business across three geographic regions: Americas, EMEA and APAC. Revenue consists of gross product shipments and service revenue, less allowances for estimated sales returns, price protection, end-user customer rebates and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance for revenue recognition, net changes in deferred revenue, and gains or losses from hedging. For reporting purposes, revenue by geography is generally based upon the ship-to location of the customer for device sales and device location for service sales.

The following table shows revenue by geography for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
(In thousands)			
Americas			
United States (“U.S.”)	\$ 190,061	\$ 359,936	\$ 279,504
Americas (excluding U.S.)	99,099	16,869	13,167
EMEA	57,232	65,462	58,795
APAC	23,615	22,651	19,192
Total revenue	<u>\$ 370,007</u>	<u>\$ 464,918</u>	<u>\$ 370,658</u>

The Company’s Property and equipment, net are located in the following geographic locations:

	As of December 31,	
	2019	2018
(In thousands)		
Americas		
United States (“U.S.”)	\$ 17,100	\$ 45,053
Americas (excluding U.S.)	904	218
EMEA	316	567
APAC		
China	2,089	3,040
APAC (excluding China)	943	550
Total property and equipment, net	<u>\$ 21,352</u>	<u>\$ 49,428</u>

Significant Customers

Two customers accounted for 32.3% and 10.1% of revenue for the year ended December 31, 2019. Three customers accounted for 24.4%, 17.5%, and 16.6% of revenue for the year ended December 31, 2018. Three customers accounted for 28.3%, 16.4%, and 13.1% of revenue for the year ended December 31, 2017.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 16. Related Party Transactions

Prior to the completion of the Distribution on December 31, 2018, NETGEAR owned 62,500,000 shares of Arlo common stock and was considered a related party. The related party transactions between Arlo and NETGEAR were settled in cash. The related party receivables are reflected in Prepaid expenses and other current assets, and the related party payables are reflected in Accrued liabilities in the consolidated balance sheets.

On August 2, 2018, in connection with the IPO, the Company entered into a master separation agreement, a transition services agreement, an intellectual property rights cross-license agreement, a tax matters agreement, an employee matters agreement, and a registration rights agreement, in each case with NETGEAR, which effect the Separation, provide a framework for the Company's relationship with NETGEAR after the Separation and provide for the allocation between NETGEAR and the Company of NETGEAR's assets, employees, liabilities and obligations (including its investments, property and employee benefits assets and liabilities) attributable to periods prior to, at and after the Separation. See below for detailed descriptions of those agreements. Pursuant to these agreements, NETGEAR transferred substantially all of the assets and liabilities and operations of Arlo business to the Company. As a result, net receivables from NETGEAR was \$129 thousand and \$12.2 million as of December 31, 2019 and 2018, mainly relating to transition services, billing and collection services which were provided by NETGEAR. Additionally, the Company received a contribution of cash of approximately \$70.9 million from NETGEAR in 2018.

In the Distribution, all shares of Arlo common stock held by NETGEAR were distributed to its stockholders and NETGEAR is no longer considered a related party.

Allocation of Corporate Expenses

Prior to the completion of the IPO, NETGEAR provided certain corporate services to the Company, such as executive management, information technology, legal, finance and accounting, human resources, tax, treasury, research and development, sales and marketing, shared facilities and other shared services, as well as stock-based compensation expense attributable to Arlo's employees and an allocation of stock-based compensation expense attributable to NETGEAR's employees. These costs were allocated based on revenue, headcount, or other measures the Company has determined as reasonable through July 1, 2018. Following July 1, 2018, the Company assumed responsibility for the costs of these functions.

The amount of these allocations from NETGEAR reflected within operating expenses in the consolidated statements of operations was \$30.6 million from January 1, 2018 to the date of the completion of the Company's IPO, which included \$9.4 million for research and development, \$10.0 million for sales and marketing, and \$11.2 million for general and administrative expense. For the year ended December 31, 2017, allocations amounted to \$40.0 million, which included \$11.8 million for research and development, \$13.1 million for sales and marketing, and \$15.1 million for general and administrative expense.

Related Party Arrangements

Prior to the completion of the IPO, the Company entered into agreements with NETGEAR that govern Arlo's separation from NETGEAR and various interim arrangements. These agreements have been in effect since the completion of the IPO and the Separation, and provide for, among other things, the transfer from NETGEAR to Arlo of assets and the assumption by Arlo of liabilities comprising the business through a master separation agreement between the Company and NETGEAR (the "master separation agreement").

The Company also entered into certain other agreements that provide a framework for the relationship with NETGEAR after the Separation, including:

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- a transition services agreement with NETGEAR, governing NETGEAR's provision of various services to the Company, and the Company's provision of various services to NETGEAR, on a transitional basis (the "transition services agreement"). During the year ended December 31, 2018, \$6.3 million NETGEAR TSA related costs were incurred, which included \$0.4 million for research and development, \$1.6 million for sales and marketing, and \$4.3 million for general and administrative expense. During the year ended December 31, 2019, \$0.7 million NETGEAR TSA related costs were incurred, which included \$0.1 million for cost of revenue, \$0.3 million for research and development, \$0.1 million for sales and marketing, and \$0.2 million for general and administrative expense;
- a tax matters agreement with NETGEAR that governs the respective rights, responsibilities and obligations of NETGEAR and Arlo after the completion of the IPO with respect to tax matters (including responsibility for taxes attributable to the Company and its subsidiaries, entitlement to refunds, allocation of tax attributes, preparation of tax returns, control of tax contests and other matters) (the "tax matters agreement");
- an employee matters agreement with NETGEAR that addresses employment, compensation and benefits matters, including the allocation and treatment of assets and liabilities relating to employees and compensation and benefit plans and programs in which the Company's employees participate prior to the distribution, as well as other human resources, employment and employee benefit matters (the "employee matters agreement");
- an intellectual property rights cross-license agreement with NETGEAR, which governs the Company's and NETGEAR's rights, responsibilities and obligations to use NETGEAR and Arlo intellectual property, respectively (the "intellectual property rights cross-license agreement"); and
- a registration rights agreement with NETGEAR, pursuant to which the Company granted NETGEAR and its affiliates certain registration rights with respect to Arlo's common stock owned by them (the "registration rights agreement").

Note 17. Subsequent Event

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." On January 30, 2020, the U.S. Department of State issued a Level 4 "do not travel" advisory for China. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. Certain critical components of the Company's products are sourced from suppliers in China and a small portion of the Company's worldwide sales are comprised of goods assembled and manufactured in mainland China. The extent of the impact of the COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak.

ARLO TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

QUARTERLY UNAUDITED FINANCIAL DATA

The following table presents unaudited quarterly financial information for the years ended December 31, 2019 and 2018. The fourth quarter of 2018 was the first full quarter post separation and represents the Company's actual results as an independent public company. Results for the first two quarters of 2018 include allocations from NETGEAR and may not be indicative of the Company's results had it been a standalone entity during the period.

	December 31, 2019 ⁽³⁾	September 29, 2019	June 30, 2019	March 31, 2019
(In thousands, except per share amounts)				
Revenue	\$ 122,413	\$ 106,116	\$ 83,598	\$ 57,880
Gross profit	\$ 13,706	\$ 10,503	\$ 9,650	\$ 1,945
Provision for (benefit from) income taxes	\$ 3,525	\$ 286	\$ 349	\$ 220
Net income (loss)	\$ 19,615	\$ (30,590)	\$ (33,692)	\$ (41,284)
Net income (loss) per share—basic ⁽¹⁾	\$ 0.26	\$ (0.41)	\$ (0.45)	\$ (0.55)
Net income (loss) per share—diluted	\$ 0.26	\$ (0.41)	\$ (0.45)	\$ (0.55)
(In thousands, except per share amounts)				
	December 31, 2018	September 30, 2018	July 1, 2018	April 1, 2018
Revenue	\$ 122,158	\$ 131,174	\$ 110,948	\$ 100,638
Gross profit	\$ 4,981	\$ 29,747	\$ 28,294	\$ 29,053
Provision for income taxes	\$ (58)	\$ 223	\$ 288	\$ 319
Net loss	\$ (39,073)	\$ (13,225)	\$ (17,822)	\$ (5,363)
Net loss per share—basic ⁽¹⁾	\$ (0.53)	\$ (0.19)	\$ (0.29)	\$ (0.09)
Net loss per share—diluted ⁽²⁾	\$ (0.53)	\$ (0.19)	\$ (0.29)	\$ (0.09)

- (1) Net loss per share basic and diluted are computed independently for each quarters presented based on the weighted-average basic and fully diluted shares outstanding for each quarters. As a result, the sum of quarterly Net loss per share basic and diluted information may not equal annual Net loss per share basic and diluted.
- (2) On December 31, 2018, 6.8 million of stock options and RSUs were added to the Company's equity awards as issued and outstanding resulting from the adjustment of NETGEAR's equity awards that were granted to both NETGEAR and Arlo employees and non-employee directors, a portion of which were converted as Arlo awards. The dilutive effect of these converted stock options and RSUs is reflected above per share by application of the treasury stock method and none are potentially dilutive.
- (3) The Company disposed its commercial operations in Europe in the fourth quarter of 2019. Refer to Note 4, *Disposal of business*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for a complete discussion of the disposal.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon 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 the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our 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"), were effective as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the criteria set forth in "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2019 based on those criteria.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm due to the Company's EGC status and is exempted from the auditor attestation requirement of Section 404(b) of the Sarbanes-Oxley Act.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially effect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

It should be noted that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item concerning our directors, executive officers, standing committees and procedures by which stockholders may recommend nominees to our Board of Directors, is incorporated by reference to the sections of our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2020 annual meeting of stockholders (the "2020 Proxy Statement") under the headings "Information Concerning the Nominees and Incumbent Nominees," "Board and Committee Meetings," "Audit Committee" and "Delinquent Section 16(a) Reports," and to the information contained in the section captioned "Information about our Executive Officers" included under Part I of this Annual Report on Form 10-K.

We have adopted a Code of Ethics that applies to our Chief Executive Officer and senior financial officers, including our Chief Financial Officer, as required by the SEC. The current version of our Code of Ethics can be found on our Internet site at <http://www.arlo.com>. Additional information required by this Item regarding our Code of Ethics is incorporated by reference to the information contained in the section captioned "Corporate Governance Policies and Practices" in our 2020 Proxy Statement.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Ethics by posting such information on our website at <http://www.arlo.com> within four business days following the date of such amendment or waiver.

Item 11. *Executive Compensation*

The information required by this Item is incorporated by reference to the sections of our 2020 Proxy Statement under the headings "Compensation Discussion and Analysis," "Executive Compensation," "Director Compensation," "Fiscal Year 2019 Director Compensation," "Compensation Committee Interlocks and Insider Participation," and "Report of the Compensation Committee of the Board of Directors."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The additional information required by this Item is incorporated by reference to the information contained in the section captioned "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in our 2020 Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item is incorporated by reference to the information contained in the section captioned "Election of Directors" and "Related Party Transactions" in our 2020 Proxy Statement.

Item 14. *Principal Accounting Fees and Services*

The information required by this Item related to audit fees and services is incorporated by reference to the information contained in the section captioned "Ratification of Appointment of Independent Registered Public Accounting Firm" in our 2020 Proxy Statement.

PART IV**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this report:

(1) Financial Statements.

The following consolidated financial statements of Arlo Technologies, Inc. are filed as part of this Annual Report on Form 10-K in Item 8, *Financial Statements and Supplementary Data*.

	Page
Report of Independent Registered Public Accounting Firm	75
Consolidated Balance Sheets as of December 31, 2019 and 2018	76
Consolidated Statements of Operations for the three years ended December 31, 2019, 2018 and 2017	77
Consolidated Statements of Comprehensive Income for the three years ended December 31, 2019, 2018 and 2017	78
Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2019, 2018 and 2017	79
Consolidated Statements of Cash Flows for the three years ended December 31, 2019, 2018 and 2017	80
Notes to Consolidated Financial Statements	81
Quarterly Financial Data (unaudited)	130

(2) Financial Statement Schedules.

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable or because the information required is already included in the consolidated financial statements or the notes to those consolidated financial statements.

(3) Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation of Arlo Technologies, Inc.	8-K	8/7/2018	3.1	
3.2	Amended and Restated Bylaws of Arlo Technologies, Inc.	8-K	8/7/2018	3.2	
4.1	Common Stock Certificate of Arlo Technologies, Inc.	S-1/A	7/23/2018	4.1	
4.2	Description of Common Stock of Arlo Technologies, Inc.				X
10.1	Master Separation Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.1	
10.2	Transition Services Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.2	
10.3	Tax Matters Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.3	
10.4	Employee Matters Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.4	
10.5	Intellectual Property Rights Cross-License Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.5	
10.6	Registration Rights Agreement, by and between NETGEAR, Inc. and Arlo Technologies, Inc. dated as of August 2, 2018	8-K	8/7/2018	10.6	
10.7	Office Lease, by and between LT Orchard Parkway, LLC and Arlo Technologies, Inc. dated as of June 28, 2018	S-1	7/6/2018	10.7	
10.8 *	Confirmatory Employment Letter with Matthew McRae	8-K	8/7/2018	10.7	
10.9 *	Confirmatory Employment Letter with Christine Gorjanc	8-K	8/7/2018	10.8	
10.10 *	Confirmatory Employment Letter with Patrick Collins	8-K	8/7/2018	10.9	
10.11 *	Confirmatory Employment Letter with Brian Busse	8-K	8/7/2018	10.10	
10.12 *	Change in Control and Severance Agreement	8-K	8/7/2018	10.11	
10.13 *	2018 Equity Incentive Plan	8-K	8/7/2018	10.12	
10.14 *	2018 Employee Stock Purchase Plan	10-K	2/22/2019	10.14	
10.15 *	Performance-Based Option Grant Agreement	8-K	8/7/2018	10.14	
10.16 *	Indemnification Agreement for directors and executive officers	S-1/A	7/23/2018	10.16	
10.17 *	Non-Employee Director Restricted Stock Unit Grant Agreement	10-Q	8/27/2018	10.17	
10.18	Cooperation Agreement, dated April 30, 2019, by and among Arlo Technologies, Inc. and the VIEX Parties listed therein	8-K	5/1/2019	10.1	
10.19 *	Separation Agreement, dated May 2, 2019, by and between Arlo Technologies, Inc. and Patrick J. Collins III	10-Q	8/6/2019	10.2	
10.20 *	Form of Service and Stock Market Performance-Based Restricted Stock Unit Agreement for Executive Officers	10-Q	11/8/2019	10.1	
10.21 *	Form of Service and Revenue Performance-Based Restricted Stock Unit Agreement for Executive Officers	10-Q	11/8/2019	10.2	
10.22 *	Form of Service-Based Restricted Stock Unit Agreement for Executive Officers	10-Q	11/8/2019	10.3	
10.23 †	Asset Purchase Agreement, by and between Arlo Technologies, Inc. and Verisure S.à.r.l. dated as of November 4, 2019				X
10.24 †	Supply Agreement, by and between Arlo Technologies, Inc. and Verisure S.à.r.l. dated as of November 4, 2019				X
10.25	Business Financing Agreement, by and between Arlo Technologies, Inc. and Western Alliance Bank dated as of November 5, 2019				X
21.1	List of subsidiaries and affiliates				X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm				X
24.1	Power of Attorney (included on the Signatures page)				X
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer				X

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31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer	X
32.1	Section 1350 Certification of Principal Executive Officer	X
32.2	Section 1350 Certification of Principal Financial Officer	X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X
*	Indicates management contract or compensatory plan or arrangement.	
†	Certain portions of this exhibit (indicated by "[***]") have been omitted as the Registrant has determined (i) the omitted information is not material and (ii) the omitted information would likely cause harm to the Registrant if publicly disclosed.	

Item 16. *Form 10-K Summary*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on the 28th day of February 2020.

ARLO TECHNOLOGIES, INC.

Registrant

/s/ MATTHEW MCRAE

Matthew McRae
Chief Executive Officer
(Principal Executive Officer)

/s/ CHRISTINE M. GORJANC

Christine M. Gorjanc
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 28, 2020

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Matthew McRae and Christine M. Gorjanc, and each of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any and all 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 substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report 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/ MATTHEW MCRAE</u> Matthew McRae	Chief Executive Officer <i>(Principal Executive Officer)</i>	February 28, 2020
<u>/s/ CHRISTINE M. GORJANC</u> Christine M. Gorjanc	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	February 28, 2020
<u>/s/ PRASHANT AGGARWAL</u> Prashant Aggarwal	Director	February 28, 2020
<u>/s/ JOCELYN E. CARTER-MILLER</u> Jocelyn E. Carter-Miller	Director	February 28, 2020
<u>/s/ RALPH E. FAISON</u> Ralph E. Faison	Director	February 28, 2020
<u>/s/ MICHAEL W. POPE</u> Michael W. Pope	Director	February 28, 2020
<u>/s/ AMY ROTHSTEIN</u> Amy Rothstein	Director	February 28, 2020
<u>/s/ GRADY K. SUMMERS</u> Grady K. Summers	Director	February 28, 2020

DESCRIPTION OF COMMON STOCK

The following summary description of the common stock of Arlo Technologies, Inc. (“we,” “our” or “us”) is based on the provisions of our amended and restated certificate of incorporation, as well as our amended and restated bylaws, and the applicable provisions of the Delaware General Corporation Law (the “DGCL”). This information is qualified entirely by reference to the applicable provisions of our amended and restated certificate of incorporation, our amended and restated bylaws and the DGCL. Our amended and restated certificate of incorporation and amended and restated bylaws have previously been filed as exhibits with the Securities and Exchange Commission.

Common Stock

Voting

Each holder of our common stock is entitled to one vote for each share on all matters to be voted upon by the common stockholders, and there will be no cumulative voting rights.

Dividends and Other Distributions

Subject to any preferential rights of any outstanding preferred stock, holders of our common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose.

Distribution on Dissolution

If there is a liquidation, dissolution or winding up of our company, holders of our common stock are entitled to ratable distribution of our assets remaining after the payment in full of liabilities and any preferential rights of any outstanding preferred stock.

Other Rights

Holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. Our common stock does not contain restrictions on alienability of the securities to be registered. All outstanding shares of our common stock are fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Anti-Takeover Effects of Various Provisions of Delaware Law and Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions of the DGCL and our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure it outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

As a Delaware corporation, we are subject to Section 203 of the DGCL regarding corporate takeovers. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the time the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
 - upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time such transaction
-

commenced, excluding, for purposes of determining the number of shares outstanding, (1) shares owned by persons who are directors and also officers of the corporation and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

In this context, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status owned, 15% or more of a corporation’s outstanding voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

Classified Board

Our amended and restated certificate of incorporation and amended and restated bylaws provide that our board of directors is divided into three classes. Directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter will serve for a term of three years. At any meeting of stockholders for the election of directors at which a quorum is present, the election will be determined by a plurality of the votes cast by the stockholders entitled to vote in the election. Under the classified board provisions, it would take at least two elections of directors for any individual or group to gain control of our board of directors. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of us.

Removal of Directors

Our amended and restated certificate of incorporation provides that so long as our board of directors is classified, our stockholders may remove our directors only for cause, by an affirmative vote of holders of at least a majority of the voting power of the then-outstanding shares of voting stock.

Amendments to Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation provides that it may be amended or altered in any manner provided by the DGCL, provided that the amendment of certain provisions will require the approval of at least two-thirds of the voting power of all of the then-outstanding shares of our voting stock. Our amended and restated bylaws may be adopted, amended, altered or repealed by stockholders upon the approval of at least a majority of the voting power of all of the then-outstanding shares of our voting stock, provided that the amendment of certain provisions will require the approval of at least two-thirds of the voting power of all of the then-outstanding shares of stock entitled to vote generally in the election of directors. Additionally, our amended and restated certificate of incorporation provides that our amended and restated bylaws may be adopted, amended, altered or repealed by the board of directors.

Size of Board and Vacancies

Our amended and restated certificate of incorporation provides that the number of directors which constitute the board of directors shall be as designated or provided for in our amended and restated bylaws. Our amended and restated bylaws provide that the number of directors on our board of directors will be fixed exclusively by our board of directors. Any vacancies on our board of directors resulting from any increase in the authorized number of directors or the death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the board of directors then in office, whether or not less than a quorum. Our amended and restated bylaws provide that any director appointed to fill a vacancy on our board of directors will hold office until his or her successor has been elected and qualified.

Special Stockholder Meetings

Our amended and restated certificate of incorporation provides that only the chairman of the board of directors, the lead independent director or the chief executive officer or the president, or the board of directors, acting pursuant to a resolution adopted by the majority of the board of directors, may call special meetings of stockholders. Stockholders may not call special stockholder meetings.

Stockholder Action by Written Consent

Our amended and restated certificate of incorporation expressly prohibits the right of our stockholders to act by written consent. From and after such time, stockholder action must take place at the annual or a special meeting of stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated certificate of incorporation mandates that stockholder nominations for the election of directors be given in accordance with the bylaws. Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors, as well as minimum qualification requirements for stockholders making the proposals or nominations. Additionally, our amended and restated bylaws require that candidates for election as director disclose their qualifications and make certain representations.

No Cumulative Voting

The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the company's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Listing

Our common stock is listed on NYSE under the symbol "ARLO."

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

between

ARLO TECHNOLOGIES, INC.

and

VERISURE S.À.R.L.

Dated as of November 4, 2019

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is dated as of November 4, 2019 (the “Agreement”), between Arlo Technologies, Inc., a Delaware corporation (“Seller”), and Verisure S.À.R.L., a Swiss limited liability company (“Purchaser”) (each, a “Party” and collectively, the “Parties”). Capitalized terms used in this Agreement shall have the meanings indicated in Section 1.1.

WITNESSETH:

WHEREAS, Seller and certain direct and indirect Subsidiaries of Seller are engaged in, among other things, the Business;

WHEREAS, concurrently with the execution of this Agreement, and as a condition and material inducement to Purchaser’s execution of this Agreement, the Parties have executed and delivered that certain Supply Agreement (the “Supply Agreement”) pursuant to which (i) Purchaser will become the exclusive distributor of Arlo Catalog Products (as defined in the Supply Agreement) in the Territory for all channels, and non-exclusively distribute Arlo Catalog Products through and in connection with the sale of products and services of Purchaser’s security business anywhere in the world and (ii) Seller agrees to provide certain services to Purchaser upon the termination of the Supply Agreement or upon the occurrence of certain events;

WHEREAS, Seller owns, directly or indirectly, certain Assets used in the conduct of the Business;

WHEREAS, Purchaser desires to purchase and assume, and Seller, through itself and one or more of its direct or indirect Subsidiaries, desires to sell, transfer, convey, assign and deliver the Transferred Assets and the Transferred Liabilities of the Business to Purchaser, upon the terms and subject to the conditions specified in this Agreement; and

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Article I

DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions.

Unless otherwise provided herein, capitalized terms used in this Agreement shall have the following meanings:

“Affiliate” of a Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned Person. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by contract or otherwise, and the terms “controlling” and “controlled by” have meanings correlative to the foregoing; provided, that, notwithstanding anything to the contrary herein, except with respect to the provisions of Section 6.19 and Section 9.2, in no event shall Hellman & Friedman LLC, GIC Private Limited or Corporación Financiera Alba, S.A. (or of any other direct or indirect shareholder of Purchaser from time to time, which is a professional financial investor) or any investment fund or vehicle

affiliated with any of them (each of the foregoing in this proviso, a “Sponsor”), or any “portfolio company” (as such term is customarily understood among institutional private equity investors) of any of the foregoing (other than Shield Luxco 2 S.à r.l. or any of its Subsidiaries), be deemed, treated or considered to be an Affiliate of Purchaser (or, in each case, vice versa).

“Affiliate Agreement” shall mean all Contracts (x) between members of the Seller Group or (y) between a member of the Seller Group, on the one hand, and any directors or officers of the Seller Group, on the other hand, excluding employment agreements and indemnity agreements.

“Agreement” shall have the meaning set forth in the Recitals to the Agreement.

“Anti-Corruption Laws” shall mean all applicable U.S. and non-U.S. Laws relating to the prevention of corruption and bribery, including the FCPA and the UK Bribery Act of 2010.

“Applicable Transfer Date” shall have the meaning as set forth in Section 6.6(a)(ii).

“Acquirer” shall have the meaning set forth in Section 6.7(b).

“Arlo Acquisition Transaction” shall mean any transaction or series of transactions involving, directly or indirectly any (a) issuance or acquisition of 50% or more of the outstanding shares of Seller Common Stock, (b) recapitalization, tender offer or exchange offer that if consummated would result in any Person beneficially owning 50% or more of the outstanding shares of Seller Common Stock or (c) merger, consolidation, amalgamation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving Seller that if consummated would result in any Person beneficially owning 50% or more of the outstanding shares of Seller Common Stock.

“Assets” shall mean, with respect to any Person, all assets, properties, rights and claims of every nature, kind and description, tangible and intangible, owned or leased or licensed, wheresoever located and whether or not carried or reflected on the books or records of such Person.

“Assumed Benefit Plan” shall mean each Benefit Plan (or portion thereof) that (i) Purchaser or any of its Affiliates is required to assume under applicable Law, or (ii) is listed on Section 1.1(i) of the Disclosure Schedules.

“Assumed Employee-Related Liabilities” shall have the meaning set forth in Section 6.6(g)(ii).

“Audited Seller Group Financial Statements” shall have the meaning set forth in Exhibit H.

“Award” shall have the meaning set forth in Section 6.6(b).

“Award Agreement” shall have the meaning set forth in Section 6.6(b).

“Bankruptcy and Equity Exception” shall have the meaning set forth in Section 4.2.

“Beckmann Liabilities” shall mean all Liabilities relating to any Transferred Employee who was previously a member of the NETGEAR UK Limited Pension Scheme in circumstances governed by TUPE which result from an entitlement (other than statutory entitlement) to payment of enhanced retirement benefits on redundancy or early retirement by reference to employment with Seller, any other Selling Entity, or NETGEAR UK Limited, and whether under the U.K. Pension Plan, Contract of employment or other arrangement.

“Benefit Plan” shall mean each “employee benefit plan” (as defined in Section 3(3) of ERISA or the equivalent applicable Law), whether or not subject to ERISA, and each other employment, change in control, retention, bonus, commission, defined benefit or defined contribution, pension, profit sharing, deferred compensation, stock ownership, stock purchase, stock option, stock appreciation, restricted stock, restricted stock unit, phantom stock or other equity-based compensation, retirement, vacation, severance, redundancy, termination, disability, death benefit, medical, dental, or other employee compensation and benefit plan, policy, program, agreement or arrangement, in each case, that Seller or its Subsidiaries sponsor, maintain or contribute to (or are required to contribute to) with respect to any Business Employees or have any Liability with respect to, for the benefit of Business Employees and their beneficiaries and dependents.

“Bill of Sale, Assignment and Assumption Agreement” shall have the meaning set forth in Section 8.2(a).

“Books and Records” shall have the meaning set forth in Section 6.5(c).

“Business” shall mean the Seller Group’s distribution, marketing and sales of Seller Group Products and Services in the Territory and any ancillary activities thereto, in each case, as conducted by the Seller Group as of the Closing. Notwithstanding the foregoing, the “Business” does not include (i) any development or manufacturing of any products or services that constitute Seller Group Products and Services (or the exploitation of any Intellectual Property incorporated into or reading on the Seller Group Products and Services); or (ii) Seller’s logistics and shipping business of any such products from the Territory to other jurisdictions, and excludes any Contracts with distributors outside the Territory who sell Seller Group Products and Services through the world wide web.

“Business Acquisition Proposal” means an indication of interest, offer or proposal to acquire, directly or indirectly, (i) the Business, or (ii) all or any substantial portion of the Transferred Assets, in each case, in a single transaction or series of related transactions (whether such acquisition is structured as a sale of stock, sale of assets, merger, recapitalization or otherwise, other than the transactions contemplated by this Agreement or an Arlo Acquisition Transaction).

“Business Day” shall mean any day other than a Saturday, a Sunday or a day on which banks in New York City, United States of America or Geneva, Switzerland are permitted or required by Law to be closed.

“Business Dissolution” shall have the meaning as set forth in Section 6.19(a).

“Business Distributor” shall have the meaning set forth in Section 4.21.

“Business Employee” shall mean (i) each employee of Seller or any of its Subsidiaries who is engaged wholly or primarily in the provision of services to the Business, (ii) each other employee of Seller or any of its Subsidiaries whose transfer to Purchaser and its Affiliates is required under local Law, and (iii) each other employee of Seller or any of its Subsidiaries who Seller and Purchaser have, prior to the Closing Date, mutually agreed will transfer to Purchaser and its Affiliates; in the case of each of clauses (i) and (ii), each of whom is listed in Section 1.1(ii) of the Disclosure Schedules.

“Business Employee List” shall have the meaning set forth in Section 6.6(m).

“Business Materials” shall have the meaning set forth in Exhibit C.

“Business Material Adverse Effect” shall mean any Effect that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on (a) the business, results of operations,

assets or financial (or other) condition of the Business and/or the Transferred Assets, taken as a whole; provided, that Effects, alone or in combination, that arise out of or result from the following, individually or in the aggregate, shall not be considered when determining whether a Business Material Adverse Effect has occurred: (i) changes in economic conditions, financial, credit or securities markets in general or the industries and markets in which the Business is operated or in which products of the Business are used or distributed, (ii) any change after the date hereof in Laws, GAAP or any other accounting standard applicable to the Business, or the enforcement or interpretation thereof, applicable to the Business, (iii) any change resulting from the execution, public announcement, or consummation of the transactions contemplated by, or the performance of obligations under and in compliance with, this Agreement, including any such change relating to the identity of, or facts and circumstances relating to, Purchaser or its Affiliates, (iv) acts of God (including any hurricane, flood, tornado, earthquake or other natural disaster or any other force majeure event), calamities, national or international political or social conditions, including acts of war, the engagement in hostilities, or the occurrence of any military attack or terrorist act in the jurisdictions in which the Business is conducted or any escalation or worsening of any of the foregoing, (v) any action taken by Purchaser, (vi) any Effect resulting directly or indirectly from the public announcement of this Agreement or the transactions contemplated herein, including any disruption in (or loss of) customer, supplier, service provider, partner or similar relationships or any loss of employees (except that this clause (vi) shall be disregarded for the purposes of the representations and warranties set forth in Section 4.3, Section 4.16(d) and Section 4.22 and the condition set forth in Section 7.2 solely as it relates to such representations and warranties), (vii) any decline in the market price, or change in trading volume, of Seller's securities or any decline in its credit ratings (except that the underlying causes, facts and circumstances of such decline or change may constitute, or be taken into account in determining whether there is, or has been, a Business Material Adverse Effect) and (viii) any Effects resulting directly or indirectly from (A) the Seller Group's compliance with the express terms of this Agreement or the other Transaction Documents or the taking of any action expressly required by this Agreement or the other Transaction Documents or (B) any action referred to in Section 6.1 taken by Seller with Purchaser's prior written consent; provided, however, that the exceptions in clauses (i), (ii) and (iv) shall only be applicable to the extent that such Effects do not have a disproportionate impact on the Business relative to businesses in the same or similar industries as the Business or (b) the ability of Seller and/or its Affiliates, as applicable, to perform their respective obligations under this Agreement in a timely manner or to consummate the transactions contemplated by this Agreement.

"Business Portion" shall have the meaning set forth in Section 6.14(a).

"Business Sale" shall have the meaning as set forth in Section 6.19(a)

"Change" shall have the meaning set forth in Section 6.18.

"Change Request" shall have the meaning set forth in Section 6.18.

"Closing" shall have the meaning set forth in Section 8.1.

"Closing Balance Sheet" shall have the meaning set forth in Exhibit H.

"Closing Date" shall have the meaning set forth in Section 8.1.

"Closing Statement" shall have the meaning set forth in Section 3.3(c).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

“Competition Laws” shall mean any antitrust, competition or trade regulation, treaties, conventions, agreements, statutes, rules, regulations, instruments, orders, directives, decrees, administrative and judicial doctrines and other Laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

“Confidentiality Agreement” shall have the meaning set forth in Section 6.2(b)

“Consent” shall have the meaning set forth in Section 6.3(a).

“Contract” shall mean any agreement, contract, subcontract, license, sublicense, lease, indenture, purchaser order or other legally binding commitment or undertaking of any nature.

“Contracting Parties” shall have the meaning set forth in Section 11.15.

“Current Distribution Relation” shall have the meaning set forth in Section 6.7(a)(iii).

“Customer Notices” shall have the meaning set forth in Section 6.21(d).

“Data Room” shall mean the “Aurora” virtual data room operated by Donnelley Financial Solutions.

“Data Sharing Agreement” shall have the meaning set forth in Section 6.5(a).

“Data Subject” shall have the meaning set forth in the GDPR.

“De Minimis Claim” shall have the meaning set forth in Section 9.4(a).

“Deductible” shall have the meaning set forth in Section 9.4(b).

“Deferred Asset” shall have the meaning set forth in Section 2.3(a).

“Deficiency Amount” shall have the meaning set forth in Section 3.3(a).

“Direct Claim” shall have the meaning set forth in Section 9.5(b).

“Disclosure Schedules” shall have the meaning set forth in the first sentence of Article IV.

“Dispute Notice” shall have the meaning set forth in Section 3.3(c).

“Disputed Items” shall have the meaning set forth in Section 3.3(c).

“Dollars” or “\$”, when used in this Agreement or any other Transaction Document, shall mean United States dollars unless otherwise stated.

“Effect” shall mean any change, effect, event, occurrence, state of facts or development.

“Effective Time” shall have the meaning set forth in Section 8.1.

“Employee Representative” shall have the meaning set forth in Section 4.17(a).

“Environmental Claim” shall mean any written claim, proceeding, suit, complaint, or notice of violation alleging violation of, or liability under, any Environmental Laws.

“Environmental Laws” shall mean any applicable foreign, federal, state or local Laws, permits, decrees, orders or common law relating to, or imposing standards regarding the protection of the environment.

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

“Estimated Closing Statement” shall have the meaning set forth in Section 3.2.

“Estimated Inventory Cost” shall mean Seller’s good faith estimate of Inventory Cost based on the books and records of the Business.

“Estimated Net Working Capital” shall mean Seller’s good faith estimate of Net Working Capital based on the books and records of the Business.

“Estimated Purchase Price” shall mean (i) \$50,000,000, plus (ii) the (positive or negative) Estimated Inventory Cost, plus (iii) the (positive or negative) Estimated Net Working Capital, in each case, as set forth in the Estimated Closing Statement.

“Estimated Purchase Price Elements” shall mean, collectively, the following: (i) Estimated Inventory Cost and (ii) Estimated Net Working Capital.

“Excess Amount” shall have the meaning set forth in Section 3.3(a).

“Exchange Act” shall mean the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Assets” shall mean the Assets set forth in Exhibit A.

“Excluded Contracts” shall have the meaning set forth in Exhibit A.

“Excluded Employee-Related Liabilities” shall have the meaning set forth in Section 6.6(g)(i).

“Excluded Liabilities” shall mean the Liabilities set forth in Exhibit B.

“FCPA” means the U.S. Foreign Corrupt Practices Act of 1977, as amended.

“Final Closing Statement” shall have the meaning set forth in Section 3.3(f).

“Final Purchase Price” means (i) \$50,000,000, plus (ii) the (positive or negative) Inventory Cost, plus (iii) the (positive or negative) Net Working Capital, in each case, as set forth in the Final Closing Statement.

“Final Purchase Price Elements” shall mean, collectively, the following: (i) Inventory Cost and (ii) Net Working Capital.

“Financial Information” shall have the meaning set forth in Section 4.4.

“Fraud” shall mean intentional misrepresentation with respect to the representations and warranties set forth in this Agreement or in any other Transaction Document that constitutes common law fraud under Delaware Law.

“French Assets” shall mean the Assets comprising the portion of the Business conducted by Arlo France S.A.S. in France.

“French Call Option” shall have the meaning set forth in Section 6.22(b)(ii).

“French Consultation Process” shall have the meaning set forth in Section 6.22(b)(i).

“GAAP” shall mean United States generally accepted accounting principles; provided, that solely for purposes of Exhibit H, “GAAP” shall mean such accounting principles as in effect at the date of the Audited Seller Group Financial Information.

“GDPR” shall mean (as the context permits) the EU General Data Protection Regulation (EU 2016/679) or the General Data Protection Regulation as adopted in the UK pursuant to the European Union (Withdrawal Act) 2018.

“Governmental Antitrust Entity” shall mean any Governmental Authority with regulatory jurisdiction over enforcement of any applicable Competition Law.

“Governmental Authority” shall have the meaning set forth in Section 4.3(b).

“Hazardous Materials” shall mean any material, chemical, emission or substance regulated as or designated by any Governmental Authority to be, radioactive, toxic, hazardous, a pollutant, a waste, a contaminant or otherwise a danger to health, reproduction or the environment, including petroleum, petroleum products and asbestos.

“Held Asset” shall have the meaning set forth in Section 6.12(a).

“Indemnification Claim Notice” shall have the meaning set forth in Section 9.5(a).

“Indemnified Party” shall have the meaning set forth in Section 9.4.

“Indemnifying Party” shall have the meaning set forth in Section 9.4.

“Independent Accountant” shall mean Grant Thornton LLP, or if such firm is unwilling or unable to serve as the Independent Accountant, such other firm of independent accountants of national or international standing to which Seller and Purchaser mutually agree in writing.

“Intellectual Property” shall mean all rights associated with the following: (a) patents and applications therefor, utility models and applications therefor and statutory invention registrations (including any continuations, continuations-in-part, divisionals, reissues, renewals, foreign counterparts or modifications for any of the foregoing); (b) trade secret rights, rights in know-how and all other rights in or to confidential business or technical information (“Trade Secrets”); (c) copyrights in works of authorship of any type (including copyrights in software), mask work rights and design rights, whether or not registered, and registrations and applications for registration thereof, and all rights therein provided by applicable international treaties or conventions, all moral and common law rights thereto; (d) trademarks, trade names, service marks, service names, trade dress rights, domain names, social media identifiers, URLs, IP addresses,

IP address ranges and websites and similar designation of origin, in each case whether registered or unregistered, and all goodwill symbolized thereby and associated therewith (“Trademarks”); and (e) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

“Intercompany Accounts” shall mean all intercompany accounts between members of the Seller Group.

“Interim Period” shall have the meaning set forth in Section 6.1(a).

“Inventory” shall mean all finished goods inventory (including in transit), all used inventory and all customer support inventory, in each case, of the Business.

“Inventory Cost” shall mean the net dollar amount (which may be either a positive or a negative number) of items classified as “Inventory” as of the Effective Time as determined in accordance with Exhibit H.

“Irish Inventory and Assets” shall have the meaning set forth in Section 2.4(d).

“IRS” shall mean the United States Internal Revenue Service.

“IT Infrastructure” shall mean all IT systems; network or telecommunications equipment and software, including desktop computer software; accounting, finance, human resources and database software; software as a service; general software development and control systems; and tools, environments and other general IT functionality used in the operation of the Business.

“Labor Contract” shall have the meaning set forth in Section 4.17(a).

“Landlord” shall mean a landlord, sublandlord, licensor or other party granting the right to use or occupy Real Property.

“Law” shall mean any law, treaty, statute, ordinance, rule, decree, code or regulation of a Governmental Authority.

“Lease Assignments” shall have the meaning set forth in Section 8.2(c).

“Liabilities” shall mean any liabilities, obligations, guarantees (including lease guarantees), commitments, damages, losses, debts, judgments or settlements of any nature or kind, whether known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, matured or unmatured.

“Liens” shall mean any mortgage, easement, lease, sublease, right of way, trust or title retention agreement, pledge, lien (including any lien for unpaid Taxes), charge, security interest, adverse claim, option or any restriction or other encumbrance of any kind.

“Local Transfer Agreements” shall have the meaning set forth in Section 8.2(d).

“Losses” shall mean any and all losses, damages, liabilities, costs (including reasonable out-of-pocket costs of investigation) and expenses, including interest, penalties, settlement costs, judgments, awards, fines, costs of mitigation, court costs and fees (including reasonable attorneys’ fees and expenses).

“Losses Estimate” shall have the meaning set forth in Section 9.5(a).

“Net Working Capital” shall be the net dollar amount (which may be either a positive or a negative number) of items classified as “Net Working Capital” as of the Effective Time as determined in accordance with Exhibit H.

“NETGEAR Awards” shall have the meaning set forth in Section 6.6(c).

“Non-Business Portion” shall have the meaning set forth in Section 6.14(a).

“Nonparty Affiliates” shall have the meaning set forth in Section 11.15.

“Notification” shall have the meaning set forth in Section 6.10(d).

“Notices of Variation” shall have the meaning set forth in Section 6.21(a).

“Offer” shall have the meaning set forth in Section 6.19(a).

“Omitted Asset” shall have the meaning set forth in Section 6.12(b).

“Order” shall mean any judgment, decree, order, writ, award, assessment, ruling or injunction of a court or other Governmental Authority of competent jurisdiction.

“ordinary course of business” shall mean in the ordinary course of the operation of the Business, consistent with past practices of the Business.

“Outside Date” shall have the meaning set forth in Section 10.1(b).

“Party” and “Parties” shall have the respective meanings set forth in the Recitals to this Agreement.

“Permits” shall mean any permit, franchise, authorization, license or other consent or approval, waiver, exemption or allowance issued or granted by any Governmental Authority or pursuant to any Law and, for the avoidance of doubt, shall not include Public Use Licenses.

“Permitted Business Sale” shall have the meaning set forth in Section 6.19(c).

“Permitted Liens” shall mean (1) (i) Liens for Taxes, assessments and other governmental charges not yet due and payable or, if due, (A) are being contested in good faith by appropriate proceedings and (B) for which adequate reserves have been established in accordance with GAAP, (ii) mechanics’, workmen’s, repairmen’s, warehousemen’s, carriers’ or other similar Liens, including all statutory Liens, or notices of commencement or similar filings, arising or incurred in the ordinary course of business with respect to any amounts not yet due and payable or which are being contested in good faith through (if then appropriate) appropriate proceedings, (iii) original purchase price conditional sales contracts and equipment leases, and related liens and financing statements, with third parties entered into in the ordinary course of business, and (iv) Liens that do not, individually or in the aggregate, materially affect the use of the underlying Transferred Asset for the purpose it is being utilized for by the Seller Group on the Closing Date; and (2) non-exclusive licenses of Trademarks or marketing or advertising materials granted by Seller or its Subsidiaries to customers or distributors in the ordinary course of business.

“Person” shall mean an individual, corporation, partnership, limited liability company, association, trust, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act).

“Personal Data” shall have the meaning set forth in the GDPR.

“Prepaid Benefit Plan Premiums” shall mean all premiums under any Assumed Benefit Plan that, as of the Effective Time, have been prepaid by Seller or its Affiliates.

“Primary Business Assets” shall have the meaning set forth in Section 6.19(d).

“Primary Business Entity” shall have the meaning set forth in Section 6.19(d).

“Proceeding” shall mean any claim, action, arbitration, audit, hearing, inquiry, examination proceeding, litigation or suit (whether civil, criminal or administrative) commenced, brought, conducted, or heard by or before, or otherwise involving any Governmental Authority or arbitrator.

“Processed/Processing” shall have the meaning set forth in the GDPR.

“Public Use License” means any commercial data license granted by a Governmental Authority.

“Purchase” shall mean the purchase and sale of the Transferred Assets and the assumption of the Transferred Liabilities on the terms set forth in this Agreement and the other Transaction Documents.

“Purchaser” shall have the meaning set forth in the Recitals to the Agreement.

“Purchaser Fundamental Representations” means the representations and warranties of Purchaser set forth in Sections 5.1, 5.2(a) and 5.6.

“Purchaser Indemnified Persons” shall have the meaning set forth in Section 9.2.

“Purchaser Material Adverse Effect” shall mean a material adverse effect on the ability of Purchaser and/or its Affiliates, as applicable, to perform their respective obligations under this Agreement in a timely manner or to consummate the transactions contemplated by this Agreement.

“Purchaser Plans” shall have the meaning set forth in Section 6.6(e).

“Purchase Price Allocation” shall have the meaning set forth in Section 3.4(a).

“Real Property” shall mean all interests in real property leased, licensed or used pursuant to any written or oral agreement, in each case, by the Seller Group in connection with the Business.

“Release” shall be defined as that term is defined in 42 U.S.C. § 9601 (22).

“Representative” shall mean, with respect to any Person, any officer, director, principal, partner, manager, member, attorney, accountant, agent, employee, consultant, financial advisor or other authorized representative of such Person.

“Resolution Period” shall have the meaning set forth in Section 3.3(d).

“Resolved Matters” shall have the meaning set forth in Section 3.3(d).

“Restricted Business” shall have the meaning set forth in Section 6.7(a)(i).

“Restricted Contracts” shall have the meaning set forth in Section 6.1(a)(xiv).

“Restricted Party” shall have the meaning set forth in Section 6.7(b).

“Restricted Stock Unit” shall have the meaning set forth in Section 6.6(b).

“Retained Business” means any and all of the businesses conducted by members of the Seller Group (other than the Business).

“Retained Employee” shall mean each individual employed or engaged by the Seller or any of its Affiliates as of the date of this Agreement, or between the date of this Agreement and the Closing Date (including any such employee who is on sick leave, military leave, vacation, holiday, disability or other similar leave of absence), who is in the Territory and is not a Business Employee listed on Section 1.1(ii) of the Disclosure Schedules.

“Review Period” shall have the meaning set forth in Section 3.3(c).

“Right of First Offer” shall have the meaning set forth in Section 6.19(a).

“ROFO” shall have the meaning set forth in Section 6.19(a).

“Sanctioned Country” shall mean a country or territory which is itself the subject of or target of comprehensive Sanctions (at the time of this agreement Crimea, Cuba, Iran, North Korea, and Syria).

“Sanctioned Person” shall mean a Person (i) listed on any Sanctions-related list of designated Persons maintained by a Governmental Authority, (ii) located, organized, or resident in a Sanctioned Country, or (iii) greater than 50% owned or controlled by one or more Persons described in clauses (i) or (ii) above.

“Sanctions” shall mean any Laws in any part of the world related to import transactions, export transactions, or economic or trade sanctions or restrictions; the economic sanctions rules and regulations implemented under statutory authority or the U.S. President’s Executive Orders and administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or U.S. Department of State; European Union Council Regulations on sanctions; United Nations sanctions policies and Laws; economic sanctions administered by Her Majesty’s Treasury of the United Kingdom; and all relevant Laws made under any of the foregoing.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Seller” shall have the meaning set forth in the Recitals to this Agreement.

“Seller Common Stock” shall mean the common stock, \$0.001 par value per share, of Seller.

“Seller Fundamental Representations” means the representations and warranties of Seller set forth in Sections 4.1, 4.2, 4.20 and 4.22.

“Seller Group” shall mean, collectively, Seller and each Subsidiary of Seller.

“Seller Group Indemnified Persons” shall have the meaning set forth in Section 9.3.

“Seller Group Products and Services” shall mean all of the Seller Group’s products made available from time to time in the United States or elsewhere (including, for the avoidance of doubt, “Arlo Go”) and

all services provided from time to time by the Seller Group relating thereto (including, for the avoidance of doubt, Arlo Smart Services (as defined in the Supply Agreement)).

“Selling Entities” shall mean, collectively, Seller and all Subsidiaries of Seller that own or purport to own any Transferred Assets or that have obligations or liabilities in respect of, or that are otherwise subject to, any Transferred Liabilities, and “Selling Entity” shall mean any of the Selling Entities.

“Severance Obligations” shall mean any statutory, contractual, common law or other severance or redundancy payments or other separation benefits, whether pursuant to applicable Law, any applicable plan or policy, any applicable individual employment agreement or arrangement, or otherwise and the employer portion of any Taxes payable in connection therewith. For the avoidance of doubt, Severance Obligations shall not include any severance compensation or benefits not required to be paid by applicable Law, or an applicable Benefit Plan or corresponding plan, policy, program, agreement or arrangement of Purchaser and its Affiliates.

“Seller RSU Award” shall have the meaning specified in Section 6.6(b).

“Shared Contract” means any Contract to which any member of the Seller Group is party or by which any such Person is bound that, in each case inures to the benefit of both the Business and any Retained Business.

“Specified Contract” shall mean (i) that certain Distributor Operations Agreement between Seller and DSV Solutions Nederland B.V. (“DSV”) dated as of July 2, 2018 (as amended, supplemented or otherwise modified from time to time), (ii) that certain Agreement/Authorization to Act as Direct Representative between Seller and DSV dated as of February 11, 2018 and (iii) that certain Services Frame Agreement between Arlo Technologies International Limited and A NOVO UK Limited dated as of September 11, 2018 (as amended, supplemented or otherwise modified from time to time).

“Specified Distributor” shall mean (i) ALSO Holding AG and each of its Affiliates (including ALSO Schweiz AG, ALSO Netherlands B.V., ALSO Deutschland GmbH, ALSO France S.A.S. and ALSO A/S), (ii) Ingram Micro Inc. and each of its Affiliates (including Ingram Micro Distribution GmbH, Ingram Micro SAS and Ingram Micro S.R.L.) and (iii) Tech Data Corporation and each of its Affiliates (including Tech Data France SAS, Tech Data Service GmbH, Tech Data Italia S.r.l, Tech Data Espania, S.L.U., Tech Data Sweden AB, Tech Data BVBA/SPRL and Tech Data UK Ltd).

“Specified Shared Contract” shall have the meaning set forth in Section 6.14(a).

“Straddle Period” shall have the meaning set forth in Section 6.10(b)(iii).

“Subscription Agreement” shall mean agreements with end-users in the Territory pursuant to the Seller’s standard terms of service, as in effect on the Closing.

“Subsidiary” or “Subsidiaries” of Purchaser, Seller or any other Person shall mean any corporation, partnership or other legal entity of which Purchaser, Seller or such other Person, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, more than 50% of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

“Supply Agreement” shall have the meaning set forth in the Recitals to the Agreement.

“Tax” or “Taxes” shall mean any federal, state, local, non-U.S. or other income, alternative, minimum, accumulated earnings, personal holding company, franchise, unincorporated business, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales, use, excise, custom duties, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental, real and personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security (including both employee and employer social security contributions), disability, workers’ compensation, payroll, health care, escheat, withholding, estimated or other similar tax, duty, or other charge or assessment in the nature of a tax by a Governmental Authority or deficiencies thereof (including amounts imposed for failure to file or provide correct or timely information to any Governmental Authority or third parties) and any interest, penalties (including promoter penalties), additions to tax and additional amounts imposed by any Governmental Authority.

“Tax Benefit” shall have the meaning set forth in Section 9.4(d).

“Tax Claim” shall have the meaning set forth in Section 6.10(d).

“Tax Return” shall mean any return, declaration, report, election, disclosure, form, estimated return and information statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Territory” means all the countries and jurisdictions in the European continent, including, without limitation, Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, The Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom (including, for clarity, its constituent parts) and Vatican City.

“the knowledge of” a Party shall mean, with respect to Seller, the actual knowledge of [***] after reasonable inquiry, and with respect to Purchaser, the actual knowledge of its general counsel or chief legal officer after reasonable inquiry. With respect to matters involving the Seller Group’s Intellectual Property (including the Transferred IP), knowledge does not require that any of such individuals conduct or have conducted or obtain or have obtained any freedom-to-operate opinions or similar opinions of counsel or any intellectual property clearance searches, and no knowledge of any third party Intellectual Property that would have been revealed by such inquiries, opinions or searches will be imputed to such individuals.

“Third-Party Claim” shall have the meaning set forth in Section 9.5(c)(i).

“Transaction Documents” shall mean this Agreement, the Bill of Sale, Assignment and Assumption Agreement, the Transition Services Agreement, the Lease Assignment, the Local Transfer Agreements and the certificates contemplated by Section 7.2(c) and 7.3(c) and all other documents to be executed in connection with the transactions contemplated by this Agreement, excluding the Supply Agreement and the Escrow (as defined in the Supply Agreement).

“Transfer Taxes” shall have the meaning set forth in Section 6.10(a).

“Transferred Assets” shall mean the Assets set forth in Exhibit C.

“Transferred Books and Records” shall mean (a) originals and all copies of all Books and Records primarily used in connection with the Transferred Assets or otherwise in the Business; and (b) copies of all e-mail correspondence used, but not primarily used, and otherwise related to the Transferred Assets or the Business that are in Seller’s or its Affiliate’s possession or control and were created on or after July 3, 2018, excluding the Excluded Assets.

“Transferred Business Contracts” shall have the meaning set forth in Exhibit C.

“Transferred Employees” shall have the meaning set forth in Section 6.6(a)(ii).

“Transferred IP” shall have the meaning set forth in Exhibit C.

“Transferred IT” shall have the meaning set forth in Exhibit C.

“Transferred Liabilities” shall mean the Liabilities set forth in Exhibit D.

“Transferred Personal Property” shall mean the Transferred IT and the property described in clause (g)(y) of Exhibit C.

“Transferred Real Property” shall mean the Real Property that is the subject of the Transferred Real Property Lease.

“Transferred Real Property Lease” shall mean the lease set forth in Section 1.1(iii) of the Disclosure Schedules, which shall set forth the street address of the Real Property that is subject to such lease.

“Transition Manager” shall have the meaning set forth in Section 6.18(b).

“Transition Services Agreement” shall have the meaning set forth in Section 8.2(b).

“Tripartite Agreement” shall have the meaning set forth in Section 6.6(a)(ii).

“TUPE” shall have the meaning set forth in Section 4.16(c).

“U.K. Pension Plan” shall mean the personal pension scheme (number TK087849) administered by Aviva Life & Pensions UK Limited.

“Unresolved Matters” shall have the meaning set forth in Section 3.3(d).

“VAT” shall mean any Tax imposed in compliance with Council Directive 2006/112/EC on the common system of value added tax, or any comparable Law adopted in the United Kingdom following an exit from the European Union.

1.2 Rules of Construction.

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

(b) The words “hereof,” “herein,” and “hereunder” and words of similar import when used in this Agreement, will refer to this Agreement as a whole (including any annexes, exhibits and schedules to this Agreement) and not to any particular provision of this Agreement, and recital, article, section, subsection, exhibit, annex and schedule references are to this Agreement unless otherwise specified. The exhibits, annexes and schedules to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement. The words “include,” “including” or “includes” when used herein shall be deemed in each case to be followed by the words “without limitation” or words having similar import. The word “extent” in the phrase “to the extent” means the degree to which a thing extends, and does not simply mean “if”. The headings and table of contents in this Agreement are included for convenience of reference only and will not limit or otherwise affect the meaning or interpretation of this Agreement. The meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms. The use of “Affiliates” and “Subsidiaries” shall be deemed to be followed by the words “as such entities exist as of the relevant date of determination”. Any reference to “days” means calendar days unless Business Days are expressly specified. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference

date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa. The word “or” is not exclusive, unless the context otherwise requires. Any reference to any document being “made available” or “delivered” by Seller to Purchaser means that Seller (a) delivered such document to Purchaser or (b) posted such document in the Data Room, in each case, as of 5:00 p.m. Pacific Time on the date that is two (2) Business Days prior to the date hereof. An accounting term not otherwise defined herein has the meaning ascribed to it in accordance with GAAP (it being understood that in the event of any discrepancy between GAAP and the provisions of this Agreement, the provisions of this Agreement shall control). A reference to a statute, listing rule, regulation, order or other applicable law includes a reference to the corresponding regulations and instruments and includes a reference to each of them as amended, consolidated, recreated, replaced or rewritten.

ARTICLE II PURCHASE AND SALE; ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Transferred Assets.

Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall, or shall cause all of the other Selling Entities to, sell, assign, transfer, convey and deliver to Purchaser (or one or more of its Affiliates, in Purchaser’s sole discretion) or procure the novation to Purchaser (or one or more of its Affiliates, in Purchaser’s sole discretion) and Purchaser (or one or more of its Affiliates, in Purchaser’s sole discretion) shall purchase, acquire and accept from Seller and each such other Selling Entity, all of Seller’s and such other Selling Entity’s respective right, title and interest in and to the Transferred Assets, free and clear of all Liens other than Permitted Liens. For the avoidance of doubt, the Transferred Assets shall not include the Excluded Assets.

2.2 Transferred Liabilities; Retention by Seller of Excluded Liabilities.

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser (or one of its Affiliates) shall assume, pay, perform and discharge when due all of the Transferred Liabilities.

(b) Any other provision of this Agreement notwithstanding, Purchaser (or any of its Affiliates) shall not be obligated to assume, pay, perform, discharge or be responsible for any of the Excluded Liabilities.

2.3 Consent to Assignment.

(a) Notwithstanding anything in this Agreement to the contrary, but subject to Section 6.3(a), this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery of any Transferred Asset (including any Contract or Permit or any claim, right or benefit arising thereunder or resulting therefrom, in each case, included in the Transferred Assets) if any attempted sale, assignment, transfer, conveyance or delivery of such Transferred Asset (i) would constitute a breach or violation of any applicable Law (whether by operation of law or otherwise), (ii) would adversely affect the rights of Purchaser and its Affiliates thereunder or (iii) if such Transferred Asset cannot be sold, assigned, transferred, conveyed or delivered without any Consent that has not been obtained (or does not remain in full force and effect at) the Closing (any such Transferred Asset, a “Deferred Asset”), unless and until (A) such Deferred Asset can be sold, assigned, transferred, conveyed or delivered in accordance with Section 2.2 without such breach, violation of Law or adverse effect on Purchaser’s rights thereunder or (B) such Consent is obtained at or

prior to Closing (and remains in full force and effect at the Closing), at which time, in the case of clauses (A) and (B), and without the payment of any further consideration by any Person, such Deferred Asset and related Transferred Liability shall be deemed to be sold, assigned, transferred, conveyed or delivered in accordance with Section 2.2 and assumed in accordance with Section 2.3(a) and shall cease to be a Deferred Asset. With respect to any such Deferred Asset, (A) from the Closing Date to the twelve (12)-month anniversary thereof, Seller and Purchaser shall, and shall cause their respective Affiliates to, reasonably cooperate and use commercially reasonable efforts to obtain, or cause to be obtained, all Consents required to assign or transfer such Deferred Asset to Purchaser (or its Affiliate) and (B) upon obtaining the requisite Consents, Seller shall sell, assign, transfer, convey and deliver all rights associated with such Deferred Asset to Purchaser (or its Affiliate), in each case, without the payment of any further consideration by any Person or agreement by any Person to any amendments, modifications or waivers of any terms of any Deferred Assets that would adversely affect the rights of Purchaser and its Affiliates thereunder in order to obtain such Consents. Subject to Section 6.3(a), neither Seller nor any of its Affiliates shall have any liability for failure to obtain any Consent (provided, that Seller has complied with its obligations under this Section 2.3) and neither Seller, Purchaser nor their respective Affiliates (or any of their respective designees) shall be obligated to pay (or cause to be paid) (x) fees, costs or expenses in connection with such Consents (other than immaterial administrative or legal costs and expenses) or (y) any consideration to any third party with respect to such Consents.

(b) To the extent and during the period any Transferred Asset remains a Deferred Asset, and without further consideration (i) Seller shall use commercially reasonable efforts to provide Purchaser and its Affiliates (and their respective designees) the maximum allowable use of the Deferred Asset (which shall include, at a minimum, the economic benefits of such Deferred Asset), and Seller and Purchaser shall reasonably cooperate to establish an agency type or other similar arrangement reasonably satisfactory to Purchaser under which Purchaser, its Affiliates and their respective designees would obtain, to the fullest extent practicable, the applicable Deferred Assets and assume the applicable Transferred Liabilities arising thereunder or resulting therefrom in accordance with this Agreement (including by means of any subcontracting, sublicensing or subleasing arrangement) and (ii) to the extent permitted by applicable Law, Seller shall, and shall cause its Affiliates to, exercise, enforce and exploit, only at the direction of and for the benefit of Purchaser, any and all claims, rights and benefits of Seller or its Affiliates arising in connection with such Deferred Asset. During such period and without further consideration, (A) Seller shall promptly (and in any event, within ten (10) Business Days) pay, assign and remit to Purchaser when received all monies and other consideration received by it or its Affiliates under any Deferred Asset or any claim, right or benefit arising thereunder and (B) Purchaser shall promptly pay, perform or discharge when actually due any Transferred Liability arising thereunder.

2.4 Local Transfer Agreements.

(a) The Parties do not intend this Agreement to transfer title to any Transferred Assets, or to constitute the assumption of any Transferred Liabilities, in any jurisdiction (i) in which such transfer or assumption is required by applicable Law to be made pursuant to a Local Transfer Agreement or (ii) where Purchaser reasonably expects that using a Local Transfer Agreement to such make transfer or assumption would reduce applicable Transfer Taxes (provided, that Purchaser shall have the right to elect that any or all Inventory will be transferred pursuant to a Local Transfer Agreement), and any such Transferred Assets or Transferred Liabilities, as applicable, shall only be transferred or assumed by the applicable Local Transfer Agreement. The Parties shall (or shall cause their applicable Subsidiary to) execute and deliver any requisite Local Transfer Agreement no later than the Closing Date; provided, that the Parties or their relevant Affiliates shall not enter into any Local Transfer Agreement with respect to a jurisdiction in which any of Seller or Purchaser has an obligation to inform and consult with Business Employees or any Employee Representative

regarding the transactions contemplated hereby, until such Party has concluded its information and consultation process, and such Local Transfer Agreement shall reflect any changes as may be agreed by the Parties to take into account the results of such information and consultation process.

(b) Notwithstanding the generality of Section 2.4(a), to the extent that the provisions of a Local Transfer Agreement (including any provisions required by local Law to be included in the Local Transfer Agreement) are inconsistent with, or (except to the extent they implement a transfer in accordance with this Agreement) additional to, the provisions of this Agreement (or do not fully give effect to the provisions of this Agreement with respect to the transfer of Transferred Assets or the assumption of Transferred Liabilities): (i) the provisions of this Agreement shall prevail and (ii) so far as permissible under applicable Law of the relevant jurisdiction, the Seller Group and Purchaser shall cause the provisions of the relevant Local Transfer Agreement to be adjusted, to the extent necessary to give effect to the provisions of this Agreement.

(c) Each Party hereto shall not, and shall cause its respective Affiliates not to, bring any claim (including for breach of any representation, warranty, undertaking, covenant or indemnity relating to the transactions contemplated hereby) against the other Party or any of its Affiliates in respect of or based upon any of the Local Transfer Agreements, except to the extent necessary to enforce any transfer of the Transferred Assets or the assumption of Transferred Liabilities sold or assigned to Purchaser hereunder in a manner consistent with the terms of this Agreement. All such claims (except as referred to above) shall be brought in accordance with, and be subject to the provisions, rights and limitations set out in, this Agreement, and no party shall be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity under or pursuant to any of the Local Transfer Agreements (but without prejudice to the establishment of the existence of the claim hereunder). To the extent that a Party does bring such a claim (except as referred to above), that Party shall indemnify the other Party (and/or that other Party's relevant Affiliates) against all Losses which it or they may suffer through or arising from the bringing of such claim against it or them.

(d) The Parties do not intend this Agreement to transfer title to any Inventory locally situated in Ireland on the Closing Date or other Transferred Assets that are capable of being transferred by delivery and are locally situated in Ireland on the Closing Date (together the "Irish Inventory and Assets"). On the Closing Date, Seller shall deliver to Purchaser and shall cause such of the other Selling Entities as necessary to deliver to Purchaser the Irish Inventory and Assets, when, by virtue of such delivery, title to the Irish Inventory and Assets shall pass to Purchaser.

ARTICLE III PURCHASE PRICE AND ADJUSTMENTS

3.1 Purchase Price.

Subject to the adjustments provided for in this Agreement, the purchase price in respect of the purchase and sale transactions hereunder shall be (i) an amount in cash equal to the Final Purchase Price and (ii) the assumption of the Transferred Liabilities, which comprises the respective purchase price to be paid for the Transferred Assets.

3.2 Determination of Estimated Purchase Price.

(a) No earlier than five (5) and no later than three (3) Business Days before the Closing Date, Seller shall deliver to Purchaser (i) a statement that is certified by Seller's Chief Financial Officer setting forth (A) Seller's good faith calculation and estimate of the aggregate amount of the Estimated Purchase Price and each of the Estimated Purchase Price Elements (B) Seller's good faith calculation and

estimate of the Closing Balance Sheet (such statement, "Estimated Closing Statement") and (ii) reasonable supporting detail of each of the calculations set forth in the Estimated Closing Statement. The Estimated Closing Statement shall be prepared in a manner consistent with the terms of (including the definitions contained in) this Agreement, including Exhibit H attached to this Agreement with respect to Estimated Inventory Cost and Estimated Net Working Capital. Seller shall, and shall cause each member of the Seller Group to, provide Purchaser and its Representatives and advisors reasonable access to the books, Contracts, properties, personnel, Representatives (including Seller's advisors and independent accountants and their work papers) and records of the Seller Group and such Representatives of the Seller Group relevant to Purchaser's review of the Estimated Closing Statement. Seller shall review any comments proposed by Purchaser with respect to the Estimated Closing Statement and will consider, in good faith, any appropriate changes thereto prior to the Closing.

(b) On the Closing Date, Purchaser shall deliver to Seller (for its own account and as agent for any other Selling Entity) an amount in cash equal to the Estimated Purchase Price. Such amount shall be payable in United States dollars in immediately available funds to such bank account or accounts as shall be designated in writing by Seller not less than three (3) Business Days prior to the Closing.

3.3 Post-Closing Adjustment of Estimated Purchase Price.

(a) Purchaser and Seller agree that to the extent that the Final Purchase Price exceeds the Estimated Purchase Price, Purchaser shall pay to Seller (on behalf of itself and as agent for any other Selling Entity) such excess (the "Excess Amount"), and to the extent that the Final Purchase Price is less than the Estimated Purchase Price, Seller (on behalf of itself and as agent for any other Selling Entity) shall pay to Purchaser such shortfall (the "Deficiency Amount"), in each case pursuant to the terms of this Section 3.3.

(b) From and after the Closing Date until the determination of the Final Closing Statement pursuant to this Section 3.3, Purchaser shall, and shall cause its Subsidiaries to, permit Seller and its Representatives access to the properties of the Business acquired by Purchaser, and provide reasonable access, during business hours upon reasonable advance written notice, to all of the books, records, contracts and other documents (including auditor's work papers subject to the execution by Seller and/or its Representatives, as applicable, of customary confidentiality and hold harmless agreements relating to such access to working papers) of the Business acquired by Purchaser that are relevant to the calculations set forth in the Closing Statement, a Dispute Notice or otherwise related to the negotiation and/or resolution of the Final Closing Statement.

(c) Following the Closing, Purchaser shall prepare (A) a good faith calculation of the Final Purchase Price, each of the Final Purchase Price Elements and the Excess Amount or the Deficiency Amount (if any) and (B) Purchaser's good faith calculation of the Closing Balance Sheet. The calculations and estimates described under the foregoing clauses are collectively referred to herein as the "Closing Statement." Purchaser shall deliver the Closing Statement, together with reasonable supporting detail as to each of the calculations set forth in the Closing Statement, to Seller no later than ninety (90) days following the Closing Date. If Purchaser fails to timely deliver the Closing Statement in accordance with the immediately preceding sentence within such ninety (90) day period, then the Estimated Closing Statement delivered by Seller to Purchaser pursuant to Section 3.2 shall be deemed to be the Final Closing Statement for all purposes herein. Notwithstanding anything herein to the contrary, the Parties agree that the Closing Statement, and the component items and calculations therein, including the Final Purchase Price, each of the Final Purchase Price Elements, the Excess Amount or the Deficiency Amount (if any), and the Closing Balance Sheet shall be prepared in a manner consistent with the terms of (including the definitions contained

in) this Agreement, including Exhibit H attached to this Agreement with respect to Inventory Cost and Net Working Capital. The Closing Statement shall be conclusive, final and binding on all Parties absent manifest error unless Seller gives Purchaser written notice (a “Dispute Notice”) of any disputes or objections thereto (collectively, the “Disputed Items”) with reasonable supporting detail as to such Disputed Items within thirty (30) days after receipt of the Closing Statement (such period, the “Review Period”). In the event Seller fails to give Purchaser a Dispute Notice prior to the expiration of the Review Period or otherwise earlier notifies Purchaser in writing that it has no disputes or objections to the Closing Statement, the payments shall be made by Seller or Purchaser, as applicable, in accordance with Section 3.3(g).

(d) Seller and Purchaser shall, for a period of thirty (30) days (or such longer period as Seller and Purchaser may agree in writing) following delivery of a Dispute Notice to Purchaser (the “Resolution Period”), attempt in good faith to resolve their differences (all such discussions and communications related thereto shall (unless otherwise agreed by Seller and Purchaser in writing) be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar state rule), and any such written resolution by them as to any Disputed Items shall be conclusive, final and binding on all Parties absent manifest error. Any Disputed Items agreed to by Seller and Purchaser in writing, together with any items or calculations set forth in the Closing Statement not disputed or objected to by Seller in the Dispute Notice, are collectively referred to herein as the “Resolved Matters.” Any Resolved Matters shall be conclusive, final and binding on all Parties absent manifest error, except to the extent such component could be affected by other components of the calculations set forth in the Closing Statement that are the subject of a Dispute Notice. If, at the end of the Resolution Period, Seller and Purchaser have been unable to resolve any differences they may have with respect to the matters specified in the Dispute Notice, either of Seller or Purchaser may, upon written notice to the other, refer all matters that remain in dispute with respect to the Dispute Notice (the “Unresolved Matters”) for resolution to the Independent Accountant. If one or more Unresolved Matters are submitted to the Independent Accountant for resolution, Seller and Purchaser shall enter into a customary engagement letter with, and, to the extent necessary, will waive and cause their respective controlling Affiliates to waive any conflicts with, the Independent Accountant at the time such dispute is submitted to the Independent Accountant and shall cooperate with the Independent Accountant in connection with its determination pursuant to this Section 3.3. Within ten (10) Business Days after the Independent Accountant has been retained, each of Seller and Purchaser shall furnish, at its own expense, to the Independent Accountant and substantially simultaneously to the other a written statement of its position with respect to each Unresolved Matter. Within five (5) Business Days after the expiration of such ten (10) Business Day period, each of Seller and Purchaser may deliver to the Independent Accountant its response to the other’s position on each Unresolved Matter; provided, that it delivers a copy thereof substantially simultaneously to the other. With each submission, each of Seller and Purchaser may also furnish to the Independent Accountant such other information and documents as it deems relevant or such information and documents as may be requested by the Independent Accountant; provided, that it delivers a copy thereof substantially simultaneously to the other Party. The Independent Accountant may, at its discretion, conduct one or more conferences (whether in person or by teleconference or videoconference) concerning the disagreement and each of Seller and Purchaser shall have the right to present additional documents, materials and other information and to have present its Representatives at such conferences.

(e) The Independent Accountant shall be directed to promptly, and in any event within thirty (30) days after its appointment pursuant to Section 3.3(d), render its decision on the Unresolved Matters (and not on any other matter or calculation set forth in the Closing Statement). The Independent Accountant’s determination as to each Unresolved Matter shall be set forth in a written statement delivered to each of Seller and Purchaser, which shall include the Independent Accountant’s (i) determination as to the calculation of each of the Unresolved Matters and (ii) the corresponding corrective calculations set forth in the Closing Statement that are derived from its determination as to the calculations of the Unresolved Matters, all of

which shall be conclusive, final and binding on all Parties absent manifest error. In resolving any Unresolved Matter, the Independent Accountant may not assign a value to such item greater than the greatest value for such item claimed by Purchaser in the Closing Statement or by Seller in the Dispute Notice or less than the lowest value for such item claimed by Purchaser in the Closing Statement or by Seller in the Dispute Notice. The fees, costs and expenses of the Independent Accountant shall be paid by each of Seller and Purchaser based on the inverse proportion to the difference between the Final Purchase Price proposed by each of them and the Final Purchase Price as determined by the Independent Accountant. For example, if Seller claims that the appropriate adjustments are \$1,000 greater than the amount determined by Purchaser and if the Independent Accountant ultimately resolves the dispute by awarding to Seller \$300 of the \$1,000 contested, then the fees, costs and expenses of the Independent Accountant will be allocated 30% (i.e., $300 \div 1,000$) to Purchaser and 70% (i.e., $700 \div 1,000$) to Seller.

(f) For purposes of this Agreement, subject to the fourth sentence of Section 3.3(c), the “Final Closing Statement” shall be, (i) in the event that no Dispute Notice is delivered by Seller to Purchaser prior to the expiration of the Review Period, the Closing Statement delivered by Purchaser to Seller pursuant to Section 3.3(c), (ii) in the event that a Dispute Notice is delivered by Seller to Purchaser prior to the expiration of the Review Period, the Closing Statement delivered by Purchaser to Seller pursuant to Section 3.3(c), as adjusted pursuant to the agreement of Seller and Purchaser in writing, or (iii) in the event that a Dispute Notice is delivered by Seller to Purchaser prior to the expiration of the Review Period and Seller and Purchaser are unable to agree on all matters set forth in such Dispute Notice, the Closing Statement delivered by Purchaser to Seller pursuant to Section 3.3(c), as adjusted by the Independent Accountant to be consistent with (A) the Resolved Matters and (B) the Independent Accountant’s determination as to the calculation of the Unresolved Matters in accordance with Sections 3.3(d) and 3.3(e).

(g) If the calculation of Final Purchase Price set out in the Final Closing Statement results in a Deficiency Amount, then Seller shall pay to an account designated by Purchaser in immediately available funds an amount equal to the Deficiency Amount. If the calculation of Final Purchase Price set out in the Final Closing Statement results in an Excess Amount, then Purchaser shall pay to an account designated by Seller in immediately available funds an amount equal to the Excess Amount. All payments under this Section 3.3(g) shall be made within three (3) Business Days of the final determination of the Final Closing Statement.

3.4 Allocation of Estimated Purchase Price.

(a) Seller and Purchaser agree to allocate the Estimated Purchase Price (and all other amounts treated as consideration for U.S. federal income tax purposes) among the Transferred Assets for Tax purposes in accordance with the rules under Section 1060 of the Code (the “Purchase Price Allocation”). Within thirty (30) days after the Closing Date, Seller shall deliver to Purchaser a draft Purchase Price Allocation. If within thirty (30) days after Purchaser’s receipt of the draft Purchase Price Allocation Purchaser has not objected in writing to such draft Purchase Price Allocation, it shall become conclusive, final and binding. In the event that Purchaser objects in writing within such 30-day period, the Parties shall negotiate in good faith to resolve the dispute; provided, however, that in the event that Seller and Purchaser cannot reach agreement with respect to the Purchase Price Allocation within ninety (90) days after the Closing Date, the Independent Accountant shall resolve such Purchase Price Allocation dispute. The costs related to having the accounting firm resolve such Purchase Price Allocation dispute shall be borne equally by Purchaser and Seller.

(b) If an adjustment is made to the Estimated Purchase Price pursuant to Section 3.3, the Purchase Price Allocation shall be adjusted in accordance with Section 1060 of the Code and as mutually

agreed by Purchaser and Seller. In the event that an agreement with respect to any adjustment is not reached within thirty (30) days after the Final Closing Statement becomes binding pursuant to Section 3.3(f), any such dispute shall be resolved in the manner described in Section 3.4(a). Purchaser and Seller shall file their Tax Returns (and IRS Form 8594, if applicable) on the basis of such Purchase Price Allocation, as it may be amended pursuant to this Agreement, and neither Party shall thereafter take a Tax Return position or any other position for applicable Tax purposes that is inconsistent with such Purchase Price Allocation, unless otherwise required pursuant to a final “determination” as defined in Section 1313 of the Code or similar provision of state, local or non-U.S. Law.

3.5 Withholding.

Purchaser, Seller, and their respective Affiliates shall be entitled to withhold, or cause to be withheld, from any payment made pursuant to this Agreement such amounts as are required to be withheld under applicable Tax Law (including any amounts required to be withheld in the event that a tax clearance certificate pursuant to Section 980 of the Irish Taxes Consolidation Act of 1997 (as amended) is not produced or updated (as appropriate) by Seller indicating that Irish Tax is not required to be deducted from the Estimated Purchase Price); provided, that Purchaser shall (a) provide prior written notice of such withholding to Seller and a reasonable opportunity for Seller to obtain reduced rates of withholding or other available exemptions, if any, and (b) timely pay over to the appropriate Governmental Authority any amounts withheld pursuant to this Section 3.5. To the extent that such amounts are so withheld and paid over to the proper Governmental Authority, such withheld and deducted amounts will be treated for all purposes of this Agreement as having been paid to the applicable Selling Entity in respect of which such deduction and withholding was made. Upon either Party’s reasonable written request, the other Party shall submit a tax payment certificate or other documentation (or copy thereof), to the extent issued by the applicable Governmental Authority, certifying payment of such amount.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser, subject to the disclosures and exceptions set forth in the disclosure schedules delivered by Seller to Purchaser concurrently herewith (the “Disclosure Schedules”), as follows:

4.1 Corporate Existence.

Each Selling Entity is duly organized, validly existing and, where such concept is recognized in the applicable jurisdiction, in good standing under the laws of its jurisdiction of organization. Each Selling Entity has the requisite corporate, limited liability company, partnership or similar power and authority to own, lease and operate its properties, rights and assets related to the Business (including the Transferred Assets) and to conduct the Business as the same is now being conducted by it. Each Selling Entity is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified or in good standing would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect.

4.2 Corporate Authority.

This Agreement and the other Transaction Documents to which each Selling Entity is (or becomes) a party and the consummation of the transactions contemplated hereby and thereby involving such Persons have been duly and validly authorized by such Selling Entity, and will be duly and validly authorized

by each such Selling Entity, in each case, by all requisite corporate, partnership or similar action prior to Closing and no other proceedings on the part of such Selling Entity or its equityholders are (and no other proceedings on the part of any such Selling Entity or any of its equityholders will be) necessary for such Selling Entity to authorize the execution or delivery of this Agreement or any of the other Transaction Documents or to perform any of their obligations hereunder or thereunder. The Selling Entities have, and will have at or prior to the Closing, full corporate, limited liability company, partnership or similar organizational (as applicable) power and authority to execute and deliver the other Transaction Documents to which it is a party and to perform its obligations hereunder or thereunder. This Agreement has been duly executed and delivered by Seller, and the other Transaction Documents will be duly executed and delivered by Seller and any other Selling Entity party thereto, and this Agreement constitutes, and the other Transaction Documents when so executed and delivered will constitute, a valid and legally binding obligation of Seller and/or any other Selling Entities, enforceable against it or them, as the case may be, in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and the implied covenant of good faith and fair dealing (the "Bankruptcy and Equity Exception").

4.3 No Conflicts; Governmental Approvals and Consents.

(a) Except for any requirements under Competition Laws in the jurisdictions set forth in Schedule 6.3(b) hereto, the execution and delivery of this Agreement and the other Transaction Documents by Seller and/or each of the other Selling Entities, the performance by Seller and each other Selling Entity of its respective obligations hereunder and thereunder and the consummation by Seller and each of the other Selling Entities of the transactions contemplated hereby and thereby do not and will not (A) violate or conflict with any provision of the respective certificate of incorporation or by-laws or similar organizational documents of Seller or any other Selling Entity, (B) result in any violation or breach of, or constitute any default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or a loss of a benefit under, any Transferred Business Contract or Transferred Real Property Lease, (C) result in the creation of any Lien (except for Permitted Liens) upon, or (D) violate, conflict with or result in any breach under any provision of any Law or Order applicable to Seller or any other Selling Entity (to the extent it relates to the transactions contemplated by this Agreement), the Business or the Transferred Assets, except, in the case of clauses (B), (C) and (D), to the extent that any such breach, default, termination, cancellation, acceleration, loss, Lien, violation, conflict, breach or loss would not be material to the Business and/or the Transferred Assets, taken as a whole.

(b) Except for any requirements under Competition Laws, no Consent in the jurisdictions set forth in Schedule 6.3(b) hereto, order, or license from, notice to or registration, declaration or filing with, any United States, supranational or foreign, federal, state, provincial, municipal or local government agency, court of competent jurisdiction, administrative agency or commission or other governmental or regulatory authority or instrumentality ("Governmental Authority"), is required on the part of Seller or any other Selling Entity in connection with the execution, delivery or performance of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby, except for (a) such Consents, orders, licenses, filings or notices that have been or will be obtained as of the Closing Date and remain in full force and effect, (b) filings required pursuant to the Exchange Act and (c) those with respect to which the failure to have been so obtained or to remain in full force and effect would not be material to the Business and/or the Transferred Assets, taken as a whole.

4.4 Financial Information.

Section 4.4 of the Disclosure Schedules sets forth the management-prepared unaudited statements of revenues of the Business for the 12-months ended September 29, 2019 and certain balance sheet line items as of September 29, 2019 (the “Financial Information”). The Financial Information has been prepared from the books and records of the Seller Group in a manner consistent with the accounting practices and procedures used to prepare the Audited Seller Group Financial Statements and GAAP as at the date of the Audited Seller Group Financial Information but not using carve-out standards under GAAP and fairly presents, in all material respects, the revenues of the Business for the period covered thereby and the listed balance sheet items for the Business as of September 29, 2019. The accounting methods, policies, procedures and estimation methodologies set out in Section D of Exhibit H are consistent with the accounting methods, policies, procedures and estimation methodologies used in the Audited Seller Group Financial Statements and GAAP as at the date of the Audited Seller Group Financial Information with respect to the same account line items.

4.5 Absence of Changes.

Since the date of the Financial Information, (i) except as otherwise required by this Agreement or the other Transaction Documents, (a) the Seller Group has conducted the Business in all material respects in the ordinary course of business and (b) no member of the Seller Group has taken any action that it would not be permitted to take without the consent of Purchaser after the date hereof pursuant to Section 6.1 and (ii) there has not been a Business Material Adverse Effect.

4.6 Sufficiency of Assets.

Except (i) for services and other rights that are to be made available pursuant to the Transition Services Agreement and the other Transaction Documents and (ii) as set forth in Section 4.6 of the Disclosure Schedules, the Transferred Assets collectively constitute all of the assets, properties and rights of the Seller Group that are necessary for, or used in connection with, the conduct of the Business as currently conducted and as it is conducted immediately prior to the Closing.

4.7 Title to Transferred Assets; Properties.

(a) Seller or one or more of the other Selling Entities has, or at the Closing will have, and Purchaser will at the Closing acquire, exclusive and good title to, or have valid and enforceable rights to use the Transferred Assets, in all cases, free and clear of all Liens, except Permitted Liens and Liens arising out of any actions by or on behalf of Purchaser or any of its Subsidiaries.

(b) All Transferred Personal Property, taken as a whole, is in all material respects in good working condition and repair, ordinary wear and tear and maintenance excepted, and in all material respects suitable for the purposes for which it is currently used.

4.8 Transferred Business Contracts.

(a) Section 4.8 of the Disclosure Schedules lists each of the Transferred Business Contracts, other than the Subscription Agreements.

(b) Seller has delivered to Purchaser true, correct and complete copies of each of the Transferred Business Contracts (other than Subscription Agreements), together with any material amendments, modifications or supplements thereto. Except as would not be material to the Business and/or the Transferred Assets, taken as a whole, (i) each Transferred Business Contract is in full force and effect and is a valid and binding agreement of the relevant member of the Seller Group, and to the knowledge of

Seller, the other parties thereto, enforceable in accordance with its terms subject to the Bankruptcy and Equity Exception, (ii) no member of the Seller Group is in breach of or default under any Transferred Business Contract to which it is a party, and, to the knowledge of Seller, no other party to any such Contract is in breach thereof or default thereunder, (iii) no member of the Seller Group has received from any counterparty any written notice of termination or written notice or written claim of default by such member of the Seller Group under any Transferred Business Contract and (iv) to the knowledge of Seller, no event has occurred that, with or without notice or lapse of time or both, would result in a breach or default under any Transferred Business Contract by any member of the Seller Group. Notwithstanding the foregoing, the representations and warranties contained in this Section 4.8 do not apply to the Transferred Real Property Lease, which is covered in Section 4.18.

4.9 Litigation.

Neither Seller nor any other Selling Entity is subject to any Order or stipulation of any Governmental Authority that would prevent or reasonably be expected to interfere with or delay the consummation of the transactions contemplated by the Transaction Documents or, would be material to the Business, and/or the Transferred Assets. There are no Proceedings pending or, to the knowledge of Seller, investigations or threatened Proceedings against Seller or any other Selling Entity in respect of the Business or the Transferred Assets which (i) would be material to the Business and/or the Transferred Assets, (ii) would prevent or reasonably be expected to interfere with or delay the consummation of the transactions contemplated by the Transaction Documents, (iii) seek or threaten injunctive or non-monetary relief or (iv) allege criminal wrongdoing or could result in a criminal penalty.

4.10 Compliance with Laws; Permits.

(a) Compliance with Laws. Except for non-compliance or violations that would not be material to the Business, and/or the Transferred Assets, taken as a whole, since July 3, 2018, (i) the Business has been conducted at all times in compliance in all material respects with all Laws or Orders applicable to the Business, and (ii) no member of the Seller Group has received any written notice of any violation or alleged violation by the Business of any such Law or Order.

(b) Permits. (i) The Seller Group has all Permits that are necessary to conduct the Business as currently conducted, (ii) all such Permits are in full force and effect, (iii) the Business is not being conducted in violation or default of such Permits, (iv) no member of the Seller Group is in receipt of any written notification that any Governmental Authority is threatening to revoke any such Permit and (v) all such Permits were lawfully obtained, in each of the foregoing clauses (i) through (v), other than any exceptions as would not be material to the Business and/or the Transferred Assets, taken as a whole. Section 4.10(b) of the Disclosure Schedules sets forth all Permits primarily relating to, used or held for use in connection with the Business.

4.11 Anti-Corruption; International Trade.

(a) Since July 3, 2018, neither the Business, nor any of its officers, directors, or employees, nor, to the knowledge of Seller, any of their respective agents or third-party representatives (i) has made, authorized, solicited or received any bribe, unlawful rebate, payoff, influence payment, or kickback, (ii) has established or maintained, or is maintaining, any unlawful fund of corporate monies or properties, (iii) has used or is using any corporate funds for any illegal contributions, gifts, entertainment, hospitality, travel, or other unlawful expenses, (iv) has violated or is violating in any respect Anti-Corruption Laws, or (v) has, directly or indirectly, made, offered, authorized, facilitated, or promised any payment, contribution, gift, entertainment, bribe, rebate, kickback, financial or other advantage, or anything else of value, regardless

of form or amount, to any governmental official or any other Person, in each case of the foregoing clauses (i) - (v), in connection with or relating to the Business.

(b) Neither the Business, nor any of its officers, directors, or employees, nor, to the knowledge of Seller, any of their respective agents or third-party representatives is currently or has since July 3, 2018 been: (i) a Sanctioned Person; (ii) operating in, organized in, conducting business with, or otherwise engaging in dealings with or for the benefit of any Sanctioned Person or in any Sanctioned Country; or (iii) otherwise in violation of any Sanctions.

(c) The Seller Group has implemented and maintains in effect written policies, procedures and internal controls, including an internal accounting controls system, that are reasonably designed to prevent, deter and detect violations of applicable Anti-Corruption Laws and Sanctions. The Seller Group has not received from any Governmental Authority any notice, inquiry, or internal or external allegation; or made any voluntary or involuntary disclosure to a Governmental Authority, in each case, concerning any actual or potential violation or wrongdoing related to Sanctions or Anti-Corruption Laws, in each case, except as would not, individually or in the aggregate be material to the Business.

4.12 Intellectual Property.

(a) Section 4.12 of the Disclosure Schedules sets forth a correct and complete list of any and all registrations and applications included in the Transferred IP, specifying (i) the owner of such item and (ii) for registrations and applications, each jurisdiction in which such item is issued or registered or in which any application for issuance or registration has been filed and the respective issuance, registration, or application number and date of such item. All registrations and applications included in the Transferred IP are subsisting and unexpired, and to the knowledge of Seller, valid, enforceable and otherwise in good standing and none of such registrations and applications have been adjudged invalid or unenforceable in whole or in part. All fees that are due and payable in respect of the Transferred IP have been duly paid, and Seller has taken all actions required in the prosecution of the Transferred IP.

(b) Seller or another Selling Entity solely and exclusively own all Transferred IP, free and clear of any Liens (other than Permitted Liens). Without limiting the generality of the foregoing, Seller or another Selling Entity has entered into binding, written Contracts with every current and former employee and/or independent contractor of the Business who was involved in the creation of the Transferred IP whereby such employees and independent contractors (i) assign to a Selling Entity any ownership interest and right they may have in any Intellectual Property created or developed by such employees or independent contractors within the scope of or during their services for the Business, and (ii) acknowledge such Selling Entity's sole and exclusive ownership of such Intellectual Property.

(c) There is no written notice, claim, indemnification request or Proceeding (including any oppositions, interferences or re-examinations) pending or, to the knowledge of Seller, threatened against Seller or any Seller Subsidiary (i) asserting or suggesting that any infringement, misappropriation, violation, dilution or unauthorized use of Intellectual Property is or may be occurring or has or may have occurred, in each case, relating to the Business or (ii) challenging the validity, enforceability or use of any Transferred IP. Neither Seller nor any other Selling Entity has received any written request that Seller or any other Selling Entity consider taking a license under any Intellectual Property owned by a third party that relate to the Business. The conduct of the Business does not infringe, misappropriate, dilute or violate any Intellectual Property of any third party. To the knowledge of Seller, no third party is infringing, misappropriating, diluting or violating any Transferred IP in any material respect.

(d) No Transferred IP is subject to any outstanding Order or stipulation that (i) materially conflicts with the use and distribution thereof in connection with the Business as currently conducted or (ii) would otherwise restrict or limit Purchaser's ability to assign, transfer or license such Transferred IP.

(e) Each of Seller and the other Selling Entities has implemented reasonable policies and procedures and has taken reasonable steps necessary to maintain, enforce and protect their rights in the Transferred IP and at all times has maintained the confidentiality of all Trade Secrets included in the Transferred IP. None of the Trade Secrets or other confidential information included in the Transferred Assets have been disclosed to a third party other than employees, suppliers, representatives, customers or agents of the Business all of whom are bound by written confidentiality agreements.

(f) After the Closing, Purchaser and its Affiliates will not be obligated to grant a license, covenant or similar right to a third party with respect to their own Intellectual Property, solely due to the assumption of one or more of the Transferred Business Contracts.

(g) Neither Seller nor any of its Subsidiaries has or is participating in any industry standards organization that in any manner restricts or requires the licensing or enforcement of any Transferred IP to or against third parties.

4.13 Privacy and Data Security.

(a) The use, storage, sharing, disclosure, dissemination, Processing and disposal of any personally identifiable information and Personal Data of the Business (including, as applicable, customers and employees) is in compliance in all material respects with all applicable privacy policies, terms of use, contractual obligations and applicable Laws.

(b) Seller and its Subsidiaries maintain complete, accurate and up to date records of their Personal Data Processing activities in relation to the Business in accordance in all material respects with applicable data protection and privacy Laws.

(c) Seller and each Subsidiary has, in relation to the Business, issued privacy notices to, and (when necessary) has obtained consents from, all relevant Data Subjects which comply in all material respects with applicable data protection and privacy Laws.

(d) Since July 3, 2018, there have been no security breaches relating to, or violations of any security policy regarding, or any unauthorized access of, any Personal Data used by or on behalf of Seller or its Subsidiaries in connection with the Business, other than those that were resolved without material cost, material liability or the duty to notify any Person. Further, Seller and its Subsidiaries have:

(i) implemented appropriate technical and organizational measures designed to protect against the unauthorized or unlawful Processing of, and accidental loss of or damage to, Personal Data relating to the Business which is Processed by or on behalf of Seller and its Subsidiaries;

(ii) put in place appropriate agreements, as required by applicable data protection and privacy Laws, with all third parties Processing Personal Data on their behalf relating to the Business; and

(iii) undertaken reasonably appropriate privacy and information security due diligence on all such third parties in accordance with, applicable data protection and privacy Laws.

(e) Seller and its Subsidiaries are, and have since July 3, 2018 been, in compliance with the Payment Card Industry Data Security Standard requirements in all material respects.

(f) There is no, and there has been no, written complaint to, or any audit, proceeding, claim or, to the knowledge of Seller, investigation (formal or informal) against, any Selling Entity, in each case with respect to the Business by: (i) any private party; or (ii) the Federal Trade Commission, any state attorney general or similar state official, or any other governmental authority, foreign or domestic, in each case with respect to the security, confidentiality, availability or integrity of information technology assets, Personal Data, or other data, information or Intellectual Property, except for any of the foregoing that arose prior to the date of this Agreement and have been fully resolved.

4.14 Product Liability.

No product distributed, licensed or made available by Seller or its Subsidiaries to customers or end users in the Territory has been the subject of a recall, Proceeding or, to the knowledge of Seller, investigation, and none of Seller or any of its Subsidiaries have received any written assertions of same. Since July 3, 2018, other than routine warranty claims and routine product returns, neither Seller nor any other Selling Entities has received any claim by any customer in the Territory for indemnification with respect to any Seller Group Product and Service, on any theory, that has not since been resolved.

4.15 Tax Matters.

(a) All material Tax Returns required to be filed by Seller with respect to the Transferred Assets have been filed when due in accordance with all applicable Laws and material Taxes due and payable with respect to the Transferred Assets have been timely paid. There is no action, suit, proceeding, investigation, audit or claim now pending with respect to any material Tax with respect to any Transferred Asset, and no such action with respect to any Transferred Asset has been threatened in writing.

(b) There are no outstanding agreements extending the statutory period of limitation applicable to any claim for, or the period for the collection or assessment of, any material Taxes with respect to the Transferred Assets.

(c) With respect to the Transferred Assets, Seller has duly and timely withheld from all payments to third parties all material amounts required to be so withheld under all applicable Law.

(d) There are no Tax liens (other than Permitted Liens) on any of the Transferred Assets.

(e) Neither Seller nor its Affiliates has received any written notice or written inquiry from any jurisdiction where Seller or its applicable Affiliates do not currently file Tax Returns to the effect that such filings may be required with respect to the Transferred Assets or that the Transferred Assets may otherwise be subject to taxation by such jurisdiction.

4.16 Benefit Plans.

(a) Section 4.16(a) of the Disclosure Schedules sets forth a list of each material Benefit Plan, and separately designates each Assumed Benefit Plan.

(b) Each Benefit Plan is and has been maintained in material compliance with its terms and with the requirements of applicable Law, and there are no pending claims, audits or investigations, or, to the knowledge of Seller, claims, audits or investigations threatened against any Benefit Plan, by any

Business Employee or any Governmental Authority or otherwise involving any such Benefit Plan or the assets of any Benefit Plan (other than routine claims for benefits made in the ordinary course) that, individually or in the aggregate, could result in the imposition of any material Liability on Purchaser or its Affiliates. No Liabilities under any Assumed Benefit Plan relates to any employees of Seller and its Subsidiaries other than Business Employees.

(c) Other than as set forth on Section 4.16(c) of the Disclosure Schedules, no Business Employee or other employee has transferred to the employment of Seller or any of the other Selling Entities in circumstances governed by the Transfer of Undertakings (Protection of Employment) Regulations 2006 or predecessor legislation thereto (“TUPE”) with an entitlement to payment of enhanced benefits on redundancy or early retirement by reference to employment with Seller, any other Selling Entity, or a previous employer, and whether under the U.K. Pension Plan, contract of employment, or other arrangement. Other than the U.K. Pension Plan, there are no legally enforceable arrangements in existence in the United Kingdom to which Seller or any of its Subsidiaries are legally obligated to contribute for the provision of any pension, lump sum or other like benefit upon retirement or death or termination of employment which are for the benefit of any Business Employee in the United Kingdom. Any contributions that have been required to be paid by Seller or any of its Subsidiaries under the U.K. Pension Plan prior to the date of this Agreement have been paid in full. The U.K. Pension Plan provides only money purchase benefits within the meaning of Section 181 of the Pension Schemes Act 1993, and neither Seller nor any of its Subsidiaries has ever participated in any U.K. occupational pension scheme providing any benefits which are not money purchase benefits within such meaning.

(d) Neither the execution of this Agreement nor the consummation of the transactions contemplated by this Agreement, alone or in connection with any other event (whether contingent or otherwise) would reasonably be expected to (i) except as required under applicable Law, entitle any Business Employee to treat such Business Employee’s employment or engagement as having been terminated and/or entitle such Business Employee to any severance pay, unemployment compensation or any other payment or benefit, (ii) accelerate the time of payment or vesting, or increase the amount, of any compensation or benefit due to any Business Employee (other than with respect to any Business Employee whose employment does not transfer automatically to Purchaser or its Affiliates in connection with the transactions contemplated by this Agreement), (iii) directly or indirectly cause or require the transfer or setting aside of any assets to fund any Assumed Benefit Plan or otherwise give rise to any material Liability under any Assumed Benefit Plan, or (iv) limit or restrict the right to amend, terminate or transfer the assets of any Assumed Benefit Plan on or following the Closing Date.

4.17 Labor Matters.

(a) Except as set forth on Section 4.17(a) of the Disclosure Schedules, neither Seller nor any other Selling Entity is or has since July 3, 2018 been (a) a party to or bound by any collective bargaining agreement, works council agreement (including with any European Works Council or staff body or group thereof), trade union agreement, or other similar agreement (including any such agreement applicable on a national and/or industry-wide basis) (each of the foregoing, a “Labor Contract”) in respect of the Business, (b) subject to a legal duty to bargain with (exclusive of any of the change-in-control-related notification and consultation obligations listed on Section 4.17(a) of the Disclosure Schedules), or in recognition of, any labor union, works council, trade union or similar employee representative group (each, an “Employee Representative”) on behalf of the Business Employees; (c) to the knowledge of Seller, the object of any attempt to organize or obtain recognition with respect to the Business Employees for collective bargaining purposes or representation by any Employee Representative, or presently operating under an

expired Labor Contract; or (d) party to or subject to any actual or, to the knowledge of Seller, threatened, strike, work stoppage, picketing, boycott or similar activity in respect of the Business.

(b) Other than as set forth in Section 1.1(ii) of the Disclosure Schedules, there are no other employees of Seller or any of its Subsidiaries who are engaged wholly or primarily in the provision of services to the Business or whose transfer to Purchaser and its Affiliates is required under local Law.

(c) Except as set forth on Section 4.17(c) of the Disclosure Schedules and as required by any applicable Law, no consent or consultation of, requirement to provide information to, or the rendering of or receipt of an opinion or formal advice by, any Employee Representative, group of employees, or any Governmental Authority with jurisdiction over labor matters is required for Seller or any other Selling Entity to enter into this Agreement or to consummate the transactions contemplated by this Agreement or the other Transaction Documents. Since July 3, 2018, each of Seller and the other Selling Entities has complied in all material respects with their respective obligations to inform and/or consult which are similar to the type described in the immediately preceding sentence.

(d) Except as would not, individually or in the aggregate, be material to the Business, the Business is and has since July 3, 2018 been conducted in compliance with all applicable Laws respecting labor, employment, fair employment practices, equal employment opportunities (including the prevention of discrimination, harassment and retaliation), terms and conditions of employment, labor-management relations, the termination of employment, the classification of employees as exempt or non-exempt from overtime pay requirements, the classification of non-employee workers, contractors and consultants, wages and hours (including payment of all wages and overtime), work authorization, immigration, occupational safety and health, holiday pay, and mass layoffs and plant closings. No action, arbitration, dispute, litigation, audit, complaint, charge, inquiry, material disciplinary or grievance proceeding, or investigation by, on behalf of, or in relation to any current, former, or prospective employee of the Business, or any labor union, works council, or trade union, or otherwise relating to the labor or employment practices with respect to the Business (including for the avoidance of doubt any audit, investigation, or other proceeding conducted by any tax or revenue authority) is pending or, to the knowledge of Seller, threatened which, if adversely decided, may reasonably, individually or in the aggregate, be material to the Business.

(e) Neither Seller nor any other Selling Entity has closed any site of employment, effectuated any mass layoffs or redundancies, or implemented any early retirement, exit incentive or other group termination program in the Territory since July 3, 2018, nor planned or announced any such action or program for the future.

4.18 Transferred Real Property.

(a) No member of the Seller Group owns any Real Property.

(b) A true and complete copy of the Transferred Real Property Lease (including any exhibits, appendix, addenda, schedules, amendments and modifications thereto) has been made available to Purchaser. Seller or its Subsidiaries has a valid and enforceable leasehold estate in, and enjoys peaceful and undisturbed possession of, all Transferred Real Property, subject to no liens other than Permitted Liens. The Transferred Real Property Lease is the valid and binding obligation of Seller or one of its Subsidiaries, enforceable in accordance with its terms subject to the Bankruptcy and Equity Exception. Neither Seller nor any Subsidiary has received any written notice from any Landlord of, nor does Seller or any Subsidiary have knowledge of the existence of, any default, event or circumstance that, with notice or lapse of time, or both, would constitute a default by the party that is the lessee or lessor of such Transferred Real Property. Seller

and its Subsidiaries have not subleased, licensed or otherwise granted any other party the right to use or occupy any Transferred Real Property or any portion thereof.

4.19 Environmental Matters.

(a) Except as would not reasonably be expected, individually or in the aggregate, to have a Business Material Adverse Effect: (i) each of Seller and the other Selling Entities in respect of the Business and the Transferred Assets are in compliance with all, and have not violated any, Environmental Laws, including the possession of, and the compliance with, all Permits required under Environmental Laws; (ii) to the knowledge of Seller, there has not been any Release or threatened Release of Hazardous Materials at, on, under or from any Real Property or, to the knowledge of Seller, any other real property, in a manner that would reasonably be expected to give rise to liability under any Environmental Laws to Seller or any Selling Entity in respect of the Business or the Transferred Assets; (iii) none of Seller or any other Selling Entity has received any Environmental Claim relating to the Business or the Transferred Assets and, to the knowledge of Seller, there are no Environmental Claims threatened against Seller or any Selling Entity in respect of the Business or the Transferred Assets; (iv) none of Seller or any other Selling Entity is subject to any Order or settlement relating to compliance with Environmental Law; and (v) none of Seller or any other Selling Entity has assumed or retained, by contract, operation of law, any obligation under any Environmental Law or concerning any Hazardous Materials relating to the Business or the Transferred Assets.

(b) Seller has made available to Purchaser, copies of all environmental reports, studies, assessments, audits, sampling data and similar documents containing material information that may affect the Business, and all correspondence alleging any material violation of or liability under Environmental Laws and other written Environmental Claims, in each case, in their possession or control and relating to the Transferred Assets and/or the Business.

4.20 Affiliate Agreements.

Section 4.20 of the Disclosure Schedules lists all Affiliate Agreements that relate to the Business. Seller has made available to Purchaser or its Representatives copies of each such Affiliate Agreement.

4.21 Distributors.

Section 4.21 of the Disclosure Schedules sets forth all of the distributors engaged by the Business during the 12-month period ended September 30, 2019 (the "Business Distributors") and the aggregate amount of revenue attributable to each for such period. As of the date hereof, no Business Distributor has (i) canceled, terminated, adversely modified, or failed to renew its business relationship with the Seller Group or notified in writing to Seller or any of its Subsidiaries of any intention to cancel, terminate or adversely modify in any material respect, or fail to renew its relationship with the Seller Group, or (ii) provided written notice to the effect that it will fail to perform, or is reasonably likely to fail to perform, its material obligations in respect of its relationship with the Seller Group. There are no pending material disputes with any Business Distributor.

4.22 Brokers and Other Advisors.

No member of the Seller Group has retained any investment banker, finder or broker who would have a valid claim for a fee, brokerage, commission or similar compensation in connection with the negotiation, execution or delivery of this Agreement or any of the other Transaction Documents or the consummation of any of the transactions contemplated hereby or thereby.

4.23 No Other Representations or Warranties.

The representations and warranties contained in this Article IV (as modified by the Disclosure Schedules) and the express representations and warranties contained in the other Transaction Documents are the only representations and warranties made by Seller with respect to the Seller Group, the Business, the Transferred Assets and the Transferred Liabilities and none of Seller, any Subsidiaries or Affiliates of Seller nor any other Person makes any other express, implied or statutory representation or warranty with respect to the Seller Group, the Business, the Transferred Assets, the Transferred Liabilities or otherwise, including any implied warranties of merchantability, fitness for a particular purpose, title, enforceability or non-infringement, including as to (a) the physical condition or usefulness for a particular purpose of the real or tangible personal property included in the Transferred Assets, (b) the use of the Transferred Assets and the operation of the Business by Purchaser after the Closing in any manner other than as used and operated by Seller or its Subsidiaries, or (c) the probable or potential success or profitability of the ownership, use or operation of the Business by Purchaser after the Closing. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE IV (AS MODIFIED BY THE DISCLOSURE SCHEDULES) AND THE EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED IN THE OTHER TRANSACTION DOCUMENTS, ALL TRANSFERRED ASSETS ARE CONVEYED ON AN “AS IS” AND “WHERE IS” BASIS AND WITH ALL FAULTS. Except for the representations and warranties contained in this Article IV (as modified by the Disclosure Schedules) or the express representations and warranties contained in the other Transaction Documents and the indemnification obligations set forth in Article IX hereof or as otherwise provided in the Transaction Documents, Purchaser has not relied upon and neither Seller nor any other Person will have or be subject to any liability or indemnification obligation to Purchaser or any other Person for any information provided to, or used by, Purchaser or its Representatives relating to the Business, the Transferred Assets, the Transferred Liabilities or otherwise in expectation of the transactions contemplated by this Agreement and the other Transaction Documents, including any materials prepared by Seller or any of its Affiliates, or any of the Representatives of the foregoing related to the Business, the Transferred Assets or the Transferred Liabilities and any information, document, or material made available to Purchaser or its Representatives, whether orally or in writing, in Purchaser’s due diligence review, including in certain “data rooms” (electronic or otherwise), management presentations, functional “break-out” discussions, responses to questions submitted on behalf of Purchaser, due diligence reviews, or in any other form related to the transactions contemplated by this Agreement and the other Transaction Documents, including during the negotiation of such transactions.

ARTICLE V REPRESENTATIONS OF PURCHASER

Purchaser represents and warrants to Seller as follows:

5.1 Corporate Existence.

Purchaser is duly organized and validly existing under the Laws of Switzerland. Purchaser has all requisite corporate power and authority to own, lease and operate the Transferred Assets, to assume the Transferred Liabilities, and to carry on the Business in substantially the same manner as it is now being conducted by Seller and its Subsidiaries.

5.2 Corporate Authority.

(a) This Agreement and the other Transaction Documents to which Purchaser is a party and the consummation of the transactions contemplated hereby and thereby involving Purchaser have been duly authorized by Purchaser by all requisite corporate action. Purchaser has all corporate power and authority

to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder. This Agreement has been duly executed and delivered by Purchaser, and the other Transaction Documents will be duly executed and delivered by Purchaser, and this Agreement constitutes, and the other Transaction Documents when so executed and delivered will constitute, a valid and legally binding obligation of Purchaser, enforceable against it in accordance with its terms subject to the Bankruptcy and Equity Exception.

(b) Except for any requirements under Competition Laws in the jurisdictions set forth in Schedule 6.3(b) hereto, the execution and delivery of this Agreement and the other Transaction Documents by Purchaser, the performance by Purchaser of its obligations hereunder and thereunder and the consummation by Purchaser of the transactions contemplated hereby and thereby do not and will not (A) violate or conflict with any provision of the certificate of incorporation or by-laws or similar organizational documents of Purchaser, (B) result in any violation or breach or constitute any default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any Lien under any contract, indenture, mortgage, lease, note or other agreement or instrument to which Purchaser is subject or is a party, or (C) violate, conflict with or result in any breach under any provision of any Law applicable to Purchaser or any of its properties or assets, except, in the case of clauses (B) and (C), to the extent that any such default, violation, conflict, breach or loss would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

5.3 Governmental Approvals and Consents.

Except for any requirements under Competition Laws in the jurisdictions set forth in Schedule 6.3(b) hereto, no Consent, approval, order or authorization of, license or permit from, notice to or registration, declaration or filing with, any Governmental Authority, is required on the part of Purchaser in connection with the execution, delivery or performance of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby except for such consents, approvals, orders or authorizations of, licenses or permits, filings or notices which have been obtained and remain in full force and effect and those with respect to which the failure to have obtained or to remain in full force and effect would not have or reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

5.4 Litigation.

As of the date of this Agreement, there is no Proceeding pending or, to the knowledge of Purchaser, investigation or threatened Proceeding against Purchaser or any of its Affiliates that would reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

5.5 Financial Capacity.

Purchaser will have at the Closing all funds necessary to pay and satisfy in full the obligations pursuant to this Agreement to pay (i) the Estimated Purchase Price and all amounts payable at Closing and following the Closing pursuant to Article III and (ii) all fees and expenses of Purchaser and its Affiliates, including in connection with the transactions contemplated by this Agreement and the other Transaction Documents.

5.6 Brokers and Other Advisors.

None of Purchaser nor any of its Affiliates has retained any financial advisor, investment banker, finder or broker who would have a valid claim for a fee, brokerage, commission or similar compensation from Seller or its Affiliates in connection with the negotiation, execution or delivery of this Agreement or any of the other Transaction Documents or the consummation of any of the transactions contemplated hereby or thereby.

5.7 Employee Consultations.

Except with respect to the information and consultation process that may be required with the relevant French Employee Representative(s) and the Swedish Employee Representative(s) of Purchaser and/or any of its Affiliates, no consent or consultation of, requirement to provide information to, or the rendering of or receipt of an opinion or formal advice by, any Employee Representative, group of employees, or any Governmental Authority with jurisdiction over labor matters is required for Purchaser or any other Affiliate of Purchaser to enter into this Agreement or to consummate the transactions contemplated by this Agreement or the other Transaction Documents.

5.8 Acknowledgments by Purchaser.

(a) Purchaser acknowledges that the representations and warranties contained in Article IV (as modified by the Disclosure Schedules) and the express representations and warranties contained in the other Transaction Documents are the only representations and warranties made by Seller with respect to the Seller Group, the Business, the Transferred Assets and the Transferred Liabilities and none of Seller, any Subsidiaries or Affiliates of Seller nor any other Person makes any other express, implied or statutory representation or warranty with respect to the Seller Group, the Business, the Transferred Assets, the Transferred Liabilities or otherwise, including any implied warranties of merchantability, fitness for a particular purpose, title, enforceability or non-infringement, including as to (a) the physical condition or usefulness for a particular purpose of the real or tangible personal property included in the Transferred Assets, (b) the use of the Transferred Assets and the operation of the Business by Purchaser after the Closing in any manner other than as used and operated by Seller or its Subsidiaries, or (c) the probable or potential success or profitability of the ownership, use or operation of the Business by Purchaser after the Closing. Purchaser is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in Article IV (as modified by the disclosure schedules) and the express representations and warranties contained in the other Transaction Documents.

(b) In connection with the due diligence investigation of the Business and the Transferred Assets by Purchaser and its Affiliates, stockholders, directors, officers, employees, agents, representatives or advisors, Purchaser and its Affiliates, stockholders, directors, officers, employees, agents, representatives and advisors have received and may continue to receive after the date hereof from the Seller Group and its Affiliates, stockholders, directors, officers, employees, consultants, agents, representatives and advisors certain estimates, projections, forecasts and other forward-looking information, as well as certain business plan information, regarding the Seller Group and the Business. Purchaser hereby acknowledges that there are uncertainties inherent in attempting to make such estimates, projections, forecasts and other forward-looking statements, as well as in such business plans, and that Purchaser will have no claim against the Seller Group, or any of its Affiliates, stockholders, directors, officers, employees, consultants, agents, representatives or advisors, or any other person with respect thereto unless any such information is expressly addressed or included in a representation or warranty contained in this Agreement. Accordingly, Purchaser hereby acknowledge and agree that neither the Seller Group nor any of its Affiliates, stockholders, directors, officers, employees, consultants, agents, representatives or advisors, nor any other

Person, has made or is making any express or implied representation or warranty with respect to such estimates, projections, forecasts, forward-looking statements or business plans unless any such information is expressly addressed or included in a representation or warranty contained in Article IV of this Agreement (as modified by the Disclosure Schedules) and the express representations and warranties contained in the other Transaction Documents.

ARTICLE VI
AGREEMENTS OF PURCHASER AND SELLER

6.1 Conduct of the Business.

(a) During the period from the date hereof until the Closing or earlier termination of this Agreement in accordance with Article X (such period, the “Interim Period”), except (a) as expressly contemplated or required by this Agreement, (b) as consented to in writing by Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed, (c) as set forth in Section 6.1(a) of the Disclosure Schedules or (d) as required by applicable Law, Seller shall, and shall cause its Affiliates (x) to conduct the Business in all material respects in the ordinary course of business and use commercially reasonable efforts to (i) preserve the Business intact, including existing relations and goodwill with Governmental Authorities, clients, customers, vendors and suppliers of the Business and Business Employees and (y) not to, to the extent relating to the Business:

(i) (A) incur, guarantee, become liable for or assume any indebtedness and/or (B) make any loan, advance or capital contribution to or investment in any Person, in each case of clauses (A) and (B), as would impose any Liability on Purchaser, its Affiliates, the Business or the Transferred Assets;

(ii) enter into or consummate any transaction involving the acquisition of the equity interests in or portion of the Assets of, or forming a joint venture or partnership with, any business or Person or any division thereof (whether by merger, consolidation, exchange of equity securities or by any other manner in a single transaction or series of related transactions);

(iii) other than any indirect sale, transfer or conveyance of Transferred Assets in connection with an Arlo Acquisition Transaction, sell, lease, license, transfer, assign, convey, abandon, allow to lapse or expire, exchange or swap, mortgage or otherwise encumber (including securitizations), or subject to any Lien (other than Permitted Liens) or otherwise dispose of any portion of the Transferred Assets, other than any dispositions of inventory or obsolete or worthless Transferred Assets in the ordinary course of business;

(iv) (A) modify, amend, fail to renew or terminate any Transferred Business Contract, or waive, release or assign any material rights or material claims under any Transferred Business Contract, (B) enter into any Contract that would be a Transferred Business Contract if in existence as of the date hereof (other than Subscription Agreements), or (C) enter into any Contract that (1) contains either (x) a change in control provision in favor of the other party or parties thereto or (y) an anti-assignment provision requiring consent or approval to effect the assignment of such Contract, or (2) that would require a payment to or give rise to any rights to any Person in each case of the foregoing clauses (1) and (2), in connection with the transactions contemplated hereby;

(v) use, apply to register or register, license, authorize, enable, assist, consent to, encourage, facilitate, promote or permit any Person to use Seller’s trademarks and logos in the

Territory, other than non-exclusive licenses granted to customers and users in the ordinary course of business;

(vi) except as required by any Benefit Plan: (A) increase the salary or other compensation of any Business Employee, other than in the ordinary course of business (and in no event shall such increases in the aggregate with respect to any Business Employee be in excess of 2%), (B) make any long-term incentive awards (cash or equity), pay or grant any new or additional entitlement to severance or termination pay, or grant transaction, retention, or other similar bonus to any Business Employee, (C) take any action to accelerate the vesting or payment of any compensation or benefit to any Business Employee or accelerate the funding under any Assumed Benefit Plan, (D) adopt, materially amend, or terminate any Assumed Benefit Plan (or any arrangement that would be an Assumed Benefit Plan if in effect as of the date of this Agreement), (E) propose, agree to or effect any material change to any Business Employee's terms of employment or engagement, (F) terminate (other than for cause) any Business Employee or hire any individual who would become a Business Employee, or (G) transfer the employment of any individual to or from the Business;

(vii) (A) recognize any Employee Representative as the representative of any Business Employees, or (B) enter into any new or amended Labor Contract except as required by applicable Law;

(viii) (A) make any change to the accounting policies or procedures in effect as of the date of the Financial Information to the extent such change would be inconsistent with the accounting policies or procedures utilized or to be utilized in connection with the preparation of the Estimated Closing Statement or the Closing Statement, except (i) as required by GAAP (or any interpretation thereof) or as required by a Governmental Authority or quasi-Governmental Authority (including the Financial Accounting Standards Board or any similar organization) or (ii) as required by a change in applicable Law, (B) change or modify the sales, marketing or contracting policies, procedures or practices with any current or prospective distributor, end-use customer, client, channel partner or similar person and/or (C) other than in the ordinary course of business, change or modify any credit collection and payment policies, procedures or practices (including any acceleration in the collection of receivables or delay in the payment of payables);

(ix) initiate, settle, compromise, waive, discharge or agree to initiate, settle, compromise, waive or discharge any Proceeding, that (A) would involve the payment of monetary damages in excess of \$[***], (B) would involve any admission of wrongdoing by the Business, or any of its directors, officers, employees or agents, (C) involves any regulatory agency or other Governmental Authority or alleged criminal wrongdoing or (D) would result in any injunctive or non-monetary relief or would impose any material restrictions or obligations on the Business;

(x) (A) adopt or effect a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization or (B) discontinue the Business in any respect;

(xi) make, change or revoke any material Tax election or settle or compromise any claim, assessment or dispute with respect to a material amount of Taxes, in each case, (x) which reasonably would be expected to have an adverse impact on Purchaser or its Affiliates and (y) only with respect to Taxes that relate primarily to the Transferred Assets;

(xii) make material changes to any internal or posted policies and procedures with respect to data privacy and data security related to the Transferred Assets;

(xiii) any action that would constitute (i) a breach of the provisions of the Supply Agreement that are in effect at the Effective Time or (ii) a breach of the Supply Agreement provisions related to exclusivity or a material breach of the Supply Agreement provisions related Intellectual Property, if such provisions were in full force and effect as of the Effective Time;

(xiv) subject to Section 6.24, modify, amend, renew, extend, provide any consent or agreement under, waive any provision of, or take any other action under or with respect to, each Transferred Business Contract listed on Schedule 6.1(a)(xiv) hereto (the "Restricted Contracts"); or

(xv) authorize or enter into any written agreement or otherwise make any commitment to do any of the foregoing.

Notwithstanding anything in this Section 6.1, Seller shall not be required to take any action or non-action that in the reasonable and good faith judgment of counsel to Seller would violate any Law applicable to Seller or any other Selling Entity.

6.2 Investigation of Business.

(a) During the Interim Period, and subject to applicable Laws, the terms of any confidentiality restrictions under Contracts to which a member of the Seller Group is a party as of the date hereof and Sections 6.2(b) and 6.4, Purchaser shall be entitled, including through its Representatives, to have such reasonable access to the properties, businesses, operations, personnel and books and records of, or pertaining to, the Transferred Assets and the Business as it reasonably requests in connection with Purchaser's efforts to consummate the transactions contemplated by this Agreement. Any such access and examination shall be at Purchaser's expense and shall be conducted on reasonable advance written notice, during regular business hours and under reasonable circumstances, and in the case of access or examination that requires physical access to the properties of the Seller Group or the Transferred Employees (except for [***]), subject to the reasonable supervision of Seller, and shall be subject to restrictions under applicable Law. Purchaser shall not, and shall cause its Representatives not to meet with any Business employees or other personnel other than such employees or other personnel listed on Schedule 6.2(a) hereto without prior notice to Seller. Seller shall use its commercially reasonable efforts to cause the Representatives of Seller and its Subsidiaries to reasonably cooperate with Purchaser and its Representatives in connection with such access and examination, and Purchaser and its Representatives shall reasonably cooperate with Seller and its Subsidiaries and their respective Representatives and shall minimize any unreasonable disruption to the Business and the Retained Business. Notwithstanding anything herein to the contrary, no such access or examination shall be permitted to the extent that it would (i) unreasonably disrupt the operations of Seller or any of its Subsidiaries or (ii) require Seller or any of its Subsidiaries to disclose information subject to attorney-client privilege or conflict with any confidentiality or privacy obligations to which Seller or any of its Subsidiaries is bound solely on the basis that the disclosure of such information would, in the reasonable and good faith judgment of counsel to Seller, violate such attorney-client privilege or conflict with such confidentiality obligations; provided, however, that Seller shall promptly notify Purchaser thereof and use commercially reasonable efforts to seek alternative means to disclose such information as nearly as possible without adversely affecting such attorney-client privilege or confidentiality obligations. All requests for information made pursuant to this Section 6.2(a) shall be directed to an executive officer of Seller, the employees and other personnel listed on Schedule 6.2(a) with respect to the subject matter listed on Schedule 6.2(a) or other Person designated by Seller.

(b) Purchaser acknowledges that the information provided to Purchaser in connection with this Agreement is subject to the confidentiality terms of the confidentiality agreement between Hellman & Friedman Advisors LLC and Seller, dated as of June 6, 2019 (as amended from time to time, the "Confidentiality Agreement"), the confidentiality terms of which are incorporated herein by reference. Effective upon the Closing, the terms of the Confidentiality Agreement which place confidentiality obligations on Purchaser, its Affiliates and/or Representatives will terminate solely with respect to information relating to the Business.

6.3 Necessary Efforts; No Inconsistent Action.

(a) Subject to Section 6.3(b) and the other terms and conditions of this Agreement, Seller and Purchaser agree, and Seller agrees to cause the Seller Group, to use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by the Transaction Documents and to use their respective reasonable best efforts to cause the conditions to each Party's obligation to close the transactions contemplated hereby as set forth in Article VII to be satisfied, including all actions necessary to obtain (i) all licenses, certificates, permits, approvals, clearances, expirations, waivers or terminations of applicable waiting periods, authorizations, qualifications and orders

(each a “Consent”) of any Governmental Authority required for the satisfaction of the conditions set forth in Section 7.1(b), and (ii) all other (A) Consents of any Person (including all required Consents

(b)

under Transferred Business Contracts and the Transferred Real Property Lease), necessary or desirable in connection with the consummation of the transactions contemplated by the Transaction Documents and (B) novations of the Transferred Business Contracts, it being understood that (x) neither Party nor any of their respective Subsidiaries shall be required to expend any money other than for filing fees or expenses or immaterial administrative or legal costs or expenses, (y) the prior written consent of Purchaser shall be required with respect to any amendment, waiver or modification to any Transferred Business Contract for the purpose of obtaining any such Consent that is adverse to Purchaser or the Business and (z) in no event shall any Party be required to seek a novation of any Transferred Business Contract unless (1) such novation is required under applicable Law to transfer the burden and/or obligations of such Transferred Business Contract or (2) Purchaser reasonably expects that novating such Transferred Business Contract would reduce applicable Transfer Taxes (and, for the avoidance of doubt, if the parties to a Transferred Business Contract have agreed that such Transferred Business Contract is to be novated (pursuant to this clause (z) or otherwise), this Agreement shall not constitute an assignment or attempted assignment of such Transferred Business Contract nor shall this Agreement amount to an agreement for the sale of any interest in such contract). The Parties shall cooperate fully with each other to the extent necessary in connection with the foregoing.

(c) In connection with the efforts referenced in Section 6.3(a), each of Seller and Purchaser shall cooperate with one another and use its reasonable best efforts to, and cause its respective Affiliates to use their reasonable best efforts to, (i) prepare all necessary documentation (including furnishing all information required under the applicable Competition Laws in the jurisdictions listed in Schedule 6.3(b) hereto) to effect promptly all necessary filings with any Governmental Authority and (ii) obtain all Consents of any Governmental Authority necessary to consummate the transactions contemplated by this Agreement. Each of Seller and Purchaser shall provide to the other copies of all correspondence between it (or its advisors) and any Governmental Antitrust Entity or other Governmental Authority relating to the transactions contemplated by this Agreement or any of the matters described in this Section 6.3. Each of Seller and Purchaser shall promptly inform the other of any material oral communication with, and provide copies of written communications with, any Governmental Authority regarding any such filings or any such transaction. Neither Seller nor Purchaser shall independently participate in any meeting or conference call with any Governmental Authority in respect of any such filings, investigation, or other inquiry without giving the other prior notice of the meeting and, to the extent permitted by such Governmental Authority, the opportunity to attend and/or participate. To the extent permissible under applicable Law, each of Seller and Purchaser will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party hereto relating to proceedings under the Competition Laws. The Parties may, as they deem advisable, designate any competitively sensitive materials provided to the other under this Section 6.3(b) or any other Section of this Agreement as “outside counsel only.” Such materials and the information contained therein shall be given only to outside counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient without the advance written consent of the Party providing such materials; provided further, that materials provided pursuant to this Section 6.3(b) may be redacted (i) to remove references concerning the valuation of the Business, (ii) as necessary to comply with contractual obligations and (iii) as necessary to address reasonable attorney-client privilege, confidentiality or commercial sensitivity concerns.

(d) Without limiting the generality of the undertakings pursuant to this Section 6.3, each of Seller and Purchaser shall provide or cause to be provided as promptly as practicable to any Governmental Antitrust Entity, information and documents requested by such Governmental Antitrust Entity or necessary, proper or advisable to permit consummation of the transactions contemplated by this Agreement,

including filing any notification and report form and related material required under the Competition Laws of the jurisdictions listed in Schedule 6.3(b) hereto as promptly as reasonably practicable, and in any event no later than five Business Days, and thereafter to respond as promptly as practicable to any request for additional information or documentary material that may be made under any such Competition Laws. Purchaser shall be responsible for all filing fees under any Competition Laws and/or under any such other laws or regulations applicable to Purchaser.

(e) Without limiting the generality of Purchaser's undertaking pursuant to Section 6.3(a), Purchaser shall use commercially reasonable efforts to, and shall cause its Subsidiaries to, take all actions necessary to avoid or eliminate each and every impediment under any Competition Law (including if any objections are asserted with respect to the transactions contemplated hereby under any Competition Law) so as to enable the consummation of the transactions contemplated hereby to occur as soon as reasonably possible (and in any event no later than the Outside Date).

(f) From the date of this Agreement through the date the consents required pursuant to Section 6.3(a) are obtained, Seller and Purchaser shall not, directly or indirectly (whether by merger, consolidation or otherwise), acquire, purchase, lease or license (or agree to acquire, purchase, lease or license) any business, corporation, partnership, association or other business organization or division or part thereof, or any securities or collection of assets, if doing so could reasonably be expected to materially hinder or delay, as applicable, the obtaining of clearance or the expiration of the required waiting periods under applicable Competition Laws, or the obtaining of any other Consents from the applicable Governmental Authorities, including those required pursuant to Section 6.3(a).

6.4 Public Disclosures; Confidentiality.

(a) Unless otherwise required by Law or the rules and regulations of any stock exchange or quotation services on which such Party's stock is traded or quoted, no press release or other public announcement or comment pertaining to the transactions contemplated by this Agreement will be made by or on behalf of any Party or its Affiliates without the prior written approval of the other Party (which approval shall not be unreasonably withheld, conditioned or delayed). If in the judgment of either Party upon the advice of outside counsel such a press release or public announcement is required by Law or the rules or regulations of any stock exchange on which such Party's stock is traded, the Party intending to make such release or announcement shall to the extent practicable use commercially reasonable efforts to provide prior written notice to the other Party of the contents of such release or announcement and to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance.

(b) Each of Seller and Purchaser agrees that this Agreement, the other Transaction Documents and the terms and conditions set forth herein and therein shall be kept confidential and shall not be disclosed or otherwise made available to any other Person and that copies of this Agreement and the other Transaction Document shall not be publicly filed or otherwise made available to the public, except (i) where such disclosure, availability or filing, upon the advice of outside counsel, is required by applicable Law (including the periodic reporting requirements under the Exchange Act) and only to the extent required by such Law or under the rules of any securities exchange on which the securities of Purchaser or Seller are listed, (ii) disclosure by the Sponsors or their respective Affiliates of customary information to direct or indirect, current or prospective, investors or limited partners or to their respective Affiliates who are subject to customary confidentiality obligations and (iii) as otherwise agreed by each of Purchaser and Seller. In the event that any such disclosure, availability or filing is required by applicable Law (other than any filing required by the Exchange Act or the Securities Act), each of Purchaser and Seller agrees to use its commercially reasonable efforts to obtain "confidential treatment" or similar treatment of this Agreement

and the other Transaction Documents and to redact such terms of this Agreement and the other Transaction Documents that either Seller, in the case of Purchaser, or Purchaser, in the case of Seller, shall reasonably request.

6.5 Access to Records.

(a) Exchange of Information. For a period of six (6) years after the Closing, each Party agrees to provide, or cause to be provided, to each other, as soon as reasonably practicable after written request therefor and at the requesting Party's sole expense, reasonable access, during regular business hours, to the other Party's employees and to any books, records, documents, files, correspondence (including email correspondence) and other Books and Records in the possession or under the control of the other Party or such other Party's Subsidiaries, in each case, relating to the Business or the Transferred Assets that the requesting Party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting Party or any of its Affiliates (including under applicable securities Laws) by a Governmental Authority having jurisdiction over the requesting Party or any of its Affiliates, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy Tax, audit, accounting, claims, regulatory, litigation or other similar requirements applicable to such requesting Party or any of its Affiliates, (iii) in connection with the preparation of the financial statements of such Party or its Affiliates, (iv) to comply with its obligations under this Agreement or any of the other Transaction Documents or (v) in connection with the operation and conduct of the Business; provided, that such access shall not unreasonably interfere with the normal business operations of Seller, Purchaser or their respective Affiliates, as applicable; provided, further, that prior to any such access, Seller, Purchaser, their respective Affiliates and their Representatives, as applicable, shall enter into a customary confidentiality agreement with the Party providing such access, such agreement to incorporate customary provisions required to address the transfer and further processing of personal data by the recipient under applicable data protection and privacy Laws ("Data Sharing Agreement") including standard contractual clauses (adopted by the European Commission Decision 2004/915/EC on 27 December 2004 (controller to controller transfers)) in the case of transfers to a third country. Notwithstanding anything to the contrary set forth in this Section 6.5(a), no Party shall be required to provide access to or disclose information (x) where such access or disclosure would violate any Law (including any applicable data protection and privacy Laws) or agreement, or waive any attorney-client or other similar privilege, and each Party may redact information regarding itself or its Subsidiaries or otherwise not relating to the other Party and its Subsidiaries, and, in the event such provision of information could be commercially detrimental, violate any Law or agreement or waive any attorney-client or other similar privilege, the Parties shall take all commercially reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence or (y) in the event of a dispute between Seller or any of its Affiliates, on the one hand, and Purchaser or any of its Affiliates, on the other hand, except as would be required by applicable civil process or applicable discovery rules. To the extent that either Party is provided access to Personal Data by the other Party pursuant to this Section, the receiving Party shall (without prejudice to the foregoing obligations set forth in this Section 6.5(a)) comply with all applicable data protection and privacy laws in respect of its Processing of such Personal Data as a controller (as defined by the GDPR).

(b) Ownership of Information. Any information owned by a Party that is provided to a requesting Party pursuant to this Section 6.5 shall be deemed to remain the property of the providing Party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such information.

(c) Record Retention. Except as otherwise provided herein, and to the extent permitted by applicable data protection and privacy Law, each Party agrees to use its reasonable commercial efforts

to retain the books, records, data (including Personal Data, customer and end-user data), documents, files, instruments, accounts, correspondence, writings, evidences of title and other papers relating to the Business and the Transferred Assets, in any form or media, other than Excluded Assets (the “Books and Records”) in their respective possession or control for a period of six (6) years, following the Closing Date. Notwithstanding the foregoing, any Party may destroy or otherwise dispose of any Books and Records in accordance with its record retention policies consistent with past practice and/or applicable data protection and privacy Laws; provided, that, prior to such destruction or disposal (i) such Party shall provide no less than 30 days’ prior written notice to the other Party of any such proposed destruction or disposal (which notice shall specify in reasonable detail which of the Books and Records is proposed to be so destroyed or disposed of), and (ii) if a recipient of such notice shall request in writing prior to the scheduled date for such destruction or disposal that any of the information proposed to be destroyed or disposed of be delivered to such recipient, such Party proposing the destruction or disposal shall, as soon as reasonably practicable, arrange for the delivery of such of the Books and Records as was requested by the recipient (it being understood that all reasonable out of pocket costs associated with the delivery of the requested Books and Records shall be paid by such recipient).

(d) Limitation of Liability. No Party shall have any liability to any other Party in the event that any information exchanged or provided pursuant to this Section 6.5 is found to be inaccurate. No Party shall have any liability to any other Party if any information is destroyed or lost after commercially reasonable efforts by such Party to comply with the provisions of Section 6.5(c).

(e) Other Agreements Providing For Exchange of Information. The rights and obligations granted under this Section 6.5 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of information set forth in this Agreement.

(f) Confidential Information. Nothing in this Section 6.5 shall require either Party to violate any agreement with any third parties regarding the confidentiality of confidential and proprietary information; provided, however, that in the event that either Party is required under this Section 6.5 to disclose any such information, that Party shall use all commercially reasonable efforts to seek to obtain such third party’s consent to the disclosure of such information and implement requisite procedures to enable the disclosure of such information.

6.6 Employee Relations and Benefits.

(a) Continuation of Employment; Transferred Employees.

(i) Where applicable Law provides for the automatic transfer of employment of any Business Employee upon the consummation of the Closing, the Parties (x) shall take or cause to be taken such actions as are required under applicable Law to accomplish such transfer of employment of such Business Employee to Purchaser or its applicable Affiliate by operation of Law as of the Closing and (y) shall not take and shall not cause to be taken any such actions that would result in the employment of such Business Employee not transferring automatically to Purchaser or its applicable Affiliate by operation of Law as of the Closing.

(ii) Where applicable Law does not provide for the automatic transfer of employment of any Business Employee upon the consummation of the Closing, between the date of this Agreement and the Closing Date, Purchaser shall offer (or cause its applicable Affiliate to offer) employment with Purchaser or its applicable Affiliate effective as of the Closing (which offer may be of at-will employment to the extent permitted by applicable Law), to each Business Employee who, on the Closing Date, is actively employed by Seller or its applicable Subsidiary (or is not

actively at work due to vacation, holiday, illness, short-term disability, or other authorized leave of absence or other leave protected under applicable Law) pursuant to appropriate transfer documentation as required by Law, including, as applicable, an Employee Tripartite Transfer Agreement between each such Business Employee and Purchaser (or Purchaser's Affiliate) and Seller (or Seller's Affiliate) in a form agreed by Seller and Purchaser ("Tripartite Agreements") to effect the change in employer. Business Employees who accept such offers and commence employment with Purchaser or its applicable Affiliate, together with the Business Employees whose employment is automatically transferred as set forth in Section 6.6(a)(i) (not including, for the avoidance of doubt, any Business Employees who reject or opt out of such automatic transfer), are herein collectively referred to as "Transferred Employees". If and to the extent that any Business Employee who is on long-term disability as of the Closing Date who would otherwise have been eligible to receive an offer of employment as provided in this Section 6.6(a)(ii) is able to return to active employment within 180 days following the Closing Date (or such longer period as required by applicable Law), Purchaser shall offer (or cause its applicable Affiliate to offer) employment as provided in this Section 6.6(a)(ii) and, if such Business Employee accepts such offer and commences employment pursuant to the terms thereof, such Business Employee shall become a Transferred Employee from and after the date employment commences as provided in such offer. Any Business Employee who is on long-term disability as of the Closing Date who is not able to return to active employment within 180 days following the Closing Date (or such longer period as required by applicable Law) shall be retained by Seller or its applicable Subsidiary. The applicable date on which a Transferred Employee commences employment with Purchaser or its applicable Affiliate is referred to herein as the "Applicable Transfer Date".

(b) Continuation of RSU Awards by the Seller. Seller shall take all actions reasonably necessary or appropriate so that each outstanding Restricted Stock Unit Award granted by Seller (each, a "Seller RSU Award") before the Applicable Transfer Date that is outstanding and held by a Transferred Employee as of immediately prior to the Applicable Transfer Date shall continue to vest and settle after the Applicable Transfer Date according to the terms and conditions provided in the applicable Award Agreement pursuant to which such Seller RSU Award was granted, including employment termination provisions (which shall apply to termination of employment with Purchaser or its Affiliates). Purchaser shall notify Seller upon termination of employment of any of the Transferred Employees who hold Seller RSU Awards. Purchaser shall be liable for all employer payroll and employment Taxes due and payable in respect of the vesting and settlement of the Seller RSU Awards. Seller shall net settle the Seller RSU Awards as and when such Seller RSU Awards become vested, and promptly following such vesting and net settlement, provide Purchaser with the applicable amount of Tax that is required to be withheld with respect thereto, and Purchaser, subject to receipt of such amount from Seller, shall procure that such withholding Tax is remitted to the appropriate Governmental Authority in compliance with all applicable Laws. For purposes of this Section 6.6(b), "Award", "Award Agreement" and "Restricted Stock Unit" shall have the meaning given to that term in the Arlo Technologies, Inc. 2018 Equity Incentive Plan.

(c) Compensation by Purchaser of NETGEAR, Inc. RSU Awards. Seller shall notify NETGEAR, Inc. of the transfer of employment from Seller and its Affiliates to Purchaser and its Affiliates of any Transferred Employees holding any outstanding NETGEAR, Inc. restricted stock unit award ("NETGEAR Awards"). Purchaser will provide in writing to Transferred Employees who hold NETGEAR Awards immediately prior to the Applicable Transfer Date a cash retention bonus, in an amount equal to or greater than the fair market value of the outstanding NETGEAR Awards held by such Transferred Employee as of the date of this Agreement, which fair market value shall be equal to (x) the number of shares of NETGEAR, Inc. common stock underlying such restricted stock unit award multiplied by (y) the closing price of a share of NETGEAR, Inc. common stock as of the date of this Agreement (or if the date of this

Agreement is not a trading day, on the immediately preceding day). Purchaser shall pay the cash retention bonus in a period of up to eighteen (18) months as from the Applicable Transfer Date in accordance to the specific terms and conditions of the cash retention bonus letter to be given to each applicable Transferred Employee by Purchaser on or around the Applicable Transfer Date. Purchaser shall be free to decide (or agree otherwise with any Transferred Employee) to pay the cash retention bonus in installments or in accordance with a schedule different from the original vesting schedule of the NETGEAR Award and/or to establish that any applicable Transferred Employee that voluntarily terminates employment with Purchaser and its Affiliates or whose employment is terminated by Purchaser or its Affiliates for cause before eighteen (18) months from the payment of each cash retention bonus payment shall have to reimburse such amounts to Purchaser or its applicable Affiliate, subject to applicable Law. Purchaser or its Affiliates have no obligations under applicable Law to provide the retention bonus described in this Section 6.6(c), and shall not be liable for any failure by any Transferred Employee to accept such cash retention bonus offered in accordance with this Section 6.6(c).

(d) Continuation of Compensation and Benefits. Unless otherwise agreed between Purchaser or any of its Affiliates and the applicable Transferred Employee, for a period of twelve (12) months immediately following the Closing Date (or such longer period as required by applicable Law or by applicable Tripartite Agreements), Purchaser shall provide (or cause its applicable Affiliate to provide) to each Transferred Employee (i) a base salary or base wages that are no less favorable than those provided to such Transferred Employee as of immediately prior to the Closing Date, (ii) annual cash compensation opportunities that are substantially comparable in the aggregate to those provided to similarly situated employees of Purchaser and its Affiliates under Purchaser's and its Affiliates' plans and arrangements, (iii) other employee benefits (excluding equity and equity-based compensation, severance, occupational pension, defined benefit retirement benefits and retiree life and retiree medical benefits) that are substantially comparable in the aggregate to those provided to similarly situated employees of Purchaser and its Affiliates, and (iv) any other additional terms and conditions of employment required by applicable Law, or are required by a Tripartite Agreement or Contract with any Transferred Employee.

(e) Post-Closing Benefit Plan Participation. From and after the Applicable Transfer Date, Purchaser shall use commercially reasonable efforts to cause any employee benefit plans of Purchaser and its Affiliates in which the Transferred Employees are entitled to participate after the Applicable Transfer Date ("Purchaser Plans") to take into account for purposes of eligibility and benefit accruals (other than benefit accruals under any defined benefit pension plan or as would result in a duplication of benefits), services prior to the Closing by such Transferred Employees to Seller or its Subsidiaries (and any predecessors thereof that previously employed such Transferred Employees and as to which Seller and/or such Subsidiary of Seller recognized such years of service) as if such service were with Purchaser and its Affiliates. With respect to each Transferred Employee who elects to participate in Purchaser Plans following the Applicable Transfer Date, and such Transferred Employee's dependents, Purchaser shall, and shall cause its applicable Affiliate to, use commercially reasonable efforts to (i) waive or cause to be waived any pre-existing condition exclusions to coverage, any evidence of insurability provisions, any active at work requirement and any waiting period or service requirements that did not exist or had been waived or otherwise satisfied under Seller's and/or any its applicable Subsidiaries' comparable medical, dental, pharmaceutical and vision benefit plans prior to the Applicable Transfer Date and (ii) apply towards any deductible requirements and out-of-pocket maximum limits under its benefit plans applicable to the year in which the Applicable Transfer Date occurs, any amounts paid by such Transferred Employee toward such requirements and limits under Seller's and/or Seller's Subsidiaries' benefit plans for such applicable year.

(f) Severance Obligations. The Parties intend that the transactions contemplated by this Agreement shall not constitute a separation, termination, or severance of employment of any Business

Employee prior to or upon the consummation of the Closing and that, to the extent possible under any applicable Law, the Business Employees will have continuous and uninterrupted employment immediately before and immediately after the Applicable Transfer Date, and Seller and Purchaser shall comply with any requirements under applicable Law to ensure the same. Without limiting the provisions of Section 6.6(g), Seller shall bear any costs related to, and shall indemnify and hold harmless Purchaser and its Affiliates from and against, any claim made against Purchaser (or Purchaser's Affiliate) by any Business Employee for any Severance Obligations, in each case, arising out of, relating to, or in connection with any of the following: (i) subject to Section 6.6(f)(IV), any Business Employee's refusal, prior to the Applicable Transfer Date, to accept an offer of employment from, or rejection of an automatic transfer of employment to, Purchaser or any of its Affiliates (including such refusal based on the terms of the cash retention bonus offered to such Business Employee by Purchaser pursuant to Section 6.6(c)), (ii) any action taken by Seller or its Subsidiaries (in the case of Transferred Employees, on or prior to the Applicable Transfer Date) to terminate the employment of any Business Employee or individual who would otherwise have been a Business Employee but for such action or which provides such individual a right to terminate employment, including any action or omission by Seller or its Subsidiaries (x) to amend or otherwise modify, on or prior to the Applicable Transfer Date, any terms and conditions of employment applicable to, or compensation and benefits provided to, any Business Employee or (y) that does not comply with applicable Law or the terms of any Benefit Plan. Without limiting the provisions of Section 6.6(g), Purchaser shall bear any costs related to, and shall indemnify and hold harmless Seller from and against, any claims made by any Business Employee for any Severance Obligations, in each case, arising out of, relating to or in connection with any of the following: (I) the failure of Purchaser or its applicable Affiliate to make offers of employment to, or continue the employment of, any Business Employee in accordance with this Agreement or as required by applicable Law (other than, for the avoidance of doubt, as a result of any Business Employee's refusal to accept an offer of employment from, or rejection of an automatic transfer of employment to, Purchaser or any of its Affiliates prior to the Applicable Transfer Date) or as required under any Tripartite Agreement, (II) any action taken on or after the Applicable Transfer Date by Purchaser or any of its Affiliates to terminate the employment of any Transferred Employee, (III), any action or omission by Purchaser or any of its Affiliates (X) to amend or otherwise modify on or after the Applicable Transfer Date any terms and conditions of employment applicable to, or compensation and benefits provided to, any Transferred Employee or (Y) that does not comply with applicable Law, the terms of any Tripartite Agreement or other Contract, or the terms of any Assumed Benefit Plan, or (IV) any Business Employee's refusal to accept an offer of employment from, or to the extent permitted by Law rejection of an automatic transfer of employment to, Purchaser or any of its Affiliates, which is primarily based on Purchaser proposing to make a material adverse change to the working conditions of any Business Employee without the Business Employee's consent (and a Business Employee's refusal based on the terms of the cash retention bonus offered to such Business Employee by Purchaser pursuant to Section 6.6(c) shall not be covered by this clause (IV)).

(g) Assumption and Retention of Liabilities. Following the Closing Date, Purchaser shall, and shall cause its Affiliates to, honor, assume, fulfill, and discharge their respective obligations under the Assumed Benefit Plans in accordance with the terms and conditions thereof. Except to the extent required by applicable Law, effective as of the Applicable Transfer Date, the Transferred Employees shall cease to accrue benefits under Benefit Plans (other than any Assumed Benefit Plans, as applicable) and shall commence participation in Purchaser Plans. The Parties further agree as follows, subject to Section 6.6(f):

(i) Seller and its Subsidiaries shall remain responsible for (x) all Liabilities arising under Benefit Plans of Seller or its Subsidiaries that are not Assumed Benefit Plans, (y) all Liabilities under Assumed Benefit Plans to the extent such Liabilities relate to the period on or prior to the applicable Transferred Employee's Applicable Transfer Date and (z) all Liabilities with respect to (A) Transferred Employees that relate to the period on or prior to the Applicable Transfer Date

(specifically including Liabilities regarding any claim in connection with equity awards, vested or unvested, and other entitlements under short or long term equity incentive plans of Seller, in each case, granted prior the Applicable Transfer Date to Transferred Employees other than any claims arising from Purchaser's unfair dismissal of any Transferred Employee following the Applicable Transfer Date), whether such claims are made prior to, on, or following the Closing Date, (B) Retained Employees and (C) subject to the provisions of Section 6.6(f)(IV) above, Business Employees who are not Transferred Employees (all Liabilities described in this Section 6.6(g)(i) collectively, the "Excluded Employee-Related Liabilities").

(ii) Except where the Liability arises as a result of Seller's or its Subsidiaries' breach of any of its obligations under this Agreement, including, but not limited to, a breach of its obligations under Section 4.16, Purchaser and its Affiliates shall be responsible for (x) all Liabilities under Purchaser or its Affiliates' benefits plans to Transferred Employees, (y) all Liabilities under Assumed Benefit Plans to the extent such Liabilities relate to the period following the applicable Transferred Employee's Applicable Transfer Date, and (z) all other Liabilities with respect to Transferred Employees that relate to the period after the Applicable Transfer Date, including Liabilities for any claims brought by any Transferred Employees or any Governmental Authority with respect to any Transferred Employee against the Seller or any of its Subsidiaries after the Applicable Transfer Date to the extent such claims are the result of Purchaser's failure to comply with applicable Law or Contracts in connection with the Transferred Employee's employment or the termination thereof following the Applicable Transfer Date (the Liabilities described in this Section 6.6(g)(ii) collectively, the "Assumed Employee-Related Liabilities").

(iii) For purposes of this Section 6.6(g), (A) a claim for health benefits (including claims for medical, prescription drug and dental expenses) will be deemed to have been incurred on the date on which the actual medical service, treatment or material was rendered to or received by the Transferred Employee or eligible dependent claiming such benefit, and (B) in the case of any claim for benefits other than those designated in the preceding clause (A) (such as claims for life insurance or disability benefits), a claim will be deemed to have been incurred upon the occurrence of the event giving rise to such claim.

(h) Vacation. Following the Closing, Purchaser or its applicable Affiliate will honor, as to each Transferred Employee, all accrued and unpaid hours of vacation, personal hours or days earned and sick leave applicable to such Transferred Employee as of the Closing relating to the period prior to the Closing.

(i) Other Accruals. No later than five (5) Business Days before the Closing Date, and with respect to Business Employees, Seller shall, and shall cause its Affiliates to, provide Purchaser with proper accruals regarding accrued but unpaid (i) vacation and (ii) deferred compensation, as required by applicable Law and as outlined in Net Working Capital. With the exception of Transferred Employees' unpaid commission and bonus amounts earned by Transferred Employees prior to the Closing Date, which shall be paid by Seller in the first payroll cycle after the Closing Date, other compensation and benefit accruals for elements such as but not limited to (i) payroll, (ii) payroll and other employer Taxes, (iii) retirement plan payables, (iv) employee stock purchase plan, (v) expenses and (vi) reimbursements (fuel, tuition or professional membership) shall be settled by Seller prior to the Closing Date.

(j) Employee Consultations. Prior to the Closing, Seller and the other Selling Entities and Purchaser shall fully comply with all of their respective obligations (whether arising by Law or Contract) in respect of the Business Employees and the contemplated transactions to inform and consult with, or obtain

the advice and consent or approval of, any Business Employees and/or Employee Representative, as appropriate.

(k) Administration. Following the date hereof and subject to applicable Law, the Parties shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 6.6, including exchanging information and data relating to workers' compensation, employee benefits, and employee benefit plan coverages and, in the case of Seller, (x) making the Business Employees available during business hours to Purchaser and its Affiliates as may be reasonably requested by Purchaser or its Affiliates for purposes of making employment offers to those employees whose employment will not automatically transfer and (y) encouraging the Business Employees whose employment will not automatically transfer to accept such offers of employment and enter into applicable Tripartite Agreements.

(l) No Third-Party Beneficiary. This Section 6.6(l) shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this Section 6.6(l), expressed or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 6.6(l). Without limiting the foregoing, no provision of this Section 6.6(l) will create any third-party beneficiary rights in any current or former employee of Seller or its Subsidiaries or any Transferred Employees in respect of continued employment (or resumed employment) or any other matter. Nothing in this Section 6.6(l) is (i) deemed to establish, amend, or modify any Benefit Plan or any other employee benefit plan, policy, program, agreement or arrangement maintained or sponsored by Purchaser or its Affiliates or (ii) intended to interfere with Purchaser's or its Affiliates' right from and after the Closing to amend or terminate any employee benefit plan, policy, program, agreement or arrangement or the employment of any Transferred Employee, subject to applicable Law.

(m) Updated Business Employee List. Seller shall deliver to Purchaser an updated version of Section 1.1(ii) of the Disclosure Schedules (the "Business Employee List") at least thirty (30) days prior to the Closing Date. Any changes to the Business Employee List following the date hereof shall be mutually agreed to by Purchaser and Seller on or prior to the Closing Date (such agreement of either party shall not be unreasonably withheld, conditioned or delayed).

6.7 Non-Competition.

(a) From and after the Closing Date until the three (3) year anniversary of the Closing Date, Seller covenants and agrees, that it will not, and will cause each member of the Seller Group not to, directly or indirectly:

(i) engage or be involved, directly or indirectly, in any business in the Territory that competes with, the Business as conducted by the Seller Group as of the Closing Date (any such business, a "Restricted Business");

(ii) acquire beneficial ownership or voting control of any class of the outstanding equity interests (including any debt securities exercisable or exchangeable for, or convertible into, equity interests) of, or, provide any loan or other financial assistance to, any Person that is engaged in a Restricted Business;

(iii) except to the extent not relating to the Business or the Territory, solicit or attempt to solicit any business, entity or Person that was a distributor engaged by the Business in the Territory as of the Closing Date or during the twelve (12) months prior to the Closing Date (including a Business Distributor) (each a "Current Distribution Relation"); and/or

(iv) induce or attempt to induce any Current Distribution Relation or any business, entity or Person that was a supplier, vendor or customer of the Business in the Territory as of the Closing Date, to cease doing business with, or adversely modify its business relationship with, the Business.

(b) Notwithstanding anything to the contrary in this Section 6.7, the provisions of Section 6.7(a) shall not (i) prohibit any member of the Seller Group and any Affiliate of Seller (each, a “Restricted Party”) from, (x) directly or indirectly, owning solely as a passive investment not in excess of [***] percent ([***) in the aggregate of any class of capital stock of any Person if such stock is publicly traded and listed on any national exchange or quoted on the NASDAQ National Market, regardless of whether or not such Person is engaging in a Restricted Business; provided, no member of the Seller Group has any participation in the management of such Person, or (y) directly or indirectly, acquiring in any transaction or series of transactions, equity securities of any Person, regardless of whether or not such Person is

(c)

engaging in a Restricted Business; provided, that (1) such acquired Person's Restricted Business accounts for [***] percent ([***]%) or less of the consolidated revenues of such acquired Person as measured during the twelve (12)-month period preceding the date of such acquisition and (2) such Restricted Party sells, transfers or otherwise disposes of such acquired Person's Restricted Business to a Person who is not an Affiliate of any Restricted Party within [***] from the date of the first related transaction; (ii) prohibit the sale of Seller Group Products and Services in the Territory by the Seller Group's distributors outside of the Territory who sell Seller Group Products and Services through the world wide web; provided, that (1) Seller refrains from selling the camera-related products or accessories to Persons who Seller knows or has reason to know are unauthorized; (2) Seller does not endorse, support or otherwise facilitate such unauthorized sales and (3) Seller takes commercially reasonable efforts to prevent such unauthorized sales, provided, further, that nothing in this clause (ii) shall require that Seller insert a prohibition on grey goods sales in its contracts with its own customers if such customers do not accept such provision; or (iii) be binding on or be applicable to any Person (an "Acquirer") that, directly or indirectly, acquires in any transaction or series of transactions (x) equity securities of Seller representing fifty percent (50%) or more of the total voting power represented by Seller's then issued and outstanding voting securities or (y) all or substantially all of the consolidated assets or business of Seller; provided, that in each case of clauses (x) and (y), Acquirer was not an Affiliate of Seller at the time of acquisition.

(d) The Parties acknowledge and agree that the restrictions and limitations set forth in Section 6.7 through 6.9 are reasonable, valid in geographical and temporal scope and in all other respects, enforceable, and essential to protect the value of the Seller Group, the Retained Business, the Excluded Assets, the Business and the Transferred Assets. If a court, tribunal or antitrust regulator of competent jurisdiction determines that any term or provision contained in Sections 6.7(a), 6.8 or 6.9 is invalid or unenforceable, the Parties agree that the court or tribunal will have the power to reduce the scope, duration or geographic area of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision; provided, that any such reduction, deletion or replacement shall only be to the extent necessary to render such term or provision valid and enforceable; provided, further, that for the avoidance of doubt nothing in this provision shall be read to modify or reduce Purchaser's obligations under Section 6.3(d).

6.8 Non-Solicitation; No-Hire.

(a) From and after the Closing Date until the three (3) year anniversary of the Closing Date, Seller covenants and agrees, that it will not, and will cause each member of the Seller Group to not, directly or indirectly, solicit for employment, hire, employ, engage or offer employment to, or seek to induce or influence to leave employment with Purchaser or any of its Affiliates, any Transferred Employee; provided, that the foregoing shall not be deemed to prohibit (i) any member of the Seller Group from engaging in general media advertising or general employment solicitation that is not targeted towards such Transferred Employees or (ii) solicitations, targeting, or hiring, employing, engaging or offering employment to, former employees of Purchaser or any of its Affiliates.

(b) From and after the Closing Date until the earlier of (x) the three (3) year anniversary of the Closing Date, and (y) the occurrence of a Late Stability Triggering Event or the delivery to Purchaser of an Adverse Notification relating thereto (as each such term is defined in the Supply Agreement), Purchaser covenants and agrees, that it will not, and will cause each of its controlled Affiliates, to not, directly or indirectly, solicit for employment, hire, employ, engage or offer employment to, or seek to induce or influence

to leave employment with any member of the Seller Group, any employee of the Seller Group as at the Closing Date; provided, that the foregoing shall not be deemed to prohibit (i) Purchaser or its Affiliates from engaging in general media advertising or general employment solicitation that is not targeted towards such employees or (ii) solicitations, targeting, or hiring, employing, engaging

(c)

or offering employment to, former employees of the Seller Group or any of its Affiliates.

6.9 Non-Disparagement.

From and after the date hereof until the three (3) year anniversary of the Closing Date, the Parties shall not make, and shall cause their controlled Affiliates not to make, either directly or indirectly, except if done in good faith in any Proceeding against the applicable Person, (i) any written negative comment, statement or communication regarding the other Party, any of its Affiliates or any its directors, officers or employees, and if the other Party is Purchaser, regarding any of the Sponsors, in each case, with the intent to harm such Person or (ii) any written derogatory or disparaging comment, statement or communication regarding the other Party, any of its Affiliates or any its directors, officers or employees, and if the other Party is Purchaser, regarding any of the Sponsors. Notwithstanding the foregoing, nothing in this Section 6.9 shall limit a Party's or its controlled Affiliate's ability to make true and accurate comments, statements or communications.

6.10 Tax Matters.

(a) Transfer Taxes. All transfer, filing, recordation, ad valorem, value added, bulk sales, stamp duties, excise, license, or similar fees or taxes (collectively, "Transfer Taxes") shall be borne by Purchaser. The parties agree that the Final Purchase Price shall be paid exclusive of and without reduction for any VAT chargeable thereon and any such VAT will be borne by Purchaser. Any Tax Returns that must be filed in connection with any Transfer Taxes shall be prepared by the Party that customarily has primary responsibility for filing such Tax Returns pursuant to the applicable Laws under and according to which the respective Tax Returns are due to be filed. Seller and Purchaser shall cooperate with each other in the provision of any information or preparation of any documentation that may be necessary or useful for obtaining any available mitigation, reduction or exemption from any Transfer Taxes.

(b) Tax Returns and Payment of Taxes.

(i) Seller shall remit when due or cause to be remitted when due any amount of Taxes due in connection with the Transferred Assets for any taxable period ending on or prior to the Closing Date. Seller shall duly file or cause to be duly filed, any Tax Return required to be filed in respect of any Tax which it is required to pay pursuant to the immediately preceding sentence.

(ii) Purchaser shall remit when due or cause to be remitted when due any amount of Taxes due in connection with the Transferred Assets for any taxable period beginning after the Closing Date; provided, however, that for the avoidance of doubt Purchaser shall not be liable for any Excluded Liabilities. Purchaser shall duly file or cause to be duly filed, any Tax Return required to be filed in respect of any Tax which it is required to pay pursuant to the immediately preceding sentence.

(iii) Purchaser shall prepare or cause to be prepared and file or cause to be filed any Tax Returns with respect to the Transferred Assets for taxable periods which begin on or prior to the Closing Date and end after the Closing Date (a "Straddle Period"). Seller shall pay to Purchaser at least five (5) days before the date on which Taxes are due with respect to a Straddle Period an amount equal to the portion of such Taxes which relates to the portion of such Straddle Period ending on the Closing Date. For purposes of this Section 6.10(b)(iii), in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax that relates

to the portion of such taxable period ending on the Closing Date shall (x) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on and including the Closing Date and the denominator of which is the number of days in the entire taxable period, and (y) in the case of any Tax based upon or related to income or receipts be deemed to be equal to the amount which would be payable if the relevant taxable period ended on and included the Closing Date. Any credits relating to a Straddle Period shall be taken into account as though the relevant taxable period ended on the Closing Date.

(c) Cooperation and Assistance.

(i) The Parties shall make commercially reasonable efforts to cooperate with each other in the filing of any Tax Returns and the conduct of any audit or other proceeding. They each shall execute and deliver such powers of attorney and make available such other documents as are reasonably necessary to carry out the intent of this Section 6.10.

(ii) If either Party is liable under this Section 6.10, including any amounts due pursuant to Section 6.10, for any portion of a Tax shown due on any Tax Return required to be filed by the other Party pursuant to this Section 6.10, the Party obligated to file such Tax Return pursuant to this Section 6.10 shall deliver a copy of the relevant portions of such Tax Return (taking into account any extensions, if applicable) to the liable Party. If the Parties acting in good faith disagree as to the treatment of any item shown on such Tax Return or with respect to any calculation with respect to any Tax Return to be filed pursuant to this Section 6.10, the Independent Accountant shall determine, consistent with Seller's past practice unless otherwise required by Law, how the disputed item is to be treated on such Tax Return.

(iii) Upon request, each Party shall deliver to the tax director of the other Party certified copies of all receipts for any Tax with respect to which such other Party or any of its Affiliates could claim a foreign tax credit and any supporting documents required in connection with claiming or supporting a claim for such a foreign tax credit.

(iv) The Parties shall retain records, documents, accounting data and other information in whatever form that are necessary for the preparation and filing, or for any Tax audit, of any and all Tax Returns with respect to any Taxes that relate to taxable periods that do not begin after the Closing Date. Such retention shall be in accordance with the record retention policy of the respective Party. Each Party shall give any other Party reasonable access to all such records, documents, accounting data and other information as well as to its personnel and premises to the extent necessary for a reasonable review or a Tax audit of such Tax Returns and relevant to an obligation under this Section 6.10.

(v) Neither Purchaser nor its Affiliates shall make any material Tax election with respect to the Transferred Assets after the Closing if such election relates to a pre-closing Tax period (or portion thereof) and would reasonably be expected to have a material adverse impact on the Seller or its Affiliates.

(vi) Upon request, Seller shall deliver to Purchaser the Irish tax reference number of any Selling Entity to the extent reasonably required by Purchaser in order to make an Irish stamp duty filing in connection with the purchase of the Transferred Assets.

(d) Tax Controversies. Purchaser shall notify Seller in writing promptly (but in no event later than thirty (30) days) (a “Notification”) upon receipt of notice of any pending or threatened audits or assessments with respect to Taxes for which Seller (or any of its Affiliates) is liable under Section 9.2. Failure to give such Notification shall not relieve the indemnifying party from liability under Section 9.2, as applicable, except if and to the extent that Seller is actually prejudiced thereby. Each Party shall be entitled to take control of the defense of any tax audit or administrative or court proceeding (a “Tax Claim”) relating to Taxes for which it may be liable, and to employ counsel of its choice at its expense; provided, that Seller and Purchaser shall jointly control the defense of any Tax Claim relating to Taxes with respect to a Straddle Period for which Taxes are allocated to both Seller and Purchaser under Section 6.10(b)(iii) of this Agreement and neither Party shall settle without the prior written consent of such other Party, which consent shall not be unreasonably withheld. If Seller takes control of any Tax Claim with respect to a Tax period ending on or prior to the Closing Date, Purchaser shall be entitled to participate, at its expense, in the defense of such audit or proceeding, and Seller may not agree to settle any claim for Taxes to the extent such settlement could have an adverse impact on Purchaser or its Affiliates without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed. This Section 6.10(d) shall govern to the extent it would otherwise be inconsistent with Section 9.5.

6.11 Mail Handling.

To the extent that Purchaser and/or any of its Subsidiaries receives any mail or packages addressed to Seller or its Subsidiaries and delivered to Purchaser not relating to the Business, the Transferred Assets or the Transferred Liabilities, Purchaser shall promptly deliver such mail or packages to Seller. After the Closing Date, Purchaser may deliver to Seller any checks or drafts made payable to Seller or its Subsidiaries that constitutes a Transferred Asset, and Seller shall promptly deposit such checks or drafts, and, upon receipt of funds, reimburse Purchaser within ten (10) Business Days for the amounts of all such checks or drafts, or, if so requested by Purchaser, endorse such checks or drafts to Purchaser for collection. To the extent Seller or its Subsidiaries receives any mail or packages addressed and delivered to Seller or its Subsidiaries but relating to the Business, the Transferred Assets or the Transferred liabilities, Seller shall promptly deliver such mail or packages to Purchaser. After the Closing Date, to the extent that Purchaser receives cash or checks or drafts made payable to Purchaser that constitutes an Excluded Asset, Purchaser shall promptly use such cash to, or deposit such checks or drafts and upon receipt of funds from such checks or drafts, reimburse Seller within ten (10) Business Days for such amount received, or, if so requested by Seller, endorse such checks or drafts to Seller for collection. Neither Party may assert any set-off, hold-back, escrow or other restriction against any payment described in this Section 6.11.

6.12 Wrong Pockets.

To the extent that following the Closing, Seller or Purchaser discover that any Asset:

(a) not intended to be transferred to Purchaser pursuant to the transactions contemplated by this Agreement and the other Transaction Documents was transferred at, prior to or after the Closing (each such Asset, a “Held Asset”), Purchaser shall, and shall cause its Affiliates to (i) promptly assign and transfer all right, title and interest in such Held Asset to Seller or its designated assignee without delivery of any incremental consideration therefor, and (ii) pending such transfer, (A) hold in trust such Held Asset and provide to Seller or its designated assignee all of the benefits associated with the ownership of the Held Asset, and (B) cause such Held Asset to be used or retained as may be reasonably instructed by Seller; and

(b) intended to be transferred to Purchaser pursuant to the transactions contemplated by this Agreement and the other Transaction Documents was not transferred at, prior to or after the Closing

(each such Asset, an “Omitted Asset”), Seller shall, and shall cause its Affiliates to (i) promptly assign and transfer all right, title and interest in such Omitted Asset to Purchaser or its designated assignee without delivery of any incremental consideration therefor, and (ii) pending such transfer, (A) hold in trust such Omitted Asset and provide to Purchaser or its designated assignee all of the benefits associated with the ownership of the Omitted Asset, and (B) cause such Omitted Asset to be used or retained as may be reasonably instructed by Purchaser.

6.13 Release of Liens; Accounts Payable.

(a) Seller shall cause the release of all Liens (other than Permitted Liens) on each Transferred Asset at or prior to the Closing and shall use its best efforts to provide Purchaser with a confirmation from the holder(s) of such Liens with respect to such release.

(b) Seller shall cause all accounts payable of the Business relating to the period on or prior to the Closing to be paid to the applicable creditors in accordance with the payment policies, procedures or practices of the Seller Group in effect as at the date hereof.

6.14 Shared Contracts.

(a) Following the date hereof, the Parties shall use reasonable efforts to enter into or to grant, and to cause each third party counterparty to a Shared Contract that is set forth in Section 6.14 of the Disclosure Schedules (each a “Specified Shared Contract”) to enter into or to grant, any new agreements, bifurcations or consents as are reasonably necessary to permit Purchaser to operate the Business on an independent basis following the Closing, derive those claims, rights and benefits, and to assume any obligations and economic burdens, as each such Person derives from such Specified Shared Contract immediately prior to the Closing (such portion of the claims, rights benefits, obligations and economic burdens that are related to the Business, is referred to herein as the “Business Portion” and such portion of the claims, rights, benefits, obligations and economic burdens that are related to Seller and the other Selling Entities and their respective Subsidiaries and their businesses (other than the Business), is referred to herein as the “Non-Business Portion”). If, on the Closing Date, any such third party agreement, bifurcation or consent, as the case may be, is not obtained with respect to a Specified Share Contract, Seller and Purchaser shall, for a period of twelve (12) months following the Closing, (a) continue to use commercially reasonable efforts to enter into or to grant, and to cause each third party counterparty to such Specified Shared Contract to enter into or to grant, any such new agreements, bifurcations or consents, as applicable, (b) cooperate (at their own expense) reasonably and lawfully following the Closing in a mutually acceptable arrangement under which Purchaser, on the one hand, and Seller and the other Selling Entities, on the other hand, would, where commercially reasonable and in compliance with applicable Law, obtain the appropriate claims, rights and benefits and assume and perform the related obligations and bear the related economic burdens of the Business Portion of such Specified Shared Contract (in the case of Purchaser) and the Non-Business Portion of such Specified Shared Contract (in the case of Seller and the other Selling Entities), including by means of subcontracting, sublicensing or subleasing arrangements, or enforcement by the party to such Specified Shared Contract for the benefit (and at the expense) of Purchaser or any of its Subsidiaries, or Seller or any of the other Selling Entities (as applicable) that is an intended beneficiary thereof pursuant to this Section 6.14 and (c) pay, reimburse and/or otherwise be responsible for the Business Portion of all license fees payable to any licensor by any of the foregoing or their respective Subsidiaries under any such Specified Shared Contract on a pro rata basis (based on the relative proportions of such license fee attributable to the Business Portion and Non-Business Portion of such Specified Shared Contract).

(b) Notwithstanding anything else set forth in this Section 6.14, neither Party nor any of its Affiliates shall (i) be required to take any action pursuant to Section 6.14(a) that would (x) result in a violation of any obligation which such Party or its Affiliates has to any third party, (y) constitute a breach or violation of any applicable Law (whether by operation of law or otherwise), or (z) adversely affect the rights of Purchaser and its Affiliates thereunder (unless the prior written consent of Purchaser has been obtained), (ii) be obligated to pay (or cause to be paid) (x) fees, costs or expenses in connection with their obligations under Section 6.14(a) (other than immaterial administrative or legal costs and expenses) or (y) any consideration to any third party who is requested to enter into or to grant any such new agreements, bifurcations or consents, or (iii) be required to take any action in connection with any Shared Contract that is not a Specified Shared Contract.

6.15 No Solicitation of Business Acquisition Proposals; Notice of Arlo Acquisition Transaction.

(a) During the Interim Period, Seller shall not, and shall cause its Affiliates and its and their respective Representatives not to, directly or indirectly, (i) initiate, solicit or knowingly encourage or facilitate the making or submission of any Business Acquisition Proposal, (ii) participate in any discussions or negotiations with any Person regarding a Business Acquisition Proposal (provided, that informing a Person of the existence of this Agreement after any such Person contacts Seller, any of its Affiliates or any of its or their respective Representatives regarding a Business Acquisition Proposal and of the restrictions set forth in this Section 6.15 shall not be a breach of this Section 6.15) or (iii) furnish any information to any Person with respect to, or agree to or otherwise enter into, any Business Acquisition Proposal. From and after the date hereof, Seller shall, and shall cause its Affiliates and its and their respective Representatives to, discontinue and not engage in any solicitation efforts or negotiations with respect to or in furtherance of any Business Acquisition Proposal. Seller shall promptly (and in any event within two (2) Business Days after receipt thereof by Seller, any of its Affiliates or any of its or their respective Representatives) advise Purchaser orally and in writing of any Business Acquisition Proposal, request for information with respect to any Business Acquisition Proposal or inquiry with respect to or which would reasonably be expected to result in a Business Acquisition Proposal; the material terms and conditions of such request, Business Acquisition Proposal or inquiry; and the identity of the Person making the same.

(b) During the Interim Period, and subject to the terms of any confidentiality restrictions under Contracts to which a member of the Seller Group is a party as of the date hereof, Seller shall notify Purchaser in writing (i) if it intends to enter into a definitive agreement (other than a confidentiality or exclusivity agreement but including any definitive agreement relating to a tender offer or an exchange offer referred to in clause (ii) below) in respect of an Arlo Acquisition Transaction at least five (5) Business Days prior to the execution of such definitive agreement or (ii) within 48 hours of (A) any tender offer or exchange offer relating to any equity securities of Seller having been commenced or (B) any pre-commencement communication regarding a tender offer or exchange offer relating to any equity securities of Seller pursuant to Section 14d-2(b) of the Securities Exchange Act of 1934 having been filed, in the case of each of (A) and (B) if such tender offer or exchange offer has not previously been approved by Seller's board of directors.

6.16 Intellectual Property.

(a) For 180 days after the Closing Date, Seller and its respective Affiliates shall display on their websites and in social media, in the locations previously addressing the Business, a mutually-agreed statement about the transactions contemplated hereby and a link to all websites and other social media venues designated by Purchaser.

(b) Subject to the terms and conditions of this Agreement, Seller, on behalf of itself and its current Affiliates, covenants not to assert against Purchaser and its Affiliates (or its or their respective vendors, consultants, contractors, suppliers and distributors solely in connection with their providing goods or services to Purchaser or its Affiliates) any Intellectual Property (expressly excluding, however, Trademarks) that was owned by Seller or its current Affiliates as of or prior to Closing and that was used in connection with the Business as of or prior to the Closing, solely with respect to Purchaser and its Affiliates' efforts to carry out the current and future operations of the Business. The foregoing covenant is non-assignable (except to any Affiliate, or in connection with a merger, consolidation or sale of all, or substantially all, of the Business). For the avoidance of doubt, nothing in the foregoing covenant limits Seller's ability to enforce its Intellectual Property anywhere in the world except as expressly limited herein.

(c) Promptly after the date hereof, and in any event prior to the Closing, Seller will take all actions necessary to record Seller as the owner of record in respect of any Trademark registrations included in the Transferred IP, and will provide evidence of such filings to Purchaser promptly after making the same.

6.17 Business Materials; Transferred Personal Property.

At or prior to the Closing Date to the extent reasonably practicable, and otherwise on or promptly after the Closing Date, Seller shall, and shall cause its Affiliates to, to deliver to Purchaser (or its designees) all (i) the Business Materials, the Transferred Books and Records and (ii) the Transferred Personal Property, in each case if and to the extent not already located at the Transferred Real Property or in the possession of Transferred Employees. If, at any time following the Closing, any of Seller or its Affiliates shall discover in its possession or under its control any other such Business Materials, Transferred Books and Records or Transferred Personal Property, Seller shall, and shall cause its Affiliates to, deliver promptly such Business Materials, Transferred Books and Records and/or Transferred Personal Property to Purchaser (or any of its designees).

6.18 Changes to the Transition Services Agreement.

(a) During the Interim Period, each Party may propose (x) a change to a Transition Service (as defined in the Transition Services Agreement) (including a change to the Fee (as defined in the Transition Services Agreement) payable with respect to a Transition Service), or the addition of a new service, in each case, to be provided pursuant to the Transition Services Agreement after the Closing, or (y) the removal of a Transition Service such that is not required to be provided pursuant to the Transition Services Agreement after the Closing (each such change, addition or removal, a "Change" and each proposal a "Change Request"); provided, that any such Change of the type specified in the foregoing clause (x) by Purchaser will not result in the provision of a Transition Service by Seller that is materially inconsistent with any service provided by Seller or any other Service Provider (as defined in the Transition Services Agreement) to the Business during the 12-month period prior to the Closing Date (except that this proviso will not apply if a Transition Service relates to services that have not been provided by Seller prior to Closing) or require Seller to perform any Transition Service that is prior to the Closing, performed by Transferred Employees. The Parties shall consider and negotiate any Change Request proposed by the other Party acting reasonably and in good faith and shall otherwise negotiate reasonably and in good faith to agree to any Transition Services based on the terms, principles and concepts set out with respect thereto in Schedule A of the Transition Services Agreement (and any changes agreed between the Parties with respect thereto, shall for purposes of the next sentence and Section 8.2(b) be deemed to be a "Change"). If the Parties agree in writing to a Change then Schedule A of the Transition Services Agreement shall be amended accordingly. No Change shall take effect unless and until such Change is agreed to in writing by the Parties.

(b) Each Party shall appoint an individual to act as the primary point of operational contact for the administration of any Change Requests during the Interim Period (each a “Transition Manager”). Each Transition Manager shall have overall responsibility for (1) coordinating, on behalf of Seller or Purchaser, as applicable, all activities related to Change Requests undertaken by Seller or Purchaser, as applicable, (2) acting as a day-to-day contact with the other Party’s Transition Manager and (3) subject to Section 6.2, making available to the other Party the data, facilities, resources and other support services required in order for the Parties to consider and negotiate any Change Request reasonably and in good faith. The Transition Managers shall meet by telephone every seven-day period during the Interim Period. At each such meeting, the Transition Managers shall discuss (acting reasonably and in good faith) all applicable Change Requests.

6.19 Right of First Offer.

(a) If at any time following the Closing, Purchaser determines (i) to sell or otherwise dispose of, in one transaction or a series of related transactions, the Business to a Person that is not an Affiliate of Purchaser (other than a sale or disposal that has been mandated by a Governmental Authority (including a Governmental Antitrust Entity)) (a “Business Sale”), or (ii) to effect a solvent voluntary liquidation or dissolution of the Business (a “Business Dissolution”), then, prior to entering into definitive documentation with respect to such Business Sale or Business Dissolution, Purchaser shall provide Seller with written notice of such determination, and Seller shall have the non-transferable right, but not the obligation, exercisable for a period of up to [***] after receipt of such notice (the “ROFO Period”) to submit to Purchaser a bona fide binding written offer (the “Offer”) to acquire all, but not less than all, of the Business (the “Right of First Offer”). Any Offer shall specify the cash purchase price at which Seller would be willing to acquire the Business and all other material terms and conditions of the Offer; provided, that such material terms and conditions shall not include contingent purchase price payments of any kind or nature.

(b) During the ROFO Period, and subject to the entry by Seller and its Representatives into customary confidentiality agreements with Purchaser, Seller shall be entitled, including through its Representatives, to have such reasonable access to the properties, businesses, operations, personnel and books and records of, or pertaining to, the Business as is reasonably necessary in order to allow Seller to make a decision as to whether to exercise the Right of First Offer. All such access shall be subject to the limitations set forth in the second and fourth sentences of Section 6.2(a), which such limitations shall apply *mutatis mutandis* as if Seller was the investigating party thereunder.

(c) Notwithstanding anything herein to the contrary, Purchaser shall have the sole right to accept or reject any such Offer provided by Seller by delivering written notice of the same to Seller. If Purchaser accepts the Offer, then (i) the Parties shall use commercially reasonable efforts to enter into definitive agreements with respect to the purchase and sale of the Business (on the terms set forth in the Offer) within [***] after receipt by Purchaser of the Offer and (ii) if such definitive agreements are not entered into within such [***] period, then the Right of First Offer shall terminate and be of no further force or effect. If Purchaser rejects the Offer, then, solely with respect to a Business Sale, (i) Purchaser may not enter into a definitive agreement for a Business Sale that implies a total enterprise value for the Business (without taking into account any purchase price adjustments or contingent payments) less than the total enterprise value (without taking into account any purchase price adjustments or contingent payments) proposed by Seller in its Offer for a period of [***] beginning on the date Purchaser rejected such Offer (any Business Sale that is not prohibited by the foregoing clause (i), a “Permitted Business Sale”) and (ii) if (x) Purchaser does not enter into a definitive agreement for a Business Sale within such nine (9) month period, and (y) Purchaser subsequently determines to do so, then Purchaser must again comply with the requirements of this Section 6.19.

(d) For the avoidance of doubt, and notwithstanding anything herein to the contrary, in no event shall the following events trigger the Right of First Offer: (i) a sale or disposition (whether by merger, consolidation, exchange of equity securities or by any other manner in a single transaction or series of related transactions), of, or involving, Purchaser or any of its Affiliates (provided, that Purchaser or any such Affiliate is not a Primary Business Entity) pursuant to which any Person becomes the record or beneficial owner, directly or indirectly, of more than fifty percent (50%) of the total voting power of the outstanding voting securities of Purchaser or such Affiliate, (ii) a sale or disposition (whether in a single transaction or series of related transactions) of all or substantially all of the consolidated assets or business

(e)

of Purchaser, (iii) a sale or disposition (whether in a single transaction or series of related transactions) of any other businesses of Purchaser or any of its Affiliates (other than, for the avoidance of doubt, the Business and/or a sale of assets that constitute Primary Business Assets), (iv) a voluntary winding down, liquidation or dissolution of Purchaser, any Affiliate of Purchaser or any other business of Purchaser or any of its Affiliates (other than the Business), (v) a sale or disposition (whether by merger, consolidation, exchange of equity securities or by any other manner in a single transaction or series of related transactions), of, or involving, any equity securities of Purchaser or any of its Affiliates (provided, that Purchaser or any such Affiliate is not a Primary Business Entity) and (vi) any offering or listing of any securities of Purchaser or any of its Affiliates (including the Business). Solely for purposes of this Section 6.19, “Primary Business Entity” shall mean any of Purchaser and its Affiliates, if the revenues directly generated by such Person (which, for the avoidance of doubt, shall not include revenues indirectly generated by, or aggregated with, any other Person) attributable to the sale of Seller Group Products and Services in the Territory pursuant to the Business constitute more than fifty percent (50%) of the revenues generated by such Person and (y) “Primary Business Assets” shall mean any assets of Purchaser and its Affiliates if the revenues directly generated by all such assets (which, for the avoidance of doubt, shall not include revenues indirectly generated by, or aggregated with, any other assets) that are attributable to the sale of the Seller Group Products and Services in the Territory pursuant to the Business constitute more than fifty percent (50%) of the revenues generated by or attributable to such assets; provided, that solely for purposes of the foregoing clauses (x) and (y), references to “revenues” shall be references to revenues as measured during the twelve (12)-month period set out in the most recent audited financial statements of such Person (in the case of the foregoing clause (x)) or the Person that holds the applicable assets (in the case of the foregoing clause (y)).

(f) Unless otherwise specified in this Section 6.19, the Right of First Offer shall terminate and be of no further force or effect upon the earlier to occur of (i) the entry into definitive agreements with respect to a Permitted Business Sale, (ii) the consummation of any of the transactions contemplated by Sections 6.19(d)(i), 6.19(d)(ii) and 6.19(d)(vi), (iii) the failure by Seller to make an Offer during any ROFO Period and (iv) the revocation of any Offer by Seller at any time.

6.20 Transaction Litigation.

In the event that any Proceeding related to this Agreement, the other Transaction Documents or the Purchase is brought or threatened in writing against Seller and/or the members of the board of directors of Seller prior to the Closing, Seller shall promptly notify Purchaser of any such Proceeding brought against Seller and/or members of the board of directors of Seller and shall keep Purchaser reasonably informed on a current basis with respect to the status thereof. Seller shall not compromise, come to an arrangement, settle or agree to settle any Proceeding in which Purchaser is named as a defendant or where such agreement would impact Purchaser's rights under or the economics of this Agreement, without Purchaser's prior written consent (not to be unreasonably withheld, delayed or conditioned).

6.21 Customer Notifications.

(a) Seller shall prepare and provide Purchaser with drafts of all such notices and/or communications that are required under applicable Law to modify all Seller Group agreements with end-users in the Territory pursuant to Seller's standard terms of service as at the date of this Agreement (or similar) in such manner that will (i) allow for the transfer of all agreements between Seller and its Affiliates, on the one hand, and end-users, on the other hand, in the Territory pursuant to Seller's standard terms of service as of the date of this Agreement, to Verisure Ireland DAC (conditioned upon the Closing of the transactions

contemplated by this Agreement) and (ii) permit the transfer of such agreements in accordance with Sections 6.21(b) and 6.21(d) (all such notices and communications, the “Notices of Variation”). The Notices of Variation shall contain, as a minimum, the wording set out in Schedule 6.21 such wording to be changed only if Seller’s outside counsel advises Seller that such changes are necessary to ensure compliance with applicable Law. Purchaser shall have the right to review such Notices of Variation and provide input on the same, and Seller agrees to consider such input in good faith. The Parties shall prior to November 18, 2019, discuss in good faith such other changes to the Subscription Agreements as the parties may reasonably require to be effected by the Notices of Variation.

(b) No later than November 19, 2019, Seller shall provide each customer and end-user in the Territory with the Notices of Variation. Unless applicable Law otherwise requires that a notice period is required, the Notices of Variation shall be stated to be immediately effective on notice by the Seller Group. Seller will provide periodic updates to Purchaser on the status of any responses received in connection with such Notices of Variation.

(c) In respect of all customers and end-users enrolled with Seller and its Affiliates during the Interim Period, Seller shall enroll such customers under Seller’s standard terms of service as modified by the Notices of Variation; provided that Seller may take a commercially reasonable period of time following the date of this Agreement, but no later than November 19, 2019, to implement the modified terms of service and may treat any of the new customers and end-users enrolled before such implementation as needing to receive the Notices of Variation.

(d) On or before the Closing Date, Seller shall provide Purchaser with all notices and communications that are required to be sent to customers and end-users in the Territory for purposes of (i) notifying customers and end users of the transfer of the Subscription Agreements to Verisure Ireland DAC (as described by the Notices of Variation), and (ii) transferring all user data (including Personal Data) of customers and end users in the Territory to Purchaser (collectively, the “Customer Notices”). Unless applicable Law otherwise requires that a notice period is required, the Customer Notices shall be stated to be immediately effective on notice by Seller. Where necessary, the Customer Notices shall contain an appropriate mechanism for the collection of all customer and/or end-user consents required to give effect to the transfers envisaged by this Section 6.21(d). Purchaser shall have the right to review such Customer Notices and provide input on the same, and Seller agrees to consider such input in good faith and confirm the finalized form with Purchaser. Seller will, promptly following at the Closing, send the finalized form of Customer Notices to all applicable customers and end users, and shall provide periodic updates to Purchaser on the status of any consents or other responses received in connection with such Customer Notices. To the extent that the Parties agree in accordance with this Section 6.21(d) that any Subscription Agreements or Personal Data can only be transferred to Purchaser in accordance with applicable Law with the express consent of the relevant customer and/or end-user, such Subscription Agreements or Personal Data shall only be transferred to Purchaser to the extent that Seller secures such consent, or the Parties agree such other basis for transfer, and where no consent is obtained then the relevant Subscription Agreement with the customer or end-user shall terminate.

6.22 French Call Option.

(a) Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement for Purchaser to purchase the French Assets until the French Call Option is exercised by Purchaser.

(b) French Call Option Terms.

(i) The French Call Option will enter into force at the date hereof. Purchaser hereby accepts the benefit of the French Call Option and may, at its own discretion and option, elect to exercise the French Call Option in accordance with the procedures set forth herein, without having Purchaser being committed to exercise such French Call Option or purchase the French Assets from Seller (or its applicable Affiliate). Purchaser shall only be entitled to exercise the French Call Option for all (and not a portion) of the French Assets. The French Call Option may be exercised by Purchaser as promptly as possible, after the date upon which the information and consultation process with the relevant French Employee Representative(s) of Purchaser and/or any of its Affiliates (the “French Consultation Process”) required under applicable Laws in France in connection with the sale of the French Assets has been completed, until the Outside Date, by sending to Seller a notice, in the form set forth in Schedule 6.22(b)(i).

(ii) Upon the election of Purchaser, Seller hereby unconditionally and irrevocably promises and undertakes to sell to Purchaser all (and not a portion) of the French Assets in accordance with and subject to the terms and conditions specified in this Agreement (the “French Call Option”), it being understood that, for the sake of clarity, if the French Call Option is exercised prior to the Closing, the purchase price for the French Assets shall be included in the computation of the Estimated Purchase Price and the Final Purchase Price.

(iii) Subject to the provisions of Section 6.22(a), as soon as reasonably practicable following the date hereof, Purchaser will cause the relevant Purchaser’s Affiliates to initiate the French Consultation Process, as the case may be. In such case, Seller shall cooperate with Purchaser and its Affiliates to provide any assistance and/or information reasonably requested by Purchaser in connection with the French Consultation Process. Should Purchaser and/or local management of the relevant Purchaser’s Affiliate which shall acquire the French Assets determine, or be advised by the relevant French Employee Representative(s) of Purchaser and/or any of its Affiliates, that the French Consultation Process (as defined herein) is not required under applicable Laws in France in connection with the sale of the French Assets, then Purchaser may promptly exercise the French Call Option on that basis.

(iv) The French Call Option shall automatically terminate on the earlier of (x) the date of termination of this Agreement pursuant to Article X and (y) the Closing Date, unless it is exercised or waived in accordance with the provisions of this Agreement prior to such date.

6.23 Purchaser Replication of IT Infrastructure.

In order for the Seller Group to be able to provide Transition Services to Purchaser from and after the Closing, (i) Seller and Purchaser will work together in good faith during the Interim Period to identify all licenses or subscriptions for IT Infrastructure that Purchaser will reasonably require in order to operate the Business from and after the Closing and (ii) Purchaser shall use commercially reasonable efforts to procure all such licenses or subscriptions, on or prior to the Closing.

6.24 Restricted Contracts.

(a) Prior to Closing, Seller shall, subject to Section 6.3(a), use reasonable best efforts to cause the Restricted Contracts to be novated to Purchaser at the Closing.

(b) If, at the Closing, the Restricted Contracts have not been novated to Purchaser, Seller shall (x) not, on or after the Closing, modify, amend, renew, extend, provide any consent or agreement under, waive any provision of, or take any other action under or with respect to, each Restricted Contract and (y)

at the election of Purchaser (exercisable on or after Closing) (A) deliver notice of termination pursuant to the terms of each of the Restricted Contracts and (B) use commercially reasonable efforts to cause the termination, accordance with the terms thereof, of each Restricted Contract in its entirety without any ongoing liability or obligation of any member of the Seller Group.

ARTICLE VII
CONDITIONS TO CLOSING

7.1 Conditions Precedent to Obligations of Purchaser and Seller and the Other Selling Entities.

The respective obligations of the Parties to consummate and cause the consummation of the Purchase shall be subject to the satisfaction (or waiver, in whole or in part, by the Party for whose benefit such condition exists in its sole discretion, to the extent permitted by applicable Law) on or prior to the Closing Date of each of the following conditions:

- (a) No Injunction, etc. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law or Order that is in effect on the Closing Date that has or would have the effect of prohibiting or enjoining the Purchase or making the transactions contemplated by this Agreement illegal; and
- (b) Regulatory Authorizations. All Consents of any Governmental Authorities listed in Schedule 6.3(b) hereto shall have been obtained.

7.2 Conditions Precedent to Obligation of Purchaser.

The obligation of Purchaser to consummate and cause the consummation of the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver, in whole or in part, by Purchaser in its sole discretion, to the extent permitted by applicable Law) on or prior to the Closing Date of each of the following conditions:

- (a) Accuracy of Representations and Warranties of Seller. (i) The representations and warranties of Seller contained in this Agreement (other than Seller Fundamental Representations) (disregarding any exception or qualification of such representations and warranties that that are qualified by the terms “material”, “in all material respects”, “Business Material Adverse Effect”, or similar words or phrases) shall be true and correct on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date), except for such failures to be true and correct which would not, individually or in the aggregate, have a Business Material Adverse Effect, and (ii) the Seller Fundamental Representations shall be true and correct in all but de minimis respects on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all but de minimis respects as of such date).
- (b) Covenants of Seller. Seller shall have performed and complied in all material respects with all covenants contained in this Agreement to be performed by it prior to the Closing;
- (c) Officer’s Certificate. Purchaser shall have received a certificate signed by an authorized executive officer of Seller, dated the Closing Date, to the effect that the conditions specified in Sections 7.2(a) and 7.2(b) are satisfied;
- (d) W-9. Purchaser shall have received an executed W-9 signed by Seller;

(e) No Business Material Adverse Effect. Since the date of this Agreement, no Business Material Adverse Effect shall have occurred and be continuing;

(f) Certain Consents. The approvals, consents, novations, ratifications or waivers listed in Schedule 7.2(f) hereto, in each case in a form reasonably satisfactory to Purchaser, shall have been obtained;

(g) Employee Consultations. Seller shall have complied with its obligations under Section 6.6(i) of this Agreement; and

(h) Closing Deliverables. Purchaser shall have received the deliverables required under Section 8.3 hereof.

7.3 Conditions Precedent to Obligation of Seller and the Other Selling Entities.

The obligation of Seller and the other Selling Entities to consummate and cause the consummation of the Purchase shall be subject to the satisfaction (or waiver, in whole or in part, by Seller in its sole discretion, to the extent permitted by applicable Law (provided, that, for the avoidance of doubt, no such waiver of Section 7.3(d) shall be permitted if it results in Purchaser breaching applicable Laws in France)) on or prior to the Closing Date of each of the following conditions:

(a) Accuracy of Purchaser's Representations and Warranties. (i) The representations and warranties of Purchaser contained in this Agreement (other than Purchaser Fundamental Representations) (disregarding any exception or qualification of such representations and warranties that that are qualified by the terms "material", "in all material respects", "Purchaser Material Adverse Effect", or similar words or phrases) shall be true and correct on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date), except for such failures to be true and correct which would not, individually or in the aggregate, have a Purchaser Material Adverse Effect, and (ii) the Purchaser Fundamental Representations shall be true and correct in all but de minimis respects on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct in all but de minimis respects as of such date);

(b) Covenants of Purchaser. Purchaser shall have performed and complied in all material respects with all covenants contained in this Agreement to be performed by it prior to the Closing;

(c) Officer's Certificate. Seller shall have received a certificate signed by an authorized executive officer of Purchaser, dated the Closing Date, to the effect that the conditions specified in Sections 7.3(a) and 7.3(b) are satisfied;

(d) Exercise of the French Call Option. Solely to the extent required, Purchaser shall have exercised the French Call Option in accordance with Section 6.22; and

(e) Closing Deliverables. Seller shall have received the deliverables required under Section 8.2 hereof.

ARTICLE VIII CLOSING

8.1 Closing Date.

Unless this Agreement shall have been terminated pursuant to Article X hereof, the closing of the Purchase and the other transactions hereunder (the “Closing”) shall take place at the offices of Simpson Thacher & Bartlett LLP, 2475 Hanover Street, Palo Alto, California at 12:00 p.m., New York time, and in such other places as are necessary to effect the transactions to be consummated at the Closing, on the third Business Day immediately following the satisfaction or, to the extent permitted by Law, waiver of all of the conditions in Article VIII (other than those conditions which by their nature are to be satisfied or, to the extent permitted by Law, waived at the Closing but subject to the satisfaction or, to the extent permitted by Law, waiver of such conditions), or at such other time, date and place as shall be fixed by mutual agreement of the Parties; provided, that notwithstanding the satisfaction of the conditions to the obligations of Purchaser and Seller under Article VIII (or, to the extent permitted by Law, the waiver of such conditions by the Parties entitled to waive such conditions), unless otherwise agreed in writing by Purchaser, the Parties shall not be required to effect the Closing prior to December 30, 2019. The date on which the Closing occurs is referred to herein as the “Closing Date”. The effective time (“Effective Time”) of the Closing for tax, operational and all other matters shall be deemed to be 12:01 a.m., local time in each jurisdiction in which the Business is conducted, on the Closing Date.

8.2 Purchaser Obligations.

At the Closing, Purchaser shall, or shall cause one or more of its Subsidiaries to (i) deliver to Seller the Estimated Purchase Price by wire transfer of immediately available funds to an account designated by Seller as provided in Section 3.3 and (ii) deliver to Seller the following in such form and substance as are reasonably acceptable to Seller:

- (a) an executed copy of a Bill of Sale, Assignment and Assumption Agreement, substantially in the form of Exhibit E (the “Bill of Sale, Assignment and Assumption Agreement”);
- (b) an executed copy a Transition Services Agreement, subject to any Changes that may be agreed pursuant to Section 6.18, substantially in the form of Exhibit F (the “Transition Services Agreement”);
- (c) an executed copy of a lease assignment with respect to the Transferred Real Property, substantially in a form acceptable to Purchaser (collectively, the “Lease Assignments”);
- (d) an executed copy of each Local Transfer Agreement, if required with respect to each applicable jurisdiction, substantially in the form of Exhibit G (unless amended pursuant to Section 2.4) (collectively, the “Local Transfer Agreements”); and
- (e) the other documents described in Section 7.3.

8.3 Seller Obligations.

At the Closing, Seller shall deliver to Purchaser, and Seller shall cause such of the other Selling Entities as are party thereto to deliver to Purchaser, the following in such form and substance as are reasonably acceptable to Purchaser:

- (a) an executed copy of the Bill of Sale, Assignment and Assumption Agreement;
- (b) an executed copy the Transition Services Agreement;
- (c) executed copies of the Lease Assignments;

- (d) executed copies of the Local Transfer Agreements;
- (e) all documents required to effect the transfer of the Transferred IP at the appropriate Governmental Authorities; and
- (f) the other documents described in Section 7.2.

ARTICLE IX
INDEMNIFICATION

9.1 Survival.

(a) Subject to Section 9.1(b), each representation and warranty contained in Article IV and Article V shall survive the Closing and shall terminate on the eighteen (18) month anniversary of the Closing Date, except that (i) the Seller Fundamental Representations and Purchaser Fundamental Representations shall survive the Closing, and shall terminate on the six (6) year anniversary of the Closing Date and (ii) the representations and warranties contained in Section 4.15 shall survive the Closing Date and shall remain in full force until 60 days past the expiration of the applicable statute of limitations for the Taxes in question (taking into account any extensions or waivers thereof). The covenants and agreements contained in this Agreement (i) that are required to be performed in whole prior to the Closing shall survive the Closing and shall terminate on the eighteen (18) month anniversary of the Closing Date and (ii) that require performance after the Closing shall survive until the expiration of the applicable statute of limitations (taking into account any extensions or waivers thereof).

(b) Notwithstanding anything herein to the contrary, the obligations to indemnify and hold harmless a Person pursuant to this Article IX in respect of a breach of representation or warranty, covenant or agreement shall terminate on the applicable survival termination date (as set forth in Section 9.1(a)), unless an Indemnified Party shall have made a claim for indemnification pursuant to Section 9.2 or Section 9.3, subject to the terms and conditions of this Article IX (or Section 6.10(d), as applicable), prior to such survival termination date, as applicable, including by delivering an Indemnification Claim Notice to the Indemnifying Party. Notwithstanding anything herein to the contrary, if an Indemnified Party has made a claim for indemnification pursuant to Section 9.2 or Section 9.3 and delivered an Indemnification Claim Notice to the Indemnifying Party prior to such survival termination date, then such claim (and only such claim), if then unresolved, shall not be extinguished by the passage of the deadlines set forth in Section 9.1(a).

(c) In determining the existence of, and any Losses arising from, any inaccuracy or breach of a representation or warranty herein, the terms “material” or “materially,” any clause or phrase containing “material,” “materially,” “material respects,” “Business Material Adverse Effect”, “Purchaser Material Adverse Effect” or any similar terms, clauses or phrases in any such representation or warranty shall be disregarded (as if such word or clause, as applicable, were deleted from such representation, warranty or covenant).

9.2 Indemnification by Seller.

Subject to the limitations set forth in this Article IX, from and after the Closing, Seller agrees to indemnify, defend and hold Purchaser, each of its Affiliates and each of their respective Representatives (collectively, the “Purchaser Indemnified Persons”) harmless from and in respect of any and all Losses that they may incur arising out of, relating to or resulting from:

- (a) any breach or inaccuracy of any representations or warranties of Seller set forth in Article IV or the certificate delivered pursuant to Section 7.2(c);
- (b) any breach or failure of Seller or its Affiliates to perform any of its covenants or other agreements contained in this Agreement;
- (c) all liability for Taxes (other than Transfer Taxes) relating to the Transferred Assets for all taxable periods ending on or prior to the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but does not end on) the Closing Date; and/or
- (d) any Excluded Asset and/or any Excluded Liability.

9.3 Indemnification by Purchaser

Subject to the limitations set forth in this Article IX, from and after the Closing, Purchaser agrees to indemnify, defend and hold Seller, its Affiliates and each of their respective Representatives (collectively, the “Seller Group Indemnified Persons”) harmless from and in respect of any and all Losses that they may incur arising out of, relating to or resulting from:

- (a) any breach or inaccuracy of any representations or warranties of Purchaser set forth in Article V or the certificate delivered pursuant to Section 7.3(c);
- (b) any failure of Purchaser to perform any of its covenants or other agreements contained in this Agreement;
- (c) any Transferred Assets and/or any Transferred Liability, in each case of the foregoing, solely to the extent arising out of or relating to the period after the Closing Date (except, in each case of the foregoing, for such portion of any Loss with respect to which Seller would be obligated to indemnify Purchaser Indemnified Persons hereunder); and/or
- (d) All liability for Taxes (other than Transfer Taxes) relating to the Transferred Assets for all taxable periods beginning after the Closing Date and the portion after the Closing Date for any taxable period that includes (but does not end on) the Closing Date, and (ii) any Transfer Taxes.

9.4 Limitations on Indemnification

The Person making a claim for indemnification under this Article IX is referred to herein as the “Indemnified Party” and the Party against whom such claims for indemnification are asserted under this Article IX is referred to herein as the “Indemnifying Party”. Notwithstanding anything herein to the contrary, the indemnification obligations of an Indemnifying Party pursuant to this Agreement shall be subject to the following limitations:

- (a) De Minimis Claim. No Indemnifying Party shall be liable to an Indemnified Party for, and no Indemnified Party shall be entitled to, any indemnification for a Loss pursuant to Section 9.2(a) or Section 9.3(a), as the case may be (other than with respect to breaches of the Purchaser Fundamental Representations, Seller Fundamental Representations and breaches of any representation or warranty set forth in Section 4.15) if, with respect to any individual item of Loss, such item (together with any related series or groups of related Losses) is less than \$[***] (each, a “De Minimis Claim”).
- (b) Deductible. No Indemnifying Party shall be liable to an Indemnified Party for, and no Indemnified Party shall be entitled to, any indemnification for Losses pursuant to Section 9.2(a) or Section 9.3(a), as the case may be (other than with respect to breaches of Purchaser Fundamental Representations,

Seller Fundamental Representations and breaches of any representation or warranty set forth in Section 4.15), unless the aggregate of all indemnifiable Losses (excluding all De Minimis Claims) in respect of indemnification pursuant to Section 9.2(a) or Section 9.3(a), as the case may be (other than with respect to breaches of Purchaser Fundamental Representations, Seller Fundamental Representations and breaches of any representation or warranty set forth in Section 4.15), would exceed on a cumulative

(c)

basis \$[***] (the “Deductible”), and then only to the extent such Losses exceed the Deductible.

(d) Maximum Amount. The maximum amount of indemnifiable Losses that an Indemnifying Party shall be liable for, or that may be recovered by an Indemnified Party, in the aggregate pursuant to Section 9.2(a) or Section 9.3(a), as the case may be (other than with respect to breaches of Purchaser Fundamental Representations, Seller Fundamental Representations and breaches of any representation or warranty set forth in Section 4.15), shall be \$[***]. The maximum amount of indemnifiable Losses that an Indemnifying Party shall be liable for, or that may be recovered by an Indemnified Party, in the aggregate pursuant to Section 9.2(a) (with respect to breaches of the Seller Fundamental Representations), Section 9.3(a) (with respect to breaches of Purchaser Fundamental Representations), Section 9.2(b) and Section 9.3(b) shall be the Final Purchase Price. For the avoidance of doubt, there shall be no cap on the amount of indemnifiable Losses that an Indemnifying Party shall be liable for, or that may be recovered by an Indemnified Party with respect to Section 9.2(c), Section 9.2(d), Section 9.3(c) and/or Section 9.3(d).

(e) Insurance and Other Payments; Tax Benefits and Tax Costs. Payments by an Indemnifying Party pursuant to Section 9.2 or Section 9.3 in respect of any Loss shall be limited to the amount of any Liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received by the Indemnified Party (or its Affiliates) from any third parties (other than the Indemnifying Party) in respect of any such claim, net of any costs of recovery, and increases in premiums. Payments by an Indemnifying Party pursuant to Section 9.2 or Section 9.3 in respect of any Loss shall be reduced by an amount equal to any Tax Benefit. “Tax Benefit” means the Tax benefit actually realized by the Indemnified Party arising from such indemnifiable Loss (determined on a with and without basis), in each case, in the year the indemnifiable Loss is incurred or the indemnity payment is made.

(f) No Duplication. Losses shall be determined without duplication of any other Loss for which an indemnification claim has been made or could be made under any other representation, warranty, covenant or agreement. The Indemnified Parties shall not be entitled to recover more than once for the same Loss.

(g) Other Matters. No indemnity may be sought hereunder in respect of any Losses to the extent such Loss was taken into account in determining the Final Purchase Price.

(h) No Setoff Rights. Neither Party shall have any right of setoff of any amounts due and payable, or any amounts arising, under this Agreement against any other amounts due and payable, or liabilities arising, under the Supply Agreement or Transition Services Agreement. The payment obligations under this Agreement, the Supply Agreement and the Transition Services Agreement remain independent obligations of each Party, irrespective of any amounts owed to any other Party under this Agreement or the Supply Agreement or Transition Services Agreement, as the case may be.

(i) Exclusive Remedy. Except as expressly provided otherwise in this Agreement, and subject to Section 11.9, each Party acknowledges and agrees that, following the Closing, the remedies provided for in Sections 2.4, Article III, 6.6 and 6.10, this Article IX shall be the sole and exclusive remedies for claims and Losses available to the Parties and their respective Affiliates arising out of or relating to this Agreement, except that nothing herein shall limit the liability of any Party for claims arising from Fraud. This Section 9.4(h) shall not affect any Party’s ability to exercise any rights or remedies available to such Party under the Supply Agreement or Transition Services Agreement with respect to claims arising under the Supply Agreement or Transition Services Agreement.

(j) WAIVER. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW AND EXCEPT AS A RESULT OF FRAUD (AS DEFINED IN THIS AGREEMENT), NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY, OR THEIR AFFILIATES, FOR ANY LOSSES THAT ARE IN THE NATURE OF SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, EXCEPT TO THE EXTENT THAT SUCH LOSSES ARE REQUIRED TO BE PAID BY AN INDEMNIFIED PARTY IN CONNECTION WITH A THIRD PARTY CLAIM, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED UPON BREACH OF CONTRACT, TORT, BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW OR ANY OTHER THEORY OF RECOVERY.

(k) Conflicting Claims. Notwithstanding anything herein to the contrary, for the avoidance of doubt, (i) none of the Transferred Liabilities (or the transfer thereof) shall (x) diminish any Purchaser Indemnified Person's recovery for Losses under this Agreement to the extent such Losses relate to any breach by the Seller Group of any of its representations, warranties or covenants in this Agreement, any of the Transaction Documents or any of the certificates delivered hereunder or thereunder, in each case by any member of the Seller Group or (y) prevent the inclusion of any portion of any Transferred Liability (including, for the avoidance of doubt, the Transferred Liabilities in Exhibit D(b), Exhibit D(c) and Exhibit D(h)) in Inventory Cost or Net Working Capital to the extent such Liabilities are to be included in such amounts pursuant to Exhibit H and (ii) none of the Excluded Liabilities (or the retention thereof) shall diminish any Seller Group Indemnified Person's recovery for Losses under this Agreement to the extent such Losses relate to any breach by Purchaser of any representations, warranties or covenants in this Agreement, any of the Transaction Documents or any of the certificates delivered hereunder or thereunder, in each case by Purchaser.

9.5 Indemnification Procedures.

(a) Claim Procedure. In order for any Indemnified Party to be entitled to make a claim for indemnification under this Article IX, such Indemnified Party shall deliver a written notice (an "Indemnification Claim Notice") to the Indemnifying Party, as promptly as reasonably practicable after it acquires knowledge of the fact, event or circumstance giving rise to a claim for Losses pursuant to this Article IX. Each Indemnification Claim Notice shall specify in reasonable detail the nature of, the facts, circumstances and the amount or a good faith estimate (only to the extent ascertainable) of the potential Losses (the "Losses Estimate") against which such Indemnified Party seeks indemnification for, such claim asserted, and the provisions of this Agreement upon which such claim for indemnification is made; provided, however, that any failure by such Indemnified Party to give such prompt Indemnification Claim Notice shall not relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party is actually and materially prejudiced thereby. After delivery of an Indemnification Claim Notice to the Indemnifying Party, (i) the Indemnified Party which has provided such Indemnification Claim Notice shall, upon written request from the Indemnifying Party, supply and make available to the Indemnifying Party and its Representatives (at the Indemnifying Party's cost and expense) all relevant information in its or its Affiliates' possession relating to the claim reasonably requested by the Indemnifying Party (except to the extent that such action would result in a loss of attorney-client privilege; provided, that such Indemnified Party shall use its commercially reasonable efforts to provide such information in such format to the Indemnifying Party, or on an outside counsel only basis or in such other manner which would not result in the loss of such attorney-client privilege) and (ii) the Indemnified Party shall, and shall cause its Representatives, to (A) be reasonably available to the Indemnifying Party and its Representatives (at the Indemnifying Party's cost and expense) during normal business hours to discuss such claim, (B) render to the Indemnifying Party and its Representatives such assistance as may reasonably be requested, (C) provide reasonable access to such properties, facilities, books, records, accountant work papers and other documents or information in their possession or that may be reasonably obtained as the Indemnifying Party and/or its

Representatives may reasonably require (at the Indemnifying Party's cost and expense) (provided, that the accountants of the Indemnified Party shall not be obligated to make any working papers available to the Indemnifying Party or its Representatives unless and until such Party or such Representative, as applicable, has signed a customary confidentiality and hold harmless agreement relating to such access to working papers in form and substance reasonably acceptable to such accountants), and (D) otherwise cooperate with the Indemnifying Party and its Representatives in good faith (at the Indemnifying Party's cost and expense). Without limiting the foregoing, such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party or its Representatives of books, records and other documents and information which are actually and reasonably relevant to such claim.

(b) Direct Claims. Any claim by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a "Direct Claim") shall be asserted by the Indemnified Party by delivering an Indemnification Claim Notice with respect to such Direct Claim to the Indemnifying Party promptly; provided, however, that any failure by such Indemnified Party to give such prompt Indemnification Claim Notice shall not relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party is actually and materially prejudiced thereby. The Indemnified Party shall allow the Indemnifying Party and its Representatives to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party as provided in Section 9.5(a). The Indemnifying Party may, within thirty (30) days after receipt of an Indemnification Claim Notice with respect to such Direct Claim, deliver to the Indemnified Party a written response disputing such claim, which response must state in reasonable detail the reasons why the Indemnifying Party disputes such claim, together with reasonable supporting detail. If the Indemnifying Party fails to deliver a written response disputing such claim within such thirty (30) day period, the Indemnifying Party will be deemed to have waived its right to dispute such claim and such claim shall have been deemed to have been agreed to by the Indemnifying Party.

(c) Third-Party Claims.

(i) If any Indemnified Party receives notice of the assertion or commencement of any action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement (a "Third-Party Claim") against such Indemnified Party with respect to which such Indemnifying Party may be obligated to provide indemnification under this Agreement, such Indemnified Party shall deliver an Indemnification Claim Notice with respect to such Third-Party Claim to the Indemnifying Party promptly; provided, however, the failure to give such prompt Indemnification Claim Notice shall not relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party is actually and materially prejudiced thereby. Such Indemnification Claim Notice by the Indemnified Party shall describe the Third-Party Claim in reasonable detail, and where reasonably practicable, shall include copies of all letters, claims, complaints, filings, documents and correspondence received by the Indemnified Party or its Representatives with respect thereto.

(ii) The Indemnifying Party shall have the right, but not the obligation, to investigate, participate in, or by giving written notice to the Indemnified Party within thirty (30) days of receipt of the Indemnification Claim Notice relating to such Third-Party Claim to assume and control the defense of, or settle (subject to Section 9.5(c)(v)), any Third-Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense.

(iii) In the event that the Indemnifying Party timely notifies the Indemnified Party it desires (and is permitted pursuant to Section 9.5) to assume and control the defense of any Third-Party Claim pursuant to Section 9.5(c)(ii), it shall diligently prosecute such Third-Party Claim and it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third-Party Claim that the other Party has assumed the defense of with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof; provided, that if there exists a conflict of interest between the Indemnifying Party and such Indemnified Party as has been determined by the Indemnified Party's outside legal counsel or if there are one or more different defenses to such Third-Party Claim, then the Indemnified Party shall have the right to claim the reasonable and documented costs and expenses of one (1) counsel and one (1) local counsel in each applicable jurisdiction as indemnifiable Losses to the extent the Indemnified Party is entitled to be indemnified for such Third-Party Claim.

(iv) If the Indemnifying Party elects not to compromise or defend such Third-Party Claim or is not permitted to defend such Third-Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently defend the Third-Party Claim, the Indemnified Party may, subject to the provisions of this Article IX, pay, compromise or defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim. Each of the Indemnified Party and the Indemnifying Party shall keep the other and the other's Representatives reasonably informed concerning the status of any such Third-Party Claim and any related proceedings and all stages thereof. Each of the Parties and the Indemnifying Party and the Indemnified Party shall cooperate in good faith with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available (subject to the confidentiality provisions of this Agreement) and retaining records relevant or relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense for, and the defense of, such Third-Party Claim.

(v) Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not compromise or otherwise enter into any judgment or settlement of any Third-Party Claim without the prior written consent of the Indemnified Party, other than a compromise, judgment or settlement that (A) is on exclusively monetary terms with, subject to the limitations in Section 9.4, such monetary amounts paid by the Indemnifying Party concurrently with the effectiveness of the compromise, judgement or settlement, (B) does not involve any finding or admission of violation of Law or admission of wrongdoing by the Indemnified Party and (C) provides in customary form, an unconditional release of, or dismissal with prejudice of, all claims against any Indemnified Party potentially affected by such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 9.5(c), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(vi) Notwithstanding the foregoing, if a Third-Party Claim (A) seeks relief other than the payment of monetary damages or could result in the imposition of an Order that would restrict in any respect any present or future activity or conduct of Purchaser or any of its controlled Affiliates, (B) seeks a finding or admission of a violation of Law (including any Third-Party Claim seeking to impose criminal fines, penalties or sanctions) or of any Order or of a violation of the rights of any Person by Purchaser or any of its controlled Affiliates, or (C) is made by a Specified

Distributor or in connection with a Specified Contract, then, in each such case, Purchaser shall be entitled to solely direct the defense of any such Third-Party Claim.

9.6 Mitigation.

Each Indemnified Party shall take commercially reasonable steps to mitigate all Losses promptly after its senior executives have actually become aware of any event which gives rise to any Losses that are indemnifiable hereunder.

9.7 Treatment of Indemnification Payments.

The parties agree that any indemnification payments made pursuant to this Agreement shall be treated for Tax purposes as an adjustment to the Final Purchase Price, unless otherwise required by applicable Law.

ARTICLE X TERMINATION

10.1 Termination Events.

Without prejudice to other remedies which may be available to the Parties by Law or this Agreement, this Agreement may be terminated and the transactions contemplated herein may be abandoned (provided, that with respect to Section 10.1(g), any such termination and abandonment shall be automatic and shall occur immediately upon the occurrence of the event specified therein and shall not require any action or notice on the part of any Party):

(a) by mutual written consent of the Parties;

(b) after March 4, 2020 (the "Outside Date"), by any Party by notice to the other Party if the Closing shall not have been consummated on or prior to 5:00 pm Pacific Time on the Outside Date; provided, however, that the right to terminate this Agreement under this Section 10.1(b) shall not be available to any Party whose failure or whose Affiliate's failure to perform any of its representations, warranties, covenants or other obligations under this Agreement has been the primary cause of, or otherwise primarily resulted in, the failure of the Closing to occur on or prior to such date;

(c) by any Party, if a final, non-appealable Order enjoining or otherwise prohibiting consummation of the Purchase has been issued by any Governmental Authority (unless such order, decree or ruling has been withdrawn, reversed or otherwise made inapplicable) or any Law has been enacted that would make the Purchase illegal;

(d) by Seller if (i) Seller is not in material breach of any of its representations, warranties, covenants or other obligations hereunder that renders or would render the conditions set forth in Sections 7.2(a) or 7.2(b) incapable of being satisfied on the Outside Date and (ii) Purchaser is in material breach of any of its representations, warranties, covenants or other obligations hereunder that renders or would render the conditions set forth in Sections 7.3(a) or 7.3(b) incapable of being satisfied on the Outside Date, and such breach is either (A) not capable of being cured prior to the Outside Date or (B) if curable, is not cured within the earlier of (x) thirty (30) days after the giving of written notice by Seller to Purchaser and (y) three (3) Business Days prior to the Outside Date;

(e) by Purchaser if (i) Purchaser is not in material breach of any of its representations, warranties, covenants or other obligations hereunder that renders or would render the conditions set forth in Sections 7.3(a) or 7.3(b) incapable of being satisfied on the Outside Date and (ii) Seller is in material breach of any of its representations, warranties, covenants or other obligations hereunder that renders or would render the conditions set forth in Sections 7.2(a) or 7.2(b) incapable of being satisfied on the Outside Date, and such breach is either (A) not capable of being cured prior to the Outside Date or (B) if curable, is not cured within the earlier of (x) thirty (30) days after the giving of written notice by Purchaser to Seller and (y) three (3) Business Days prior to the Outside Date;

(f) by Purchaser, if a definitive agreement for an Arlo Acquisition Transaction shall have been executed; or

(g) automatically if the Supply Agreement is validly terminated prior to Closing by Purchaser in accordance with its terms.

10.2 Effect of Termination.

In the event of any termination of this Agreement as provided in this Article X, this Agreement shall forthwith become wholly void and of no further force and effect, all further obligations of the Parties under this Agreement shall terminate and there shall be no liability on the part of any Party (or any Affiliate or Representative of such Party) to any other Party (or such other Persons), except that the provisions of Sections 6.2(b), 6.4, 10.2 and Article XI of this Agreement shall remain in full force and effect and the Parties shall remain bound by and continue to be subject to the provisions thereof. Notwithstanding the foregoing, the provisions of this Section 10.2 shall not relieve either Party of any liability for Fraud or for willful misconduct or intentional breach of this Agreement.

ARTICLE XI MISCELLANEOUS

11.1 Notices.

All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand (with written confirmation of receipt, by other than automatic means, whether electronic or otherwise), (b) when sent by e-mail (with written confirmation of transmission) or (c) one (1) Business Day following the day sent by an internationally recognized overnight courier (with written confirmation of receipt), in each case, at the following addresses (or to such other address as a Party may have specified by notice given to the other Party pursuant to this provision):

(a) If to Seller: Arlo Technologies, Inc.
2200 Faraday Avenue
Carlsbad, CA 92008
Attention: Brian Busse, General Counsel
Email: [***]

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

Cooley LLP
4401 Eastgate Mall
San Diego, CA 92121
Attention: Barbara L. Borden
Thomas A. Coll

Email: [***]
[***]

- (b) If to Purchaser: Verisure S.À.R.L.
Chemin Jean-Baptiste Vandelle 3, 1290 Versoix,

(c)

Switzerland
Attention: Vincent Litrico
Nina Cronstedt
Email: [***]
[***]

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

Simpson Thacher & Bartlett LLP
2475 Hanover Street
Palo Alto, CA 94304
Attention: Atif I. Azher
Naveed Anwar
Email: [***]
[***]

11.2 Bulk Transfers.

The Parties waive, to the fullest extent permitted by Law, compliance with the provisions of all applicable Laws relating to bulk transfers of any jurisdiction in connection with the transfer of the Transferred Assets.

11.3 Severability.

If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement and the application of such provision to other persons or circumstances other than those which it is determined to be illegal, void or unenforceable, shall not be impaired or otherwise affected and shall remain in full force and effect to the fullest extent permitted by applicable Law, and Seller and Purchaser shall negotiate in good faith to replace such illegal, void or unenforceable provision with a provision that corresponds as closely as possible to the intentions of the Parties as expressed by such illegal, void or unenforceable provision.

11.4 Further Assurances; Further Cooperation.

Subject to the terms and conditions hereof (including Section 6.3), each of the Parties agrees to use commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, all documents and to take, or cause to be taken, all actions that may be reasonably necessary or appropriate, in the reasonable opinion of counsel for Seller and Purchaser, to effectuate the provisions of this Agreement, provided, that all such actions are in accordance with applicable Law. From time to time, Seller or its Subsidiaries (as appropriate) will execute and deliver such further instruments of conveyance, transfer and assignment and take such other action, at Purchaser's sole expense, as Purchaser may reasonably require to more effectively convey and transfer to Purchaser any of the Transferred Assets, and Purchaser will execute and deliver such further instruments and take such other action, at Seller's sole expense, as Seller or its Subsidiaries may reasonably require to more effectively assume the Transferred Liabilities.

11.5 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by electronic signature (including by means of e-mail in .pdf format) shall be considered original executed counterparts for purposes of this Section 11.5.

11.6 Expenses.

Except as otherwise expressly provided herein, whether or not the Closing occurs, Seller and Purchaser shall each pay their respective expenses incurred in connection with the negotiation and execution of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

11.7 Assignment; Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Parties to this Agreement and their respective permitted successors and assigns; provided, however, that no Party to this Agreement may directly or indirectly assign any or all of its rights or delegate any or all of its obligations under this Agreement without the express prior written consent of the other Parties to this Agreement, except that, (i) either Party may: (A) collaterally assign its rights hereunder to any lender or debt financing source of such Party or any of its Affiliates and (B) after the Closing, assign all or part of its rights or obligations hereunder to any Person in connection with an internal restructuring, joint venture, sale or divestiture of all or any part of the equity interests or the assets of such Party or any of its Affiliates and (ii) Purchaser may assign all or part of its rights or obligations hereunder to one or more of its Affiliates, without the consent of the other Party (in the case of clause (i)) or Seller (in the case of clause (ii)). No assignment of any obligations hereunder shall relieve the Parties of any such obligations. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns.

11.8 Amendment; Waiver.

This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by both Parties. No waiver by either Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the Party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, or a failure or delay by any Party in exercising any power, right or privilege under this Agreement shall be deemed to constitute a waiver by the Party taking such action of compliance with any representations, warranties, covenants, or agreements contained herein, and in any documents delivered or to be delivered pursuant to this Agreement and in connection with the Closing hereunder. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

11.9 Remedies.

(a) The Parties acknowledge and agree that irreparable damage would occur and that the Parties may not have any adequate remedy at Law in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or any such breach. Accordingly, the Parties hereto acknowledge and hereby agree that in the event of any breach or threatened breach by Seller or Purchaser of any of their respective covenants or obligations set forth in this Agreement, each of Purchaser and Seller, respectively, shall be entitled to an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement by such other Party (as applicable), and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other (as applicable) under this Agreement, without proof of actual damages or inadequacy of legal remedy and without bond or other security being required. The pursuit of specific enforcement or other equitable remedies by any Party will

not be deemed an election of remedies or waiver of the right to pursue any other right or remedy (whether at Law or in equity) to which such Party may be entitled at any time.

(b) Subject to Section 9.4(h), any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise at any time of any other remedy.

(c) Each of Seller and Purchaser hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by Seller or Purchaser, as applicable, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of Seller or Purchaser, as applicable, under this Agreement. The Parties hereto further acknowledge and agree that (i) by seeking the remedies provided for in this Section 11.9, a Party shall not in any respect waive its right to seek at any time any other form or amount of relief that may be available to a Party under this Agreement (including monetary damages) and (ii) nothing set forth in this Section 11.9 shall require any Party to institute any proceeding for (or limit any Party's right to institute any proceeding for) specific performance under this Section 11.9 prior or as a condition to exercising any termination right under Article X (and pursuing damages after such termination (subject to the terms of this Agreement)), nor shall the commencement of any Proceeding pursuant to this Section 11.9 or anything set forth in this Section 11.9 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Article X or pursue any other remedies under this Agreement or otherwise that may be available then or thereafter.

11.10 Third Parties.

This Agreement does not create any rights, claims or benefits inuring to any Person that is not a Party nor create or establish any third-party beneficiary hereto (including with respect to any Business Employee); provided, however, that, notwithstanding the foregoing, (i) Purchaser Indemnified Persons and Seller Group Indemnified Persons are intended third-party beneficiaries of, and may enforce, Article IX and (ii) the Nonparty Affiliates are intended third-party beneficiaries of, and may enforce, Section 11.15.

11.11 Governing Law.

This Agreement, and all claims or causes of action (whether in contract, tort or otherwise) 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) shall be governed by and construed in accordance with the law of the State of Delaware, without giving effect to any laws, rules or provisions that would cause the application of the laws of any jurisdiction other than the State of Delaware.

11.12 Consent to Jurisdiction; Waiver of Jury Trial.

(a) Each of the Parties hereto hereby irrevocably and unconditionally (a) submits, for itself and its property, to the exclusive jurisdiction of the Delaware Court of Chancery (or, only if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any Federal court of the United States of America sitting in the State of Delaware), and any appellate court from any thereof, in any Proceeding arising out of or relating 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), or for recognition or enforcement of any judgment, and

agrees that all claims in respect of any such Proceeding shall be heard and determined in such Delaware Court of Chancery (or, only if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any Federal court of the United States of America sitting in the State of Delaware), (b) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any Proceeding arising out of or relating 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) in the Delaware Court of Chancery, any Federal court of the United States of America sitting in the State of Delaware, or in any Delaware State court, (c) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court, and (d) agrees that a final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each of the Parties hereto agrees that service of process, summons, notice or document by registered mail addressed to it at the applicable address set forth in Section 11.1 shall be effective service of process for any Proceeding brought in any such court.

(b) THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, EXECUTION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT OR THE TRANSACTION DOCUMENTS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

11.13 Disclosure Schedules.

The Disclosure Schedules is hereby incorporated and made a part hereof and is an integral part of this Agreement. Disclosures included in the Disclosure Schedules shall be considered to be made for purposes of all other sections to the Disclosure Schedules to the extent that the relevance of any disclosure to any such other section of the Disclosure Schedules is reasonably apparent. Inclusion of any matter or item in the Disclosure Schedules does not imply that such matter or item would, under the provisions of this Agreement, have to be included in the Disclosure Schedules or that such matter or item is otherwise material. Reference to any Contract set forth in the Disclosure Schedules shall be deemed to include all amendments, purchase orders and schedules thereto from time to time through the date of this Agreement. Nothing contained in the Disclosure Schedules should be construed as an admission of liability or responsibility of any Party to any third party in connection with any pending or threatened Proceeding or otherwise. Any capitalized terms used in the Disclosure Schedules but not otherwise defined therein shall be defined as set forth in this Agreement.

11.14 Entire Agreement.

This Agreement, the other Transaction Documents, the Disclosure Schedules and the Exhibits hereto and any other agreements between Purchaser and Seller entered into on the date hereof set

forth the entire understanding of the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the Parties or their respective Subsidiaries other than those set forth or referred to herein or therein. In the event of any inconsistency between the provisions of this Agreement and any other Transaction Document, the provisions of this Agreement shall prevail.

11.15 Non-Recourse.

Except as expressly set forth in the other Transaction Documents or the Confidentiality Agreement, all claims, obligations, liabilities, or causes of action (whether in contract or in tort, at law or in equity, granted by statute or otherwise) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Agreement), may be made only against (and such representations and warranties are those solely of) the Persons that are expressly identified as parties in the preamble to this Agreement (the “Contracting Parties”). No Person who is not a Contracting Party, including any current, former or future equityholder, incorporator, controlling person, general or limited partner, member, Affiliate, or assignee or Representative of, and any financial advisor or lender to, any Contracting Party, or any current, former or future equityholder, incorporator, controlling person, general or limited partner, Affiliate, or assignee or Representative of, and any financial advisor or lender to, any of the foregoing or any of their respective successors, predecessors or assigns (or any successors, predecessors or assigns of the foregoing) (collectively, the “Nonparty Affiliates”), shall have any Liability (whether in contract or in tort, at law or in equity, granted by statute or otherwise) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach (other than as expressly set forth in the other Transaction Documents or the Confidentiality Agreement), and, to the maximum extent permitted by Law, each Contracting Party hereby waives and releases all such Liabilities, claims, causes of action, and obligations arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach (other than as expressly set forth in the other Transaction Documents or the Confidentiality Agreement) against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by Law, except to the extent otherwise expressly set forth in the other Transaction Documents or the Confidentiality Agreement, (i) each Contracting Party hereby waives and releases any and all rights, claims, demands, or causes of action that may otherwise be available, whether in contract or in tort, at law or in equity, granted by statute or otherwise, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise, in each case, arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach and (ii) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with respect to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement.

11.16 No Joint Venture.

Nothing in this Agreement creates a joint venture or partnership between the Parties. This Agreement does not authorize any Party (i) to bind or commit, or to act as an agent, employee or legal Representative of, another Party, except as may be specifically set forth in other provisions of this Agreement or (ii) to have the power to control the activities and operations of another Party. The Parties are independent

contractors with respect to each other under this Agreement. Each Party agrees not to hold itself out as having any authority or relationship contrary to this Section 11.16.

11.17 Section Headings; Table of Contents.

The Section headings contained in this Agreement and the Table of Contents to this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Asset Purchase Agreement to be duly executed as of the date first above written.

Arlo Technologies, Inc.

By: /s/ Matthew McRae
Name: Matthew McRae
Title: Chief Executive Officer

Verisure S.À.R.L.

By: /s/ Austin Lally
Name: Austin Lally
Title: Chief Executive Officer

By: /s/ Marta Panzano Barbero
Name: Marta Panzano Barbero
Title: Chief Human Resources Officer

Excluded Assets

The “Excluded Assets” shall consist of all assets of the Seller Group other than any Transferred Assets, including without limitation:

- (a) all cash and cash equivalents
- (b) all claims, causes of action, choses in action, rights of recovery and rights of setoff of any kind, including rights arising under warranties, representations, indemnities and guarantees made by customers, suppliers, vendors and licensors and including rights of subrogation, to the extent related to the Excluded Assets or the Excluded Liabilities;
- (c) all rights (A) of each member of the Seller Group under this Agreement and the other Transaction Documents and (B) under the Specified Shared Contracts to the extent relating to the Non-Business Portion;
- (d) all organizational documents, minute and stock record books, corporate seals, corporate or financial books, accounting records, Tax Returns and other Tax records, and any personnel files and compensation data of the Seller Group;
- (e) all rights of each member of the Seller Group to reimbursements, indemnification, hold-harmless or similar rights to the extent relating to any Excluded Assets or Excluded Liabilities;
- (f) all accounts receivable of each Selling Entity;
- (g) all Intellectual Property, including all Intellectual Property used or held for use in the Business, other than the Transferred IP;
- (h) all Tax credits, Tax refunds and other Tax assets of any member of the Seller Group with respect to the Business for all taxable periods ending on or prior to the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but does not end on) the Closing Date;
- (i) all assets relating to any Benefit Plan, except all Prepaid Benefit Plan Premiums;

(j) all insurance policies;

(k) all Permits, including any import licenses;

(l) all tangible personal property and IT Infrastructure other than the Transferred Personal Property, including any facility, furniture, fixture or equipment (including test equipment), machinery, software or software as a service, telecommunications or supplies owned or leased by any of the Seller Group and used prior to the Closing to operate the Business;

(m) all new and used inventory of equipment used or sold in the Business other than the Inventory;

(n) all equity interests of each member of the Seller Group; and

(o) all Affiliate Agreements; and

all Contracts listed on Exhibit A(p) (the “Excluded Contracts”).

Excluded Liabilities

The “Excluded Liabilities” shall consist of all Liabilities of each member of the Seller Group that are not Transferred Liabilities, including all Liabilities arising from (x) the Seller Group’s conduct or operations of the Business prior to Closing and (y) the conduct and operations of the business of the Seller Group (excluding the Business) whether arising before, on or after the Closing, and shall also include the following:

(a) all Liabilities related to the Excluded Assets;

(b) all Liabilities to the extent arising under or incurred under the Transferred Business Contracts and all outstanding purchase orders primarily relating to the Business prior to the Closing (including all accounts payable arising from the performance of such Contracts prior to the Closing);

(c) all Liabilities to the extent arising under or incurred under the Transferred Real Property Lease prior to the Closing;

(d) all Liabilities arising out of Transferred Personal Property or the Transferred IP solely to the extent such Liabilities arise out of or relate to the period on or prior to the Closing;

(e) all accounts payable and indebtedness of each member of the Seller Group;

(f) all costs and expenses incurred by any member of the Seller Group in connection with this Agreement or the transactions contemplated and/or related to the solicitation of any other potential buyers of Seller, the Business and/or the Transferred Assets or the consideration of strategic alternatives with respect thereto;

(g) all Liabilities arising from or relating to any Proceeding involving Seller, any of its Affiliates or any of their respective directors or officers relating to or arising from this Agreement, the Supply Agreement or the transactions contemplated hereby and thereby other than any Liability incurred directly by Purchaser for its own conduct or own defense in connection with any such Proceeding;

(h) all Excluded Employee-Related Liabilities;

(i) all Beckmann Liabilities;

(j) any Liabilities in respect of (i) Taxes (or the non-payment thereof) of Seller for any Tax period (other than, for the avoidance of doubt, any Taxes imposed with respect to any Transferred Asset for any taxable periods beginning after the Closing Date and the portion after the Closing Date for any taxable period that includes (but does not end on) the Closing Date), (ii) Taxes imposed with respect to the Business or any Transferred Asset for all taxable periods ending on or prior to the Closing Date and the portion through the Closing Date for any taxable period that includes (but does not end on) the Closing Date, (iii) Taxes of an affiliated, consolidated, combined, or unitary group of which Seller (or any predecessor or Affiliate) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 (or any analogous or similar state, local, or non-U.S. Law), and (iv) Taxes of any Person imposed on Seller or in respect of the Business or any Transferred Asset as a transferee or successor, by contract or pursuant to any Law, which Taxes relate to an event or transaction occurring on or prior to the Closing;

(k) all Liabilities arising from or relating to any Affiliate Agreement; and

(l) all Liabilities arising from or relating to any Intercompany Account.

Transferred Assets

The “Transferred Assets” shall consist of all of the following assets.

(a) the goodwill of the Business;

(b) all Transferred Personal Property;

(c) all Inventory;

(d) all IT Infrastructure listed on Exhibit C(d) (the “Transferred IT”);

(e) (i) all Trademarks of the Business, including without limitation (A) those trademarks and trade names set forth on Exhibit (C)(e)(i)(A) and (B) those domain names, URLs, IP addresses, IP address ranges and websites of the Business set forth on Exhibit C(e)(i)(B); (ii) all other Intellectual Property exclusively used in the Business; and (iii) the right to enforce all Intellectual Property in (i) and (ii) above and to obtain, establish, apply for, prosecute and register the same, (collectively, the “Transferred IP”), and all physical and tangible materials embodying the same (excluding any computers used to host any such websites, provided they are not otherwise included in the Transferred IT). For clarity, all Intellectual Property embedded or incorporated in the Seller Group Products and Services is excluded from the Transferred IP;

(f) all Contracts primarily relating to, or primarily used in, the Business (other than the real property leases and related vendor contracts relating to facilities of the Seller Group in the Territory (excepting the Transferred Real Property Lease), automobile leases, all assets relating to any Benefit Plan and Contracts relating to IT Infrastructure except to the extent a software license transfers with the transfer of a computer included in Transferred IT without the need to obtain the consent of the licensor or a new license), including (w) all Subscription Agreements and all accounts receivable arising from the performance of such Subscription Agreements from and after the Closing; (x) the Contracts set forth on Exhibit (C)(f), (y) the Business Portion of the Specified Shared Contracts, subject to Section 6.14 and (z) any Contracts entered into by the Business after the date hereof (1) with the prior written consent of Purchaser or (2) unless otherwise agreed to in writing by Purchaser, with counterparties (or their respective Affiliates) to the Contracts listed on Section 6.1(a)(iv) of the Disclosure Schedules (collectively, the “Transferred Business Contracts”), all outstanding purchase orders primarily relating to the Business and all accounts receivable arising from the performance of such Transferred Business Contracts and outstanding purchase orders from and after the Closing;

(g) (A) the Transferred Real Property Lease, together with (x) any security deposits and any prepaid rent, business rates, service charges, and insurance, in each case, relating thereto and any options to purchase in connection therewith and (y) the right, title or interest of Seller and the other Selling Entities, if any, in and to any fixtures, structures or improvements, appurtenant to such real property subject to the terms and conditions of the Transferred Real Property Lease and (B) any prepaid postal box charges in Germany;

(h) all (A) customer, distributor and vendor lists to the extent relating to the Business and (B) all marketing and advertising materials to the extent relating exclusively to the Business (clauses (A) and (B), collectively, the “Business Materials”);

(i) (A) all Transferred Books and Records; provided, that, subject to the Parties entering into a Data Sharing Agreement, each member of the Seller Group shall be entitled to retain and use one copy of any of the Transferred Books and Records solely to the extent necessary for the purposes specified in Section 6.5(c) and subject to the obligations specified therein. Seller acknowledges and agrees that for the purposes of applicable data protection and privacy Laws each member of the Seller Group shall be a controller (as defined by the GDPR) of Personal Data contained within such retained Books and Records and the Seller and each member of the Seller Group shall ensure any further processing of such Personal Data shall be undertaken at all time in accordance with applicable data protection and privacy Laws;

(j) all claims, causes of action, choses in action, rights of recovery and rights of setoff of any kind, and all rights to obtain damages, refunds and rights of recoupment of any kind, in each case, relating to the Transferred Assets, accruing or arising at any time after the Closing Date, whether choate or inchoate, known or unknown, contingent or otherwise;

(k) any data (including Personal Data) relating to employees who are Transferred Employees to the extent (i) permitted by applicable Law and (ii) a consent has been obtained from each such Transferred Employee by Seller to provide copies of such data as they relate to each such Transferred Employee;

(l) all Prepaid Benefit Plan Premiums; and

(m) Except as expressly set forth above in this Exhibit C, all other rights, title and interests of each Selling Entity of the type not covered by the preceding clauses (a) to (k) in and to, as they exist as of the applicable Effective Time, all of the Assets that are primarily related to, used or held for use by such Selling Entity in connection with the Business of every kind, nature, character and description, tangible and intangible, real, personal or mixed, wherever located, in each case, as of such Effective Time.

Transferred Liabilities

The “Transferred Liabilities” shall consist of all of the following Liabilities solely to the extent such Liabilities arise out of or relate to the period following the Closing Date, and, notwithstanding the foregoing, shall exclude all Excluded Liabilities.

- (a) all Liabilities to the extent arising under or relating to the Transferred Business Contracts (including the Subscription Agreements) and all outstanding purchase orders primarily relating to the Business;
 - (b) all Liabilities for ongoing services to customers of the Business from and after Closing under Subscription Agreements;
 - (c) all Liabilities for Seller Group product returns for customers in the Territory, whether such product was sold before or after Closing;
 - (d) all Liabilities to the extent arising under or relating to the Transferred Real Property Lease;
 - (e) all Assumed Employee-Related Liabilities;
 - (f) all Liabilities to the extent arising out of or relating to any Transferred IT, Transferred Personal Property or Transferred IP;
 - (g) all other Liabilities to the extent relating to, arising out of or otherwise in any way in respect of the Business or the conduct or operation of the Business and activities related thereto, or the ownership, use or operation of any Transferred Assets; and
- all Liabilities with respect to price protection under the Transferred Business Contracts, whether arising before or after the Closing.

CONFIDENTIAL EXECUTION VERSION

SUPPLY AGREEMENT

dated as of November 4, 2019

between

ARLO TECHNOLOGIES, INC.

and

VERISURE SÀRL

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SUPPLY AGREEMENT

This Supply Agreement (this “Agreement”) is entered into by and between Arlo Technologies, Inc., a Delaware corporation having its place of business at 3030 Orchard Parkway, San Jose, California (“Supplier”) and Verisure Sàrl, a Swiss limited liability company having its principal place of business at Chemin Jean-Baptiste Vandelle 3, 1290 Versoix, Switzerland (“Customer”), on this November 4, 2019 (the “Effective Date”). Provisions designated to be effective as of the Effective Date will be in full force and effect as of the Effective Date; provisions that have a specific date of effectiveness shall be effective as of such specific date; all other provisions will be effective as of the Closing Date.

RECITALS

WHEREAS, pursuant to that certain Asset Purchase Agreement (the “APA”), dated as of the date hereof, among Supplier and Customer, Customer has agreed to purchase Supplier’s distribution and marketing business in the Territory (as defined below);

WHEREAS, the Parties desire to establish a partnership on which Supplier shall make available for supply to Customer and/or its designee all of Supplier’s products made available from time to time in the United States or elsewhere where, in Supplier’s reasonable determination with advice of counsel, such products may legally be offered by Customer (the “Arlo Catalog Products”) and Associated Services (as defined below);

WHEREAS, the Parties also intend for Customer to (a) become the exclusive distributor of Arlo Catalog Products in the Territory for all channels; and (b) distribute Arlo Catalog Products through and in connection with the sale of products and services of the Customer’s security business, including Customer’s partners and alliances sales channels for such security business, in each case excluding any retail, retail distribution, and retail e-commerce channels (the “Verisure Security Business”) anywhere legally in the world;

WHEREAS, the Parties wish for Supplier to develop, manufacture and supply products in accordance with mutually-agreed specifications that will be set forth in one or more Statements of Work (the “Verisure Developed Products”, and together with the Arlo Catalog Products, the “Products”);

WHEREAS, the Parties desire for Supplier to provide to Customer certain rights in the event of certain business continuity failures of Supplier including the continuation of the commercial arrangements contemplated herein notwithstanding the occurrence of any such business continuity failure and the agreement to provide all support necessary for Customer to negotiate backstop arrangements (the “Backstop Arrangements”) with Supplier’s original design manufacturers and certain of its other suppliers, it being understood that these arrangements are part and parcel to the agreement by Customer to enter into this Agreement;

WHEREAS, Customer’s intent is to enter into a strategic partnership with Supplier to jointly grow and develop their respective businesses through the supply of cameras and camera-related products. The intent of Customer and Supplier is to build a highly successful future and portfolio together for the long-term, targeting explosive growth. Customer’s intent is to use Supplier to ensure Customer is able to meet its customers’ demand for cameras and camera-related products;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the Parties hereby agree as follows:

Article I

DEFINITIONS

Section 1.01 Certain Defined Terms.

- (a) Unless otherwise defined herein, all capitalized terms used herein shall have the same meaning as in the APA.
- (b) The following capitalized terms used in this Agreement shall have the meanings set forth below:

“Adverse Event” shall have the meaning set forth in Section 12.01(d).

“Adverse Liquidity Position” means (1) either (i) the ratio of Supplier’s Net Debt to Supplier’s LTM EBITDA is greater than or equal to [***] or (ii) the ratio of Net Debt to LTM Gross Margin is greater than or equal to [***]; provided, that, if Supplier’s LTM Gross Margin is less than [***] percent ([***]%) of Supplier’s consolidated revenue as of the most recent financial statements, then clause (i) shall not apply and the foregoing ratio in this clause (ii) shall be [***]; or (2) the Liquidity Ratio is less than [***] and Supplier’s Unrestricted Cash and Short Term Investments plus undrawn available lines of credit are below \$[***].

“Adverse Notification” shall have the meaning set forth in Section 12.01(d).

“Affiliate” of a Person means a Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, the first mentioned Person; provided, that in no event shall Customer or any of its Subsidiaries be considered an Affiliate of any “portfolio company” (as such term is customarily understood among institutional private equity investors) of any investment fund or investment holding company sponsored by or affiliated with Hellman & Friedman LLC, GIC Private Limited or Corporación Financiera Alba, S.A. (or of any other direct or indirect shareholder of Customer from time to time which is a professional financial investor), nor shall any portfolio company of any investment fund or investment holding company sponsored by or affiliated with Hellman & Friedman LLC, GIC Private Limited or Corporación

Financiera Alba, S.A. (or of any other direct or indirect shareholder of Customer from time to time, which is a professional financial investor) be considered to be an Affiliate of Customer or any of its Subsidiaries.

“Agreement” shall have the meaning set forth in the Preamble.

“APA” shall have the meaning set forth in the Recitals.

“Applicable Term” shall have the meaning set forth in Section 11.02.

“Arlo Brand” shall have the meaning set forth in Section 9.10.

“Arlo Catalog Products” shall have the meaning set forth in the Recitals.

“Arlo Catalog Products Markup” means, for Arlo Catalog Products (i) if Customer’s Hardware Contribution Margin is equal to or less than [***] percent ([***]%) calculated with respect to the retail part of the European Business, a markup of [***] percent ([***]%); (ii) if Customer’s Hardware Contribution Margin is greater than [***] percent ([***]%) but equal to or less than [***] percent ([***]%) calculated with respect to the retail part of the European Business, a markup of [***] percent ([***]%); and if Customer’s Hardware Contribution Margin is greater than [***] percent ([***]%) calculated with respect to the retail part of the European Business, a markup of [***] percent ([***]%).

“Arlo Change of Control” shall have the meaning set forth in Section 11.03(a).

“Arlo IP” means any Intellectual Property owned, controlled, or developed by or on behalf of Supplier or its Affiliates as of the Effective Date and through the termination of the Termination Backstop Services (provided that, following an Arlo Change of Control, Arlo IP will not be deemed to include any Intellectual Property of the acquirer or any affiliate of such acquirer (outside of the Intellectual Property of the acquired group of companies)).

“Arlo Smart Services” shall have the meaning set forth in Section 5.01(c).

“Associated Services” shall have the meaning set forth in Section 5.01.

“Associated Services Personnel List” shall have the meaning set forth in Section 5.04.

“Audit Scope” shall have the meaning set forth in Section 6.02.

“Auditor” shall have the meaning set forth in Section 6.02.

“Background IP” means all Intellectual Property owned by a Party as of the Effective Date, any modifications thereto made by such Party that are separate from those created under the Development Services and all other Intellectual Property made by a Party that is separate from that created under the Development Services.

“Backstop Arrangements” shall have the meaning set forth in the Recitals.

“Backstop License” shall have the meaning set forth in Section 9.05.

“Backstop Services” means, collectively, the Termination Backstop Services, the Early Stability Backstop Services and the Late Stability Backstop Services.

“Bankruptcy Code” means title 11 of the United States Code, as now in effect or hereafter amended.

“Batch” means a specific quantity of the Products that is intended to have uniform character and quality, within specified limits, and is produced according to a single Purchase Order during the same cycle of manufacture/production run.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York City or banks in Geneva, Switzerland and/or other parts of Switzerland are permitted or required by Law to close.

“Change of Control” means, with respect to Supplier: (a) any transaction or series of transactions (including by merger, consolidation, exchange or contribution of equity, or other form of entity reorganization of Supplier in one transaction or in a series of related transactions with or into another entity) pursuant to which any Person becomes the record owner or beneficial owner, directly or indirectly, of equity securities of Supplier representing fifty percent (50%) or more of the total voting power represented by Supplier’s then issued and outstanding voting securities; (b) the direct or indirect sale, transfer or other disposition (in one transaction or in a series of related transactions) of all or substantially all of the consolidated assets or business of Supplier; (c)

any transaction or series of transactions pursuant to which any Person acquires all or substantially all of the consolidated assets or business of Supplier or (d) the occupation of a majority of the seats (other than vacant seats) on the board of directors of Supplier by Persons who were not (x) directors of Supplier as of the date of this Agreement (the directors of Supplier as of the date of this Agreement, the “Incumbent Directors”), (y) directors who were appointed to vacant seats by the Incumbent Directors, or (z) directors who were nominated for election by the stockholders of Supplier by the Incumbent Directors; provided that any director so appointed or nominated and then elected will become an Incumbent Director after such appointment or nomination and any Incumbent Director who resigns, fails to stand for re-election or fails to be re-elected shall be removed from the definition of Incumbent Director; provided, further, that, in no event shall an Incumbent Director include any member of the board of directors of Supplier originally proposed for election in opposition to the Incumbent Directors then in office in an actual or threatened election contest relating to the election of the directors and whose initial assumption of office resulted from such contest or the settlement thereof.

“Claim” shall have the meaning set forth in Section 15.01.

“Closing Date” shall have the meaning set forth in the APA.

“Collateral” shall have the meaning set forth in Section 8.01.

“Commitment Period” shall have the meaning set forth in Section 8.03.

“Confidential Information” shall have the meaning set forth in Section 14.01.

“Control” means, with respect to a Person, the power to direct or cause the direction of the management of policies of such Person, directly or indirectly, whether through ownership of voting securities or by contract or otherwise and the terms “controlling” and “controlled by” have meanings correlative to the foregoing.

[***]

“Customer” shall have the meaning set forth in the Preamble.

“Customer Entities” means, collectively, Customer and its Affiliates.

“Customer Feedback IP” shall have the meaning set forth in Section 4.09.

“Customer Services Manager” shall have the meaning set forth in Section 7.02(b).

“Customer Specific Features” shall have the meaning set forth in Section 4.02(a)(ix).

“Debt Default” shall have the meaning set forth in Section 12.01(a)(ii).

“Defective Product” means any Product which does not meet the requirements set forth in Section 2.22(d) herein.

“Deliverable” means any work product and/or other results of Development Services in each case of the foregoing to be delivered by Supplier or its Subsidiaries to Customer, as specified in a Statement of Work.

“Delivery Date(s)” means the date(s) on which Products are to be delivered to, or made available for collection from, the Delivery Location, as set out in Supplier’s acceptance of the applicable Purchase Order.

“Delivery Location” means the location to which Products are to be delivered to, or made available for collection from in accordance with Section 2.07 as set out in the Purchase Order. For clarity, there will be only one Delivery Location per Purchase Order.

“Development and Quality Control Committee” shall have the meaning set forth in Section 7.03.

“Development Service” shall have the meaning set forth in Section 4.01.

“Development Services Personnel List” shall have the meaning set forth in Section 4.07.

“Dispute” shall have the meaning set forth in Section 16.01(a).

“Early Stability Backstop Services” shall have the meaning set forth in Section 12.03(b).

“Early Stability Step-In Right” shall have the meaning set forth in Section 12.02(b).

“Early Stability Triggering Event” shall have the meaning set forth in Section 12.01(a).

“Effective Date” shall have the meaning set forth in the Preamble.

“EOL Policy” shall have the meaning set forth in Section 2.20.

“EOL Product” shall have the meaning set forth in Section 2.20(a).

“EOL Support Period” shall have the meaning set forth in Section 2.20(b).

“Epidemic Defect” shall have the meaning set forth in Section 2.23.

“Epidemic Defect Notice” shall have the meaning set forth in Section 2.25.

“Escrow” shall have the meaning set forth in Section 9.13.

“Escrow Costs” shall have the meaning set forth in Section 9.13.

“Escrow Materials” shall have the meaning set forth in Section 9.13.

“European Business” shall mean the distribution, marketing and sales of Products and Associated Services in the Territory.

“Existing Territory” means the countries in which Supplier currently supplies the Arlo Catalog Products as at the Effective Date, as follows: the United States of America, Canada, Mexico, Australia, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan, the United Kingdom (including, for clarity, its constituent parts), Ireland, Germany, Austria, France, Switzerland, Spain, Italy, Norway, Denmark, Finland, Netherlands, and Belgium.

“Expiration Date” shall have the meaning set forth in Section 11.02.

“Feedback” shall have the meaning set forth in Section 4.09.

“Fees” means the Product Payments, the Total Commitment, the Annual Commitment, the fees for Development Services set forth in Section 4.05 and the fees for Associated Services set forth in Section 5.02, together with any other payments required to be paid by Customer to Supplier under this Agreement.

“Force Majeure” means, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf) and which by the exercise of reasonable diligence and prudence the Party affected was unable to prevent, including acts of God, storms, floods, riots, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism or failure of energy sources. For the avoidance of doubt, the following shall not be deemed Force Majeure events: general adverse changes or fluctuations in the markets in which Supplier operates; financial distress or insufficient financial capability of Supplier to perform the Purchase Order or Statement of Work; storms, floods and failures of energy sources the effects or extent of which would have been mitigated by reasonable diligence and prudence; or events involving a previous or existing condition known by the Party affected by the event at or before the acceptance of a Purchase Order or Statement of Work date.

“GDPR” shall have the meaning set forth in Section 2.18.

“Good Industry Practice” means the exercise of the degree of skill, care and diligence expected from an expert and experienced supplier of products and services the same as or similar to the Products, the Development Services and the Associated Services.

“Governance Committee” shall have the meaning set forth in Section 7.04.

“Governmental Authority” means any United States, supranational or foreign, federal, state, provincial, municipal or local government agency, court of competent jurisdiction, administrative agency or commission or other governmental or regulatory authority or instrumentality.

“Grace Period” shall have the meaning set forth in Section 2.13.

“Hardware Contribution Margin” means (i) Customer’s gross shipments less returns, multiplied by Customer’s standard margin, minus (ii) marketing expenses and minus (iii) sales and marketing operating expenses (in each case, calculated with respect to the European Business).

“Indebtedness” means: (a) any indebtedness for borrowed money; (b) any obligations evidenced by notes, bonds, debentures or similar contracts to any Person other than Supplier or any of its Subsidiaries; (c) any obligations in respect of letters of credit or bankers acceptances; and (d) any guaranty of any such obligations described in clauses “(a)” through “(c)” of any Person other than Supplier or any of its Subsidiaries (other than in any case, accounts payable to trade creditors, accrued liabilities, deferred revenue and operating leases incurred in the ordinary course of business and non-current liabilities).

“Indemnified Party” shall have the meaning set forth in Section 15.03.

“Indemnifying Party” shall have the meaning set forth in Section 15.03.

“Initial Term” shall have the meaning set forth in Section 11.01.

“Insolvency Event” means the occurrence of any of the following: (i) Supplier or any of its Material Subsidiaries (A) voluntarily commences any case or files any petition seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, administrative receivership or similar law now or hereafter in effect, (B) consents to the institution of, or fails to contest in a timely and appropriate manner, any involuntary proceeding or petition described in clause (ii) below, (C) files an answer admitting the material allegations of a petition filed against it in any such proceeding, (D) applies for or consents to the appointment of a receiver, administrator, administrative receiver, trustee, custodian, sequestrator, conservator or similar official for Supplier or any of its Material Subsidiaries for a substantial part of its assets, (E) makes a general assignment or arrangement for the benefit of creditors or (F) takes any corporate action for the purpose of authorizing any of the foregoing; or (ii) upon the commencement of an involuntary case against Supplier or any of its Material Subsidiaries or the filing of an involuntary petition seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief in respect of Supplier or any of its Material Subsidiaries or its or their debts, or of a substantial part of its or their assets, under any federal, state or foreign bankruptcy, insolvency, administrative, receivership or similar Law now or hereafter in effect, provided, that such involuntary proceeding in this clause (ii) is not dismissed within a period of thirty (30) days after the filing thereof, or if any court order grants the relief sought in such involuntary proceeding.

“Integration Services” shall have the meaning set forth in Section 5.01(a).

“Intellectual Property” means all rights associated with the following: (a) patents and applications therefor, utility models and applications therefor and statutory invention registrations (including any continuations, continuations-in-part, divisionals, reissues, renewals, foreign counterparts or modifications for any of the foregoing); (b) trade secret rights, rights in know-how and all other rights in or to confidential business or technical information; (c) copyrights in works of authorship of any type (including copyrights in Software), mask work rights and design rights, whether or not registered, and registrations and applications for registration thereof, and all rights therein provided by applicable international treaties or conventions, all moral and common law rights thereto; and (d) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world. For clarity, “Intellectual Property” does not include any rights in Trademarks.

“Joint Roadmap” shall have the meaning set forth in Section 7.01.

“Late Stability Backstop Services” shall have the meaning set forth in Section 12.03(e).

“Late Stability Ramp Down Period” shall have the meaning set forth in Section 12.03(e)(ii).

“Late Stability Step-In Right” shall have the meaning set forth in Section 12.02(c).

“Late Stability Triggering Event” shall have the meaning set forth in Section 12.01(b).

“Law” means any law, treaty, statute, ordinance, rule, code or regulation of a Governmental Authority.

“Licensed Feedback” shall have the meaning set forth in Section 4.09.

“Liquidity Ratio” means the ratio of (i)(a) Unrestricted Cash and Short Term Investments plus (b) undrawn revolving credit facilities or lines of credit of Supplier, to (ii) (a) the sum of (1) the aggregate amount of projected capital expenditures and working capital requirements of Supplier for the next rolling twelve (12) month period, plus (2) the aggregate principal amount of cash payments with respect to interest and other required payments, in the form of amortization or otherwise, on all Indebtedness of

Supplier for the next rolling twelve (12) month period, and without duplication, the aggregate principal amount of all Indebtedness of Supplier outstanding on the applicable date having a remaining term to maturity of one year or less, plus (3) the aggregate amount of actual and projected cash tax payments of Supplier for the next rolling twelve (12) month period minus (b) Supplier's LTM EBITDA, in each case (other than with respect to LTM EBITDA) with such calculation of capital expenditure projections, working capital projections, debt service, tax payment and/or similar cashflow forecasts in this definition as prepared in good faith and consistent with similar capital expenditure projections, working capital projections, debt service, tax payment and similar cashflow forecasts presented to the board of directors or senior management of Supplier in the ordinary course of business.

“Losses” means any and all losses, damages, liabilities, costs (including reasonable out-of-pocket costs of investigation) and expenses, including interest, penalties, settlement costs, judgments, awards, fines, costs of mitigation, court costs and fees (including reasonable attorneys' fees and expenses).

“LTM EBITDA” means, as of any date of determination, with respect to the four fiscal quarters most recently ended for which financial statements are available, the sum (for purposes of such calculation, not to be less than zero) for such four fiscal quarters of (1) net income as reflected on a statement of operations prepared on a consolidated basis in accordance with generally accepted accounting principles as ordinarily applied by Supplier plus (2) (i) provisions for taxes based on income, profits, losses or capital of Supplier and its Subsidiaries for such quarter, (ii) interest expense and (iii) depreciation and amortization (including, without limitation, amortization of intangibles), (iv) stock-based compensation, in each case (x) without duplication, (y) solely to the extent such amount was deducted in calculating such net income and (z) solely with respect to the applicable quarter. Solely for purposes of calculating EBITDA for periods containing fiscal quarters ended prior to the date hereof, EBITDA for the fiscal quarters ended December 31, 2018, March 31, 2019 and June 30, 2019 shall be \$[***], \$[***] and \$[***], respectively.

“LTM Gross Margin” means, as of any date of determination, with respect to the four fiscal quarters most recently ended for which financial statements are available, the sum (for purposes of such calculation, not to be less than zero) for such four fiscal quarters of (1) consolidated revenue less (2) cost of goods sold, in each case as reflected on the statement of operations prepared on a consolidated basis in accordance with generally accepted accounting principles as ordinarily applied by Supplier. Solely for purposes of calculating gross margin for periods containing fiscal quarters ended prior to the date hereof, gross margin for the fiscal quarters ended December 31, 2018, March 31, 2019 and June 30, 2019 shall be \$[***], \$[***] and \$[***], respectively.

“Markup” means either the Verisure Developed Products Markup or the Arlo Catalog Products Markup.

“Material Adverse Effect” means (x) any effect, event, change, development, occurrence, circumstance or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have, a material adverse effect on (i) the assets, business or financial condition of Supplier and its Subsidiaries, individually or taken as a whole, and/or (ii) the ability of Supplier or any of its Subsidiaries, as applicable, to perform their respective obligations under this Agreement in a timely manner or (y) the Liquidity Ratio is less than [***] and Supplier's

Unrestricted Cash and Short Term Investments plus undrawn available lines of credit are below \$[***].

“Material Subsidiary” means any Subsidiary of Supplier that (a) has any Indebtedness that is material in relation to Supplier and its Subsidiaries, taken as a whole, (b) guarantees any material Indebtedness of Supplier or any other Material Subsidiary, (c) is party to any contract, lease or license that is material in relation to Supplier and its Subsidiaries, taken as a whole, (d) is the employer to a material number of employees of Supplier and its Subsidiaries, taken as a whole, (e) is otherwise material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of Supplier and its Subsidiaries, taken as a whole, or (f) any Subsidiary which meets any of the following conditions: (A) the Supplier and its other Subsidiaries' investments in and advances to the Subsidiary exceed ten percent (10%) of the total assets of the Supplier and its Subsidiaries consolidated as of the end of the most recently completed fiscal year (for a proposed combination between entities under common control, this condition is also met when the number of common shares exchanged or to be exchanged by the Supplier exceeds 10 percent of its total common shares outstanding at the date the combination is initiated); (B) the Supplier and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds ten percent (10%) of the total assets of the Supplier and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or (C) the Supplier's and its other Subsidiaries' equity in the income from continuing operations before income taxes of the Subsidiary exclusive of amounts attributable to any non-controlling interests ten percent (10%) of such income of the Supplier and its Subsidiaries consolidated for the most recently completed fiscal year.

“Minimum Annual Commitment” shall have the meaning set forth in Section 8.03.

“Net Debt” means, as of any date of determination, the aggregate principal amount of Indebtedness as reflected on a balance sheet prepared on a consolidated basis in accordance with generally accepted accounting principles as ordinarily applied by Supplier less the aggregate amount of Unrestricted Cash and Short Term Investments; provided that, for purposes of this definition,

total liabilities will be calculated without giving effect to any election under FASB ASC Topic 825 (or any other Financial Accounting Standard or similar principle or guidance having a similar result or effect) to value any indebtedness or other liabilities at “fair value”.

“New Product” shall have the meaning set forth in Section 2.28.

“Non-Defective Product” shall have the meaning set forth in Section 2.22(e).

“ODMs and Original Suppliers” means all original design manufacturers of Supplier from time to time (including, without limitation, Foxconn and Pegatron).

“Open Source Software” means Software for which the Source Code is generally made publicly available, and that is licensed under the terms of various published open source Software license agreements or copyright notices accompanying such Software.

“Party” means Supplier and Customer individually, and “Parties” means Supplier and Customer collectively, and, in each case, their permitted successors and assigns.

“Person” means an individual, corporation, partnership, limited liability company, association, trust, incorporated organization or other single entity.

“Personnel Lists” shall have the meaning set forth in Section 5.04.

“Prepayments” shall have the meaning set forth in Section 8.01.

“Product Addendum” shall have the meaning set forth in Section 2.01.

“Product Information” shall have the meaning set forth in Section 2.19(a).

“Product Invoice” shall have the meaning set forth in Section 8.06.

“Products” shall have the meaning set forth in the Recitals.

“Product Payments” shall have the meaning set forth in Section 8.02.

“Project Leader” shall have the meaning set forth in Section 4.02(a)(iv).

“Purchase Order” means a request for Products that has been made by a Customer Entity.

“Records” shall have the meaning set forth in Section 6.01.

“Relationship Manager” shall have the meaning set forth in Section 7.02(a).

“Representative” of a Person means any director, officer, employee, agent, consultant, accountant, auditor, attorney or other representative of such person.

“Services Invoice” shall have the meaning set forth in Section 5.03.

“Software” shall mean any firmware, end user software, driver software, interface (including graphical user interface) software, operating software or other software program.

“Source Code” shall mean the human-readable source code for the applicable Software, as appropriate, in the appropriate programming language, and which shall contain sufficient narrative so as to reasonably enable a Software programmer having average skill and ability in computer application programming to understand, maintain and modify the source code.

“Specification” means a Product and/or Development Services specification set out in the relevant Statement of Work and any other specifications and amendments agreed in writing between the Supplier and the Customer from time to time.

“Statement of Work” or “SOW” shall have the meaning set forth in Section 4.02.

“Step-In Rights” shall have the meaning set forth in Section 12.02(c).

“Subsidiary” or “Subsidiaries” of Customer, Supplier or any other Person means any corporation, partnership or other

legal entity of which Customer, Supplier or such other Person, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, more than 50% of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

“Supplier” shall have the meaning set forth in the Preamble.

“Supplier Personnel” means the employees, agents, subcontractors, suppliers and invitees of the Supplier engaged, or due to be engaged, in carrying out, or required to carry out, the Supplier’s obligations under the Agreement.

“Supplier Services Manager” shall have the meaning set forth in Section 7.02(b).

“Supplier SOW Technology” shall have the meaning set forth in Section 4.02(a)(ix).

“Supply Ramp Down Period” shall have the meaning set forth in Section 12.03(a)(ii).

“Supply Triggering Event” means the termination of, or Supplier’s notification of its intent to terminate, the supply of the Verisure Developed Products by Supplier to Customer for any reason, unless (i) in accordance with the terms hereof or (ii) Customer has provided its prior written consent for such termination.

“Support Agreement” shall have the meaning set forth in Section 12.01(b)(iii).

“Technical Manufacturing Information” means the manufacturing information, process and technology used by Supplier or its sub-contractors to design, develop, test or manufacture the Product including, but not limited to: (i) specifications, Software, schematics, designs, patterns, drawings or other materials pertinent to the most current revision level of manufacturing and assembly of the Product, including any mask work and topography information and product release notes; (ii) detailed component information; (iii) copies of all inspection, manufacturing, test and quality control procedures and any other work processes; (iv) jig, fixture and tooling designs; (v) Supplier history files; (vi) support documentation; and (vii) any additional technical information or materials specified in a Product Addendum.

“Termination Backstop Services” shall have the meaning set forth in Section 12.03(a).

“Termination Event” shall have the meaning set forth in Section 11.03(a).

“Territory” shall mean all the countries and jurisdictions in the European continent, including, without limitation, Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, The Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom (including, for clarity, its constituent parts) and Vatican City.

“Testing Materials” shall have the meaning set forth in Section 2.22(e).

“Total Commitment” shall have the meaning set forth in Section 8.03.

“Trademarks” means trademarks, trade names, service marks, service names, trade dress rights, domain names, social media identifiers, URLs, IP addresses, IP address ranges and websites and similar designation of origin, in each case whether registered or unregistered, and all goodwill symbolized thereby and associated therewith.

“Triggering Events” shall have the meaning set forth in Section 12.01(b).

“Unavailability” shall have the meaning set forth in Section 2.03.

“Unrestricted Cash and Short Term Investments” means cash, cash equivalents and short term investments, in each case as reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with generally accepted accounting principles as ordinarily applied by Supplier.

“VDP License” shall have the meaning set forth in Section 9.04.

“Verisure Developed IP” shall have the meaning set forth in Section 9.02.

“Verisure Developed Products” shall have the meaning set forth in the Recitals.

“Verisure Developed Products Markup” means, for Verisure Developed Products, a markup of [***] percent

([***]%).

“Verisure Security Business” shall have the meaning set forth in the Recitals.

“Volume Forecast” shall have the meaning set forth in Section 2.02.

“Warranty Period” shall have the meaning set forth in Section 2.22(d).

ARTICLE II

SUPPLY

Section 2.01 Arlo Catalog Products to be Provided. Subject to the terms and conditions of this Agreement, including that Supplier has reasonably determined that such products may be made available outside of the Existing Territory in accordance with Section 2.19, the Arlo Catalog Products supplied to the Customer Entities during the term of this Agreement shall include all products that Supplier provides to its partners, resellers, distributors,

retailers and other channels, but at a minimum, Supplier shall supply the products and services set forth in Schedule 2.01 herein (the “Product Addendum”).

Section 2.02 Volume Forecasts. Customer shall provide to Supplier, within the first [***] of the month, in an agreed format, a rolling forecast of the quantity of the Products it requires, by [***], for the following [***] and the approximate dates on which it will require the Products to be supplied (the “Volume Forecast”).

- (a) The Volume Forecast will only be binding in respect of those components that require more than [***] to be delivered at the manufacturing facility, as certified by Supplier on a [***] basis (the “Long Lead Time Components”);
- (b) Supplier shall not allocate any Long Lead Time Components to any customer other than Customer until Customer places the relevant Purchase Order;
- (c) In the event Customer places a Purchase Order that is below the Volume Forecast, Customer will be liable for the Long Lead Time Components applicable to such Purchase Order; provided that Supplier takes all commercially reasonable steps to mitigate the effects of such long lead times, including, without limitation (i) using the components that were purchased by Supplier for, but are no longer required by, Customer, in products for other customers of Supplier; (ii) reselling the Long Lead Time Components to its own suppliers and (iii) allocating such Long Lead Time Components to future orders by Customer;
- (d) Provided that Supplier has taken the mitigating steps set forth above and such Long Lead Time Components remain unused or unsold, Customer will pay such unused or unsold Long Lead Time Components at cost within [***] of receiving the invoice from Supplier; and
- (e) Customer will be able to order up to [***] percent ([***]%) more of the Volume Forecast (“Increased Forecast”) and Supplier shall use commercially reasonable efforts to accommodate such increase.

Supplier will provide all information related to manufacturing component lead times promptly after it becomes available and the Parties will work together in good faith to optimize lead times.

Section 2.03 Supply of Products. Subject to the terms and conditions of the Agreement, the Supplier shall supply, for the benefit of the Customer and the Customer Entities, such quantities of the Products as set out in the Purchase Order. Supplier shall ensure that it maintains sufficient quantities of the Products to meet the Volume Forecasts provided by the Customer and will use commercially reasonable efforts to fulfil any Increased Forecasts. If at any time during the term of this Agreement the Supplier determines that it will not be able to meet purchase orders received from Customer or any of its other customers for a specific period of time (the “Unavailability”), Supplier shall immediately notify Customer thereof. In connection with the Unavailability, Supplier shall (i) through the third anniversary of the Initial Term, with respect to the fulfillment of products among all of its customers, give Customer the same priority

as it gives to its top two customers; and (ii) for the remainder of the term of this Agreement, give Customer a pro rata share of the available Products equivalent to the percentage of Customer's Product sales as a proportion of Supplier's total sales in the most recent calendar year.

For clarity, subject to Section 4.04, Supplier may subcontract to an Affiliate the performance of its obligations under this Article 2, including the acceptance, fulfilment and receipt of payment for each Purchase Order.

Section 2.04 Purchase Orders. Customer may, from time to time on its own behalf or on behalf of any Customer Entity, and any Customer Entity may from time to time on its own behalf, order Products from the Supplier by completing and issuing a Purchase Order and submitting it to the Supplier in accordance with the procedure detailed in this Section 2.04. Each Purchase Order shall:

- (a) be given in writing (whether air mail or electronic form);
- (b) where relevant specify:
 - (i) the type, price, currency and quantity of any Products ordered; and
 - (ii) the requested Delivery Date(s) and Delivery Location for such Products;
- (c) contain an order number; and
- (d) specify the registered name, tax identification number and address of the Customer Entity to be invoiced by the Supplier for the Fees.

Section 2.05 Acceptance. The Supplier shall notify the relevant Customer Entity promptly, and in any event within five Business Days of receiving a Purchase Order, whether or not it accepts the Purchase Order and, if it accepts the Purchase Order, the Delivery Date. Supplier will not reject a Purchase Order that: (i) is consistent with the Volume Forecast; and (ii) has a delivery date that is at least [***] (for sea freight to the Delivery Locations set forth on Section 2.07 herein) or [***] (for air freight) from the date of the Purchase Order; provided that Supplier may reject Purchase Orders with a delivery date that cannot be met entirely because of exceptional or unforeseen circumstances, in each case, that are outside of Supplier's control. Failure to issue a written Purchase Order rejection within such period shall be deemed an acceptance of the Purchase Order on the terms set out therein. Supplier will use commercially reasonable efforts to accept Purchase Orders for Increased Forecasts. Upon acceptance or deemed acceptance of a Purchase Order in accordance with this Section 2.05, Supplier shall be bound to supply and perform, and the Customer (or, without limiting Section 8.07(c), the relevant Customer Entity) shall be bound to purchase, the relevant Products. Attached as Schedule 2.05 is a list, as of the Effective Date, of all Customer Entities that may be issuing Purchase Orders. Customer may amend Schedule 2.05 from time to time by written notice to Supplier.

Section 2.06 Purchase Order Cancellation. A Customer Entity which has placed a Purchase Order for Products which has been accepted by Supplier may not cancel such Purchase Order.

Section 2.07 Purchase Order Product Fulfilment. Supplier shall deliver the Products to or make the Products available for collection from, the Delivery Location by or on the Delivery Date(s). The Delivery Locations as of the Effective Date are:

- (a) for all Products to be marketed and sold via the retail channel: Moerdijk, The Netherlands; and
- (b) for all Products to be marketed and sold via the Verisure Security Business: Guadalajara (Madrid area), Spain.

The Delivery Locations may change at Customer's sole discretion, provided: (i) the Delivery Location remains in the Territory; (ii) Customer has given Supplier advance written notice of such change; and (iii) for Purchase Orders accepted after such notice, Supplier has a ninety (90) day period to shift all deliveries to the new location. In the event a Party wants to add an additional Delivery Location, the Parties will discuss in good faith the possibility of the same.

Section 2.08 Packaging and Handling. Supplier shall properly pack, mark and ship Products as instructed by Customer and otherwise in accordance with applicable Law and industry standards, and shall provide Customer with shipment documentation showing the purchase order number, the quantity of pieces in shipment, the number of cartons or containers in shipment, the bill of lading number and the country of origin. Further, Supplier shall:

(a) where reasonably required by the relevant Customer Entity, remove all packaging and leave the Delivery Location clear of waste;

(b) label the Products, packaging, master boxes and pallets in accordance with the reasonable instructions of the relevant Customer Entity and any applicable regulations or requirements of any applicable carrier, and properly packed and secured so as to protect them from loss or damage in accordance with Good Industry Practice and to ensure they reach their destination in an undamaged condition. Supplier shall ensure that a packing note quoting the Purchase Order number accompanies each delivery or consignment of the Products and is displayed prominently on all packages; and

(c) Supplier will promptly provide to the relevant Customer Entity all reasonable assistance to help facilitate the importation of the Products and take all reasonably necessary action to assist Customer in ensuring the Products are granted prompt customs clearance.

Section 2.09 Surplus. Unless otherwise agreed between the Parties in writing, no Customer Entity will have any liability to pay for, and any Customer Entity may refuse, any surplus Products delivered by the Supplier. Any surplus Products shall be collected by the Supplier at the Supplier's cost promptly following a request by the Customer Entity.

Section 2.10 Transfer of Title and Risk of Loss. Supplier shall be responsible for arranging and paying all shipping, insurance and export costs related to the freight of the Products under DDU (Incoterms 2010) to the Delivery Location, unless otherwise agreed upon by both Parties on a shipment by shipment basis. For the avoidance of doubt, Customer shall be responsible for performing customs clearance and paying all relevant customs and import duties and inspection costs associated with the delivery of the Products to the Delivery Location. Title to the Products will pass on to the Customer at the Delivery Location. Risk in any Products rejected by the Customer pursuant to Section 2.15 hereof shall pass back to the Supplier once the Supplier has collected the rejected Products pursuant to Section 2.15, and risk in any surplus Products shall pass back to the Supplier on the earlier of (i) at the point of Supplier's collection of the same at the Delivery Location; and (ii) [***] from the date Supplier receives Customer's notice to collect the Products from the Delivery Location.

Section 2.11 Price List. Supplier's price list will include DDU pricing, assuming sea freight and associated lead times; provided that Customer may request air shipments in the Purchase Order provided that Customer promptly pays any incremental cost as a result of the change from sea to air freight. Supplier shall, on a quarterly basis, request quotes from third party vendors on freight pricing and, where there has been a change in price, provide Customer with such quotes. The Parties will compare such quotes and discuss freight pricing on each meeting of the Governance Committee, and the Parties may revisit the use of DDU depending on the results of such discussion.

Section 2.12 Meeting Delivery Date. Supplier shall notify the relevant Customer Entity promptly after receipt of a Purchase Order if the requested Delivery Date(s) for the Products will not be met and shall propose an alternative Delivery Date. Further:

(a) Supplier shall use commercially reasonable efforts to meet the Delivery Date(s);

(b) Unless otherwise specified in the Purchase Order or otherwise agreed in writing by the Parties, no Customer Entity shall be required to accept delivery in instalments, outside its respective normal business hours as notified to the Supplier from time to time, or from or at a location different from the Delivery Location. The Customer Entity shall have no liability to the Supplier in respect of any Products delivered to or made available for collection at any location different from the Delivery Location and any such Products shall be collected by the Supplier at the Supplier's cost promptly following a request by the Customer Entity.

Section 2.13 Delayed Delivery. If the Supplier is unable for any reason to deliver the Products by the Delivery Date, the Customer Entity may, after the passage of [***] after the Delivery Date ("Grace Period"), deduct from the Fees the following rate for each week of delay after the Grace Period until the actual delivery of all such Products:

Amount payable per week of delay after the Grace Period
--

[***]% of the value of order.

Customer's ability to deduct from the Fees under this Section 2.13 shall be capped in relation to each order of Products at [***]% of the value of that order, unless otherwise agreed by the Parties. The Fee reduction set out in this Section 2.13 is Customer's sole and exclusive remedy in the event of a delivery of the Products after the Delivery Date.

[***] = CERTAIN CONFIDENTIAL INFORMATION OMITTED

Section 2.14 Quality Standards; Inspections and Acceptance Testing. Supplier shall meet or exceed (i) Supplier's current quality standards for the Arlo Catalog Products, and (ii) the quality standards for the Verisure Developed Products to the extent set out in the relevant Statement of Work or as otherwise mutually agreed in writing. Supplier, or its designee, shall perform quality inspections of the Products before shipment and will certify inspection results in the manner reasonably requested by Customer or otherwise in accordance with industry standards. Further:

- (a) subject to the provisions of Section 2.14(b), the Customer Entity may reject any Product which it reasonably considers does not conform to the Specifications or this Section 2.14.
- (b) The Customer shall have the right to inspect the Products upon arrival at the Delivery Location.
- (c) Any inspection, testing, checking, rejection or approval made, carried out or given by or on behalf of the Customer shall not relieve the Supplier from any obligation under this Agreement nor prejudice any of the powers or remedies of any Customer Entity.
- (d) Without prejudice to the foregoing, if a Statement of Work specifies any additional acceptance tests and/or other acceptance procedures applicable to the Products, the Supplier shall comply with its obligations relating to such acceptance testing and/or other acceptance procedures as stated in the relevant Statement of Work.
- (e) If, as a result of such inspection and/or review of samples under Section 2.14(a) and/or as a result of any additional acceptance testing and/or other acceptance procedures pursuant to Section 2.14(d), the Customer is not satisfied (acting reasonably) that the Products will conform in all respects with this Agreement and the Customer so informs the Supplier, the Supplier shall promptly take all steps necessary to ensure conformance.
- (f) Supplier shall supply Customer in good time with any instructions or other information necessary for acceptance of Products.

Section 2.15 Products which are not Acceptable. Customer may at any time within [***] following the point of inspection reject any Products which, in the reasonable opinion of the Customer, do not conform to this Agreement. A failure by Customer to reject the Products within the [***] shall be deemed an acceptance of such Products. Subject at all times to Supplier's right to dispute Customer's rejection in accordance with Section 2.15(e) below:

- (a) the Customer Entity shall notify the Supplier in writing of any defect by reason of which the Customer Entity alleges that the Products delivered are not in accordance with the relevant Specification;
- (b) if the Customer Entity rejects any Products which are "dead on arrival" or otherwise damaged or not in accordance with the relevant Specification, the Supplier shall at its sole cost and risk and if requested by the Customer Entity:
 - (i) collect the rejected Products from the Customer Entity promptly (and in any event within [***] of receiving notice from the Customer or any other Customer Entity requiring it to do so); and
 - (ii) promptly, and in any event within [***] of receiving a notice of rejection from the Customer Entity, supply replacement Products which are in accordance with the relevant Specification;
- (c) If the Supplier fails to collect rejected Products in accordance with Section 2.15(b)(i) above, the Customer Entity shall be entitled to dispose of such Products or return them to the Supplier (and where Products are returned, the Supplier shall accept the return of such Products), and the Supplier shall promptly reimburse the Customer Entity's reasonable costs of doing so;
- (d) If the Supplier fails to supply replacement Products in accordance with Section 2.15(b)(ii), the Supplier shall, at

the Customer Entity's request, refund to the Customer that part of the Fees attributable to the Products concerned; and

(e) If there is any difference of opinion between the Parties as to whether any Products supplied by the Supplier are in accordance with the relevant Specification, the matter shall, at the request of either the Supplier or the Customer, be determined in accordance with Section 16.01.

Section 2.16 Tooling; Refurbished Products. Customer will have the right to purchase from Supplier relevant tooling and test equipment for Products to support reverse logistics processes and for Customer to perform testing within its own logistics centers. Customer will have the right to purchase plastics and packaging from Supplier at cost for purposes of refurbishing Products.

Section 2.17 Product Requirements. Supplier shall ensure that the Products (other than any Background IP provided by Customer) comply with applicable Law, including regulatory requirements, and with any standards, certification and marking requirements set out in the relevant Product Addendum or Statement of Work. Supplier shall have procedures in place as required to demonstrate that it takes all necessary precautions and exercises all due diligence to satisfy all standards and certifications relating to safety, legality and quality; and applicable Laws. To the extent it is within Supplier's control after commercially reasonable efforts, Supplier shall ensure that its own suppliers are subject to equivalent obligations to take all necessary precautions and exercise all due diligence to those set out in this Section 2.17.

Section 2.18 Security and Data Privacy.

(a) The Parties will establish collaborative processes to ensure compliance with applicable licenses and regulation, including in relation to the EU General Data Protection Regulation or (as the context permits) the General Data Protection Regulation as adopted in the United Kingdom pursuant to the European Union (Withdrawal Act) 2018 (collectively, "GDPR") and other data privacy regulation. This collaborative process will adhere to GDPR rules and other data privacy rules and be mutually agreed upon by the Parties to maximize data

protections, end user privacy, and data security while enabling the fulfilment of the end user features across the companies' infrastructure and products. This may include updates to end user licenses, privacy statements, and other agreements. The Parties will also collaborate on processes for data requests, "right to be forgotten" requests, and other related procedures. Moreover, the provisions of Schedule 2.18 shall apply and Supplier agrees to abide by the same.

(b) In furtherance of Supplier's obligation to comply with applicable Law, Supplier shall ensure that, in designing the Products, it takes into consideration the impact of privacy Laws and regulatory standards on the use of the Products within the Territory. Customer may submit to Supplier any privacy enhancing features for the Products, and Supplier agrees to consider such features in good faith.

Section 2.19 Production and Technical Manufacturing Information Records. Supplier shall provide Customer with all technical documentation on the Products and related testing required for Customer to comply with its own regulatory requirements where Supplier has agreed in its reasonable discretion to distribute a Product outside of the Existing Territory; provided that in each case requirements that are specific to the Verisure Developed Products shall be the Parties' joint responsibility. Customer shall provide advance notice of any new countries for which Supplier needs to obtain product certification, Supplier agrees to take commercially reasonable efforts to achieve such certifications, and any out-of-pocket costs required for such new certifications shall be assumed by Customer. Further, only to the extent necessary for Customer to comply with regulatory requirements:

(a) On or before each Delivery Date for any Product, the Supplier shall provide the Customer with all required Technical Manufacturing Information and other information relating to the Product ("Product Information"), as applicable, in English.

(b) On or before each Delivery Date for a new or modified Product, the Supplier shall provide the Customer with updates to the Technical Manufacturing Information and Product Information and all other information reasonably required, in English (or if required by Customer, in other languages), to the extent required for the preparation of user and technical materials to make available with the relevant Product.

(c) The Supplier shall keep the Technical Manufacturing Information and Product Information referred to in this

Section 2.19 for a minimum period of ten years from the time it is first provided to the Customer. During this period the Supplier shall, at the request of the Customer, provide the Customer with further copies of such Technical Manufacturing Information and Product Information on request.

Section 2.20 End Of Life Arlo Catalog Products. Supplier is permitted to discontinue the supply of any Arlo Catalog Product during the term of this Agreement in accordance with its end-of-life policy (as updated by Supplier from time to time) (“EOL Policy”). Schedule 2.20 sets forth Supplier’s EOL Policy as of the Effective Date. Supplier shall provide Customer with any updates to its EOL Policy throughout the term of this Agreement.

One-Time Buy. Supplier shall give Customer the opportunity to place an order for the remainder of its stock of any Arlo Catalog Product that Supplier has discontinued pursuant to its end-of-life policy for distribution in the Territory only (“EOL Product”) upon terms and timing to be agreed.

(a) Support Period. Supplier shall continue to support any EOL Product until the later of (i) the end of the Warranty Period for the last such EOL product sold and (ii) the longest period for which Supplier supports any other EOL Product (the “EOL Support Period”).

(b) Quality of Support. During the EOL Support Period, Supplier shall provide support for any EOL Product at a level of service and in a manner consistent with how Supplier provides or conducts such services (or similar services) as of the date of sale of the last such EOL Product.

(c) Security Patch. If a security issue arises with respect to any EOL Product, Supplier shall provide a security patch to Customer at Customer’s reasonable request during the term of this Agreement or, if outside of the term of this Agreement, under the Backstop TSA.

Section 2.21 Product Recalls. In the event that the Supplier issues a Product withdrawal or recall, the Supplier acknowledges that Customer may have to re-inspect batches of the same Product previously supplied which may give rise to rejection notes in respect of Products in the distribution centers of the Customer Entities. Supplier shall provide all necessary assistance required by the Customer Entities for the purposes of identifying Products potentially affected by the withdrawal or recall notice, and the Supplier shall, subject to the liability cap set out in Section 15.04, reimburse Customer for (i) the costs incurred in respect of any visits to sites where the Products are installed; (ii) the costs of removing the Products from the installed sites; (iii) the costs of procuring and installing replacement products; (iv) transportation costs; and (v) costs of testing, shipment and any additional required inspections, provided that Customer can demonstrate it could not reasonably have avoided such costs by acting in accordance with established market practice or by taking all reasonable steps to monitor and mitigate such costs.

Section 2.22 Other Supply Chain Terms.

(a) Open Book Arrangement. With respect to the supply of Products and the provision of Associated Services to Customer, Supplier shall provide an open book arrangement, providing Customer with full transparency on costs to the same level of detail as managed internally within Supplier.

(b) Cost Reduction. Without limiting the Total Commitment and the Minimum Annual Commitment or Supplier’s guaranteed margins, the Parties will use their reasonable best efforts to achieve a [***] percent ([***]%) year-over-year landed cost reduction for each Product, taking into account total combined cost implications for both Parties.

(c) Working Capital Forecasts. Supplier shall provide [***] rolling working capital forecasts to Customer.

(d) Warranty>Returns. Supplier’s product warranty shall include that, for a period of [***] (unless a longer time period is requested by Customer for specific

models and/or channels in which case Customer will assume such additional costs) from the date that the Products arrive to the Delivery Location (the “Warranty Period”), the Products shall: (i) be free from defects in materials and workmanship; and (ii) conform to the relevant Product Addendum and the relevant Specification.

(e) Testing Materials. Supplier will, promptly after the Effective Date, and as required during the term of this Agreement, deliver to Customer all tools, materials, supplies and documentation necessary or reasonably required for the inspection and testing of Products (“Testing Materials”), in each case to be sold to Customer at cost. Supplier shall also provide maintenance services in respect of the Testing Materials where reasonably required, at Supplier’s then-current standard services rates. Customer

shall bear the responsibility to test and inspect Products to determine whether such Products fail to comply with the warranties in this Section. If Customer reasonably determines that any one or more of these warranties is not met during the Warranty Period, the Supplier or its agents shall have the right to inspect such allegedly Defective Product to verify that it is defective and/or to examine the root cause of any defect and, unless the Supplier has reasonably determined that the Product is not a Defective Product (the “Non-Defective Product”) (including providing evidence of such findings) within a reasonable time after receiving the Product, the Supplier shall, at the Customer’s option having regard to the applicable circumstances, either repair, replace or refund (for the sums paid by the Customer Entity for the relevant Product(s)) the Defective Products. The parties shall agree on a Return Merchandise Authorization (RMA) process which shall include, among others, the period of time within which the Supplier shall repair or replace the Defective Products. Supplier agrees to return to Customer any Non-Defective Products, at Customer’s cost, and the Parties will cooperate on the process for such return.

(f) User Relationship. Customer will be the primary contact for end users and all Parties for whom Customer assumes a direct contractual relationship worldwide in respect of all Level 1 and Level 2 technical support, warranty claims and returns on Products bought from Supplier, including without limitation, retail customers within the Territory. Supplier will be responsible for all support for Arlo Smart Services for incidents that are Level 3 or above as described in the Service Level Agreement.

(g) Marketing and Advertising Materials. From time to time, at its discretion, Customer may purchase from Supplier, at cost, available advertising, marketing, communication, merchandising and/or display materials, samples and testers related to the Products.

Section 2.23 Epidemic Product Defects. For purposes of this Agreement an “Epidemic Defect” shall be deemed to have occurred if during the relevant Warranty Period:

(a) more than [***]% of the Products in any one Batch on a rolling [***] basis are Defective Products due to the same or substantially the same defect, in which case all Products in that Batch shall be regarded as being Defective Products; or

(b) more than [***]% of the Products in any one or more Batches on a rolling [***] basis are Defective Products due to the same or substantially the same defect,

in which case all Products in that product revision shall be regarded as being Defective Products; or

(c) more than [***]% of the Products on a rolling [***] basis are Defective Products for any reason, in which case all Products in that product revision shall be regarded as being Defective Products.

Section 2.24 Consequences of Epidemic Products. In the event that an Epidemic Defect has occurred, the Supplier shall, subject at all times to the liability cap set out in Section 15.04, reimburse the Customer for all reasonable documented costs and expenses incurred by the Customer or any member of the Customer Entities:

(a) the costs incurred in respect of any visits by any Customer Entity to sites where the Defective Products are installed;

(b) the costs of removing the Defective Products from the installed sites and returning them to the Supplier for repair or replacement;

(c) the costs of reinstalling the repaired or replaced Defective Products at their original locations;

(d) transportation costs; and

(e) costs of testing, shipment and any additional required inspections,

provided that Customer can demonstrate it could not reasonably have avoided such costs by acting in accordance with established market practice or by taking all reasonable steps to monitor and mitigate such costs.

Section 2.25 Notification and Recovery Plan. In the event that an Epidemic Defect has occurred, the Parties shall implement the following procedure:

(a) within [***] following the Customer delivering a notice of a suspected Epidemic Defect to the Supplier (an “Epidemic Defect Notice”), the Supplier shall give the Customer an initial response indicating its preliminary plan for diagnosing the Epidemic Defect; and

(b) within [***] following receipt of an Epidemic Defect Notice the Supplier and the Customer shall diagnose the Epidemic Defect and the Supplier shall propose a recovery plan to:

(i) correct any possible Epidemic Defects expected to materialize in other Products;

(ii) eliminate the Epidemic Defect in all continuing manufacture of Products; and

(iii) put in place an appropriate work-around, as an interim solution, if required to minimize the impact of the Epidemic Defect on the Customer Entities.

The Supplier’s proposed recovery plan shall be subject to the Customer’s prior written approval, which shall not be unreasonably withheld or delayed. If the Customer does not approve the Supplier’s proposed recovery plan the Customer shall propose the required changes, and the Parties shall work together in good faith in order to reach an agreed recovery plan as soon as is practical. Once agreed, the Supplier shall promptly implement the agreed recovery plan.

Section 2.26 Pass-Through Rights. To the extent Supplier or its Affiliates have, or during the term of this Agreement obtain, rights or benefits from any ODMs and Original Suppliers that are more favorable than those provided for in this Agreement, Supplier or the applicable Affiliate will pass on such rights to Customer.

Section 2.27 Provision of Information. The Supplier shall promptly provide the Customer with all information reasonably requested by the Customer relating to the Products, relevant Batches and/or product revisions in order for the Customer to assess whether or not an Epidemic Defect has occurred.

Section 2.28 New Product Launches. In respect of any new Product that Supplier intends to market and sell outside the Territory (“New Product”):

(a) Supplier shall inform Customer as early as reasonably possible of the plan to launch the New Product as part of the Joint Roadmap sessions, so that Customer can plan and prepare for its launch in the Territory; and

(b) the Parties will work together to target a release date for the New Product within the Territory, and Supplier shall use commercially reasonable efforts to achieve a target release date within the Territory of [***] after the launch of the New Product in the United States, subject to Supplier determining whether the New Product may be legally made available in each relevant country in the Territory, the applicable certification processes and other factors outside the reasonable control of Supplier.

ARTICLE III

EXCLUSIVITY

Section 3.01 Exclusivity in respect of Arlo Catalog Products. During the term of this Agreement and subject to the terms and conditions hereunder, Customer will have the exclusive (even as to Supplier) right to commercialize and distribute the Arlo Catalog Products in the Territory, for all channels.

Section 3.02 Exclusivity in respect of Verisure Developed Products. Supplier shall not supply (i) Verisure Developed Products or (ii) any products that incorporate any Verisure Developed IP not licensed to Supplier under a Statement of Work to any Person

(including end users) anywhere in the world, during or after the term of this Agreement, and this provision shall expressly survive any termination of this Agreement without time limitation.

Section 3.03 Exclusivity in respect of all Products. Subject to the following sentence, Supplier shall not make, have made, supply or otherwise distribute, whether directly or indirectly, any camera-related products or accessories for sale within the Territory, other than through Customer. Customer acknowledges and agrees that the distribution or supply of Supplier’s

camera-related products or accessories by unauthorized third parties (including unauthorized sales or unauthorized resales of Supplier's camera-related products or accessories on e-commerce platforms) will not be a breach by Supplier of this Section, provided that (i) Supplier refrains from selling the camera-related products or accessories to Persons who Supplier knows or has reason to know are unauthorized; (ii) Supplier does not endorse, support or otherwise facilitate such unauthorized sales and (iii) Supplier takes commercially reasonable efforts to prevent such unauthorized sales; provided that nothing in this Section 3.03 shall require that Supplier insert a prohibition on grey goods sales in its contracts with its own customers if such customers do not accept such provision.

Section 3.01 Supply Exclusivity. During the term of this Agreement and subject to the terms and conditions hereunder, and subject to Supplier meeting its development, supply and material Escrow obligations, Customer will exclusively source Products from Supplier. Customer shall have the right to commercialize camera products, camera accessories and related services sourced from other suppliers, including Customer's own developed devices and services, anywhere in the world. Solely in respect of the Verisure Security Business, if Customer is planning on sourcing camera products, camera accessories or related services from a third party, Customer will, if reasonable under the circumstances, offer such sourcing opportunity to Supplier prior to offering it to a third party. Notwithstanding the foregoing, Customer shall have discretion on whether to choose Supplier as the vendor for such sourcing and provided, further, that Supplier will not be required to provide Associated Services (as defined below) in respect of any products sourced from a third party.

ARTICLE IV

DEVELOPMENT SERVICES

Section 4.01 Development Services. Effective as of the Effective Date, subject to the terms and conditions of this Agreement, Supplier shall provide to the Customer Entity the following development services (each, a "Development Service" and, collectively, the "Development Services"):

- (a) develop Verisure Developed Products in accordance with specifications agreed in a Statement of Work. [***];
- (b) provide commercially reasonable ongoing development services and provide all levels of support to Customer for the ongoing maintenance and support of the Verisure Developed Products, including bug fixes, patches, updates, upgrades and similar items; and
- (c) provide quarterly updates on plans and key technical resources for Verisure Developed Products and for support of the same.

Section 4.02 Entering into Statements of Work.

(a) Any Customer Entity may from time to time submit requests for Development Services to be provided by Supplier to such Customer Entity in accordance with the terms and conditions of this Agreement and such other terms as agreed upon by the Parties and set forth in a statement of work (each, a "Statement of Work" or "SOW"). All Statements of Work must be in writing and signed by a duly authorized Representative of each of Supplier and the applicable Customer Entity prior to the commencement of any Development Services under such Statement of Work. Each Statement of Work shall be: (A) deemed to incorporate by reference the terms and conditions of this Agreement, and (B) numbered and dated. Statements of Work will be in the form set forth in Schedule 4.02(a), and will contain the following elements:

- (i) a statement of the scope and objective of the project;
- (ii) a detailed description of the Development Services to be performed;
- (iii) identification of the Deliverables and schedule for delivery;
- (iv) the name of the Person designated by each Party (each, a "Project Leader") to serve on such Party's behalf as the primary contact between the Parties for such Development Services;

- (v) the term of such Statement of Work, including any renewal options;
- (vi) the personnel, material or other resources that the Supplier shall provide to enable or support the services and any other of its obligations;
- (vii) the obligations of Customer and its necessary actions required for the development of the Deliverables;
- (viii) a statement of key project assumptions and dependencies;
- (ix) [***];
- (x) provisions regarding Intellectual Property ownership, if different from Section 9.02 herein;
- (xi) identification of applicable export control and government security classifications for the Development Services;
- (xii) description of the features being specifically developed for Customer (the “Customer Specific Features”) under the Statement of Work, if applicable;
- (xiii) the technical specifications for any products resulting from the SOW, as well as standards and certifications applicable to the same, any notice or marking requirements and any other relevant technical information.
- (xiv) such other special provisions as are unique to a specific SOW.

Section 4.03 Replacement of Project Leaders. Except as otherwise mutually agreed to in writing in the applicable Statement of Work, each Party to a Statement of Work may, in its sole discretion, appoint an adequately and similarly qualified new or alternate Project Leader for each Statement of Work to manage its obligations hereunder; provided that any new Project Leader appointed by Supplier requires Customer’s prior written consent, which shall not be unreasonably withheld or delayed. Subject to the foregoing, each Party to a Statement of Work agrees to provide the other Party with written notification if and when such Party appoints a new or alternate Project Leader.

Section 4.04 Subcontracting. Supplier may hire or engage one or more subcontractors to perform any or all of its obligations under this Agreement; provided that (a) any agreements with such subcontractors conform to the provisions set forth in this Agreement, including in connection with quality, confidentiality and intellectual property; (b) any subcontractor engaged to perform all or part of the manufacturing of the Products that is not currently engaged by Supplier or its Affiliates as of the Effective Date requires Customer’s prior written approval, which shall not be unreasonably withheld or delayed; (c) Supplier shall use the same degree of care in selecting any such subcontractor as it would if such subcontractor was being retained to provide similar services to Supplier, and no less than a reasonable degree of care and diligence; and (d) Supplier shall in all cases remain primarily responsible for and liable for the performance of all of its obligations hereunder and the actions or omissions of its subcontractors.

Section 4.05 Development Services Pricing. The pricing for the Development Services is as follows:

(a) Customer will pay Supplier USD 10,000,000 as consideration for the Development Services set forth in [***]. These payments will be made as set forth in Schedule 4.01(a). When the relevant milestone has been achieved, an installment payment is fully vested and non-refundable.

(b) For Development Services other than set forth in Section 4.01(a) above, Customer will pay [***].

Section 4.06 Dedicated Team. Supplier shall, during the process in which the Parties are agreeing on a Statement of Work, provide Customer with a dedicated core team at Supplier’s premises. Effective as of the Effective Date, Supplier also shall, during the period in which Supplier is providing Development Services under a Statement of Work, provide Customer with a co-located team at Customer’s premises to support integration work with the Customer base station where agreed by the parties in such Statement of Work.

Section 4.07 Key Personnel. Effective as of the Effective Date, Supplier shall maintain a list of key personnel in relation to the Development Services (the “Development Services Personnel List”) and provide such list to Customer on the last

Business Day of each quarter.

Section 4.08 EOL of Verisure Developed Products. Supplier shall not discontinue the manufacture of any Verisure Developed Product without Customer's prior written consent, except that, when the forecasted volumes of any Verisure Developed Product are no longer commercially feasible for Supplier based on Supplier's supply chain, the parties will discuss in good faith the appropriate resolution through the Governance Committee.

Section 4.09 Feedback. Customer, in connection with the discussion of the Joint Roadmap or as part of its participation in the Development and Quality Control Committee, the Governance Committee or the performance of a Statement of Work, may provide to Supplier suggestions, improvements, feedback or comments regarding the functions, features, performance and other characteristics of the Arlo Catalog Products (collectively, the "Feedback"). [***] Unless the Feedback is designated in advance and in writing as "Customer Feedback IP", it will be deemed "Licensed Feedback". [***]. All Feedback is provided AS-IS, without warranties of any kind, and Supplier expressly disclaims all warranties regarding Feedback. For clarity, no license is being granted herein in respect of the Customer Feedback IP.

ARTICLE V

ASSOCIATED SERVICES

Section 5.01 Associated Services. Supplier shall provide the following associated services in connection with the Products (together, the "Associated Services"), for as long as those Products remain installed and operational (whether during the term of this Agreement or thereafter, and this Section 5.01 shall survive any termination of this Agreement) in accordance with the Service Level Agreement set forth on Schedule 5.01 hereto:

(a) for Verisure Developed Products, work with Customer to integrate the camera experience within the Customer application, including installation and configuration (the

Integration Services). Schedule 5.01(a) sets forth more detail on the Parties' requirements in connection with the Integration Services.

(b) for Arlo Catalog Products, (i) enable certain functionality (to be agreed with Customer) within the Customer's application and advanced functionality through the Supplier's application (e.g., through direct linking between the two applications), and (ii) set up a partnership process to maintain integration going forward;

(c) [***];

(d) for all Products, develop and tailor functionalities that are consistent with the Joint Roadmap, as reasonably requested by Customer;

(e) for all relevant Products, work with Customer to enable the viewing of images obtained from Products by the Customer monitoring centers at the triggering of alarm events;

(f) for all Products, provide other app, cloud, backend (including data management, R&D and other relevant support services) and related services at Customer's reasonable request and in accordance with agreed quality and service performance management processes, including enhancing the backend services, in each case consistent with the Joint Roadmap, to better meet Customer's business requirements;

(g) provide Customer with access and training on the functionalities and features of Supplier's Software platform; and

(h) provide access to and deliver any marketing and sales expertise of Supplier and know-how, training, and merchandising materials developed by Supplier to support the Products, as well as other information, training and materials required for the integration of the Products into the Customer ecosystem.

For the avoidance of doubt, the Associated Services do not include providing technical support directly to Customer's end users and does not include any services associated with the marketing and promotion of the Arlo IP or Products in the Territory. The Associated Services will generally incorporate Supplier's global support policies for its own deployed Arlo Catalogue Products. Promptly after the Effective Date, but in any event within ninety (90) days thereof, the Parties will agree on an exhibit to this Agreement that sets forth specific requirements and standards for the Associated Services. The Supplier shall at all times in the

performance of the Associated Services have regard to the Parties respective obligations under applicable data protection and privacy Laws and the requirements set forth in Section 2.18 herein.

The Parties agree that the obligations set forth in Sections 5.01(a), 5.01(g) and 5.01(h) will become effective as of the Effective Date

Section 5.02 Associated Services Pricing. Effective as of the Closing Date, Customer will pay a fee for the Arlo Smart Services equal to an amount of the aggregate costs with respect to the cost categories listed in Schedule 5.02 hereof, [***]. However, if such Legacy Customers become a subscriber to Arlo Smart Services after the Closing Date, the markups above will apply to such Legacy Customers from the date their subscription commences. For the avoidance of doubt, Customer will have no obligation to pay for any Associated Service other than those set forth in Section 5.01(c) above.

Section 5.03 Arlo Smart Services Invoicing. Supplier will issue services invoices (each a “Services Invoice”) in arrears to Customer on a monthly basis for any Arlo Smart Services caused during the prior month. Unless the subject of a genuine dispute, correctly issued Services Invoices will be payable by Customer within [***] of receipt of the Services Invoice by Customer. All Service Invoices shall include the VAT registration number of the relevant Parties and the details of the bank account in which payment is to be made and must be sent to the address specified in the relevant Purchase Order, marked for the attention of the accounts department. Unless otherwise agreed in writing between the Parties, the Supplier shall issue all Services Invoices in USD. Any genuine dispute in relation to Services Invoices will be dealt with in accordance with the dispute resolution procedure set forth herein and if a genuine dispute exists in relation to only part of a Services Invoice, Customer shall pay the undisputed amount and the disputed element will be dealt with in accordance with such dispute resolution procedure.

Section 5.04 Key Personnel. Effective as of the Effective Date, Supplier will maintain a list of key personnel in relation to the Associated Services (the “Associated Services Personnel List” and, together with the Development Services Personnel List, the “Personnel Lists”) and provide such list to Customer on the last business day of each quarter.

Section 5.05 Arlo Smart. Customer shall include Arlo Smart Services within the relevant Arlo Catalog Products and, unless specified otherwise in the relevant Statement of Work, Verisure Developed Products. Both Parties will work together on developing and tailoring functionalities as agreed from time to time for the Arlo Smart Services.

Section 5.06 Access; Training. As of the Effective Date, Supplier shall provide Customer with training on the Products and Associated Services, including any business process or material to develop, make available and service the Products, and will share material information and expertise on the same, as more fully set forth in Schedule 5.06 herein, such schedule to be updated by the Parties within [***] from the Effective Date.

ARTICLE VI

RECORD KEEPING AND AUDIT

Section 6.01 Record Keeping. Supplier shall, and shall procure that its subcontractors shall, at all times operate a system of accounting and maintain in accordance with Good Industry Practice complete and accurate records of all actions taken in connection with, and all supporting documentation in relation to, this Agreement and the open book arrangement detailed in Section 2.22(a) (the “Records”). The provisions of this Section 6.01 shall survive any termination of this Agreement for a period of [***], except that, if requested by the Customer in writing, but at all times subject to applicable Law and the internal document retention policies of Supplier, the Supplier shall (a) delete the Records (and any version and copy of any Record) from all computer systems under its control as soon as reasonably practicable; and (b) ensure that Supplier Personnel delete the Records and such items from computers under their control as soon as reasonably practicable. All such destruction and disposal of Records under this Section 6.01 shall be carried out in a controlled and secure manner. Supplier will promptly respond to Customer’s reasonable requests and questionnaires that Customer routinely requests from all of its other suppliers.

Section 6.02 Audit. The Customer and its authorized Representatives may procure an independent and reputable third party auditing firm (“Auditor”) to audit the Supplier’s compliance with the terms of this Agreement in respect of (i) the calculation and charging of the Fees and (ii) any repeated failures of the Supplier to materially comply with the Specifications

(“Audit Scope”). The Auditor must maintain confidentiality at all times in connection with the audit consistent with the provisions of Article XIV. The Supplier may not be audited (whether by the Customer or its authorized Representatives) more than once in any [***] period.

(a) Supplier shall provide the Auditor, on request, during the term of this Agreement and for [***] thereafter, subject to the Customer giving Supplier at least [***] notice and subject to Customer’s reasonable security guidelines with (i) reasonable access to, and copies of, the Records held by it and its approved subcontractors that relate to the Audit Scope; (ii) to the extent it is in Supplier’s reasonable control, reasonable access to all relevant information and premises from which obligations of the Supplier and its approved subcontractors are being or have been or should have been carried out and are necessary to conduct the audit within the Audit Scope.

(b) At the Customer’s request, if the audit demonstrates a material failure or default from Supplier in complying with the Specifications, the Supplier shall make all reasonable changes required by, and take any other action necessitated by, any audit as soon as reasonably practicable. If the action comprises the correction of a defect in the manufacturing of the Products, the Supplier shall implement the change at no additional charge to the Customer.

(c) If any audit under this Section 6.02 reveals that the Customer has been materially overcharged, the Supplier shall reimburse to the Customer the amount of the overcharge, plus interest (at a rate of the lesser of [***] percent ([***]%) per month or the highest rate allowed by applicable Law) within [***] of notification by the Customer of the overcharge.

(d) If and to the extent that any audit reveals that the Supplier has overcharged the Customer and/or any Customer Entity by [***] percent ([***]%) or more of the relevant Fees, the Supplier shall be liable for the costs incurred by the Customer in procuring the Auditor to carry out the audit.

(e) Any audit, or failure to audit, shall not in any way relieve the Supplier from its obligations under the Agreement.

ARTICLE VII

ROADMAP; GOVERNANCE

Section 7.01 Joint Roadmap. Upon or promptly after the Effective Date, but in any event no later than [***] thereafter, the Parties shall jointly establish a [***] product and technology roadmap (the “Joint Roadmap”), which shall be updated quarterly for new releases. The Joint Roadmap shall consider both new product introductions (both Verisure Developed Products and new Arlo Catalog Products), as well as changes to, or adaptations of, features of existing Products. The Parties will determine the Joint Roadmap taking into account priorities of Customer and the feedback of other stakeholders in the Territory (e.g., retail partners and others), as well as estimated timelines, projections of commercial viability and availability for future products and services. [***] reviews of the Joint Roadmap shall be conducted via the governance process set forth herein, to ensure that the Parties continue to track to their highest priorities. For the avoidance of doubt, Supplier shall not be obligated to deviate from its standard release plans, as communicated in advance to Customer in writing, other than as specifically agreed at its discretion (a) through the Development and Quality Control Committee or (b) through a Statement of Work.

Section 7.02 Relationship Managers. Promptly after the Effective Date:

(a) Each Party shall appoint a relationship manager who shall act as the primary liaison between Supplier and Customer for all matters related to this Agreement and shall have overall responsibility for ensuring each Party’s performance of its responsibilities and obligations as set forth in this Agreement (each, a “Relationship Manager”). The Relationship Managers shall serve as co-chairs of the Governance Committee (as defined below), including being responsible for (i) calling and presiding over each Governance Committee meeting; (ii) preparing and circulating the agenda for each such meeting; and (iii) preparing minutes of each such meeting and providing a copy of the minutes to each Governance Committee member within a reasonable period of time after each such meeting.

(b) Supplier will, promptly after the Effective Date, appoint and designates the service manager, or managers as the case may be (the “Supplier Services Manager”). Customer will, promptly after the Effective Date, appoint and designate the service manager, or managers as the case may be (the “Customer Services Manager”).

(c) Each Party agrees to notify the other Party of the appointment of a different Supplier Services Manager or Customer Services Manager, as applicable, if necessary, in accordance with the governance procedure set forth in Section 7.04.

Section 7.03 Development and Quality Control Committee. Within thirty (30) days after the Effective Date, Supplier and Customer will establish a development and quality control committee (the “Development and Quality Control Committee”) that shall be comprised of each of the Relationship Managers and three (3) executives or managers of each Party designated by that Party who have relevant experience in the following matters (i) product management; (ii) development and cloud operations; (iii) Software architecture; (iv) Development Services, implementation and delivery; (v) customer support and success; and (vi) partner management. The Development and Quality Control Committee will establish and monitor a development plan, the Joint Roadmap and developmental milestones. The Development and Quality Control Committee will meet at least monthly, either by telephone or in person, during the term of this Agreement and provide monthly reports to the management teams of each Party. The Development and Quality Control Committee shall also:

- (a) ensure open and frequent exchange of information between the Parties regarding the activities under the Joint Roadmap;
- (b) discuss any material technical issues that arise under the Joint Roadmap;
- (c) discuss inventory liabilities and improve customer service;
- (d) review current forecast numbers;
- (e) monitor forecast versus order fill;
- (f) review the development of the Products, agree on upgrades and updates to the Products, review the performance of the Products in the field and agree on maintenance and bug fixes (including prioritization);
- (g) [***];
- (h) [***];
- (i) discuss initiatives to be implemented in application of Section 3.03(iii) herein.
- (j) review key performance indicators and service levels; and
- (k) discuss an operational action improvement plan.

Prior to each meeting of the Development and Quality Control Committee, the Supplier shall provide the Customer with all reasonable information the Customer requests in relation to the Supplier and the Supplier’s performance of the Agreement.

Section 7.04 Governance Committee. Within [***] after the Effective Date, Supplier and Customer shall establish a management team for the relationship (the “Governance Committee”) that shall be comprised of each of the Relationship Managers and [***] of each Party. The Governance Committee will oversee the commercial relationship between the Parties and resolve issues and mediate disputes that arise between the Parties during the course of the relationship. If the Governance Committee is unable to resolve an issue or dispute, it will escalate such issue or dispute to the Chief Executive Officer of each Party. The Governance Committee will meet at least quarterly during the term of this Agreement and provide quarterly reports to each Party’s management teams.

Section 7.05 Replacements. Upon [***] prior written notice to the other Party, a Party may replace any of its respective members of the Development and Quality Control Committee or the Governance Committee with another individual of similar experience and seniority if it determines in its sole discretion that business reasons or ordinary employee turnover require such replacement. Furthermore, each Party may designate a substitute to attend and perform the functions of one of its members at any Development and Quality Control Committee or Governance Committee meeting, in which case such Party shall endeavor to notify the other Party thereof reasonably in advance of that meeting to the extent reasonably practicable. Each Party shall endeavor to minimize turnover with regard to its Development and Quality Control Committee or Governance Committee members to the extent reasonably practicable.

ARTICLE VIII

PAYMENTS

Section 8.01 Prepayments. Customer will pay Supplier USD 20,000,000 on the Closing Date and USD

40,000,000 on the first anniversary of the Closing Date (together, the “Prepayments”). The Prepayments will be secured by (i) a right of offset (or setoff, counterclaim, recoupment or similar right) by Customer accounts payables to Supplier (in the first instance), and (ii) all work-in-progress associated with Products intended for Customer and in transit to the Delivery Location (in the second instance), in each case now owned or at any time hereafter acquired by Customer or in which Customer now has or at any time in the future may acquire any right, title or interest (collectively, the “Collateral”). Supplier hereby grants a security interest in all Collateral as collateral security for the delivery of the Products corresponding in value to the Prepayments. At such time as the Products corresponding in value to the Prepayments are delivered in full, the Collateral shall be automatically released from the security granted in connection herewith, without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to Supplier. At the request of Supplier following such release, Customer shall deliver to Supplier any Collateral held by Customer, and execute and deliver to Supplier such documents as Supplier shall reasonably request to evidence such release, if any.

Section 8.02 Product Payments. Effective as of the Closing Date, Customer will pay Supplier on the basis of the direct relevant production costs of the Products (the current production costs are as set forth in Schedule 8.02 hereof), plus the appropriate Markup (the “Product Payments”). For each year in respect of which Prepayments are made, Customer will pay [***] percent ([***]%) of the full value of each Product Invoice in 2020 and [***] percent ([***]%) of the full value of each Product Invoice in 2021, in each case until an amount equal to the amount of the relevant Prepayment has been reached.

Section 8.03 Minimum Annual Commitment. During the five (5) years commencing on January 1, 2020 (the “Commitment Period”), Customer commits to purchase in total up to USD 500,000,000 (the “Total Commitment”) of Products, with the expectation that such commitment is divided between the two businesses as follows: (i) USD [***] of Products for sale through the Verisure Security Business and (ii) USD [***] of Arlo Catalog Products for sale through other channels in the Territory. By year, Customer commits to the following minimum annual commitment covering both businesses (the “Minimum Annual Commitment”):

Year Minimum Annual Commitment

2020 USD [***]

2021 USD [***]

2022 USD [***]

2023 USD [***]

2024 USD [***]

The Prepayments, the Total Commitment and the Minimum Annual Commitment are each subject to Supplier (i) not undergoing any Late Stability Triggering Event (as defined below) and (ii) continuing to meet its development and supply obligations, provided that Customer’s obligations with respect to the Prepayments, the Total Commitment and the Minimum Annual Commitment will only be suspended for so long as Supplier fails to meet its development and supply obligations. For clarity, the Minimum Annual Commitments are a subset of, and not in addition to, the Total Commitment.

Section 8.04 Cure Right.

(a) In the event that Customer does not meet a requirement in relation to the Total Commitment or the Minimum Annual Commitment, it will have a cure right whereby it will pay Supplier [***].

(b) Within the first [***] of each calendar year (starting on January 2021), Customer will: (i) calculate the number of Products that should have been acquired to reach the prior year’s Minimum Annual Commitment but were not acquired; (ii) calculate the relevant Markup in respect of such Products; (iii) calculate the relevant payment that Customer should make pursuant to Section 8.04(a) above; and (iv) make such payment to Supplier in one payment by the end of February of such calendar year.

Section 8.05 Base Margin. Supplier shall be paid a base mark-up of [***] percent ([***]%) during the course of the financial year. To the extent that there is additional mark-up owed to Supplier under the terms of Section 8.02, then any such difference shall be paid to Customer within [***] of the end-of-year audited accounts being published for Customer.

Section 8.06 Invoicing. Supplier will issue product invoices (each a “Product Invoice”) upon delivery of the

Products to the Delivery Location (DDU (Incoterms 2010)). Unless the subject of a genuine dispute, correctly issued Product Invoices will be payable by Customer within [***] of receipt of the Product Invoice by Customer. All Product Invoices submitted in relation to Purchase Orders must bear the relevant Purchase Order number and contain any other information required to be provided as set out in the relevant Product Addendum. All Product Invoices shall include the VAT registration number of the relevant Parties and the details of the bank account in which payment is to be made and must be sent to the address specified in the relevant Purchase Order, marked for the attention of the accounts department. Unless otherwise agreed in writing between the Parties, the Supplier shall issue all Product Invoices in USD. Any genuine dispute in relation to Product Invoices will be dealt with in accordance with the dispute resolution procedure set forth herein and if a genuine dispute exists in relation to only part of a Product Invoice, Customer shall pay the undisputed amount and the disputed element will be dealt with in accordance with such dispute resolution procedure.

Section 8.07 General. Unless otherwise specified in this Agreement or agreed by the Parties from time to time in writing:

(a) [***];

(b) the Customer Entities shall only be obliged to make Product Payments which are supported by accurate Product Invoices including details of the Products and any other information required to be provided as set out in the relevant Statement of Work and Customer shall, or shall procure that the relevant Customer Entity shall, notify Supplier as soon as practicable in the event a Product Invoice is issued which does not comply with this Section; and

(c) Supplier hereby acknowledges and agrees that any payment made by any Customer Entity to the Supplier of any Fees, in whole or in part, from time to time in fulfilment of Customer's obligation to pay those Fees shall be deemed to be payment by the Customer to the Supplier and shall satisfy and discharge in full the Customer's obligations to pay the relevant Fees and the Supplier shall accept, or be deemed to have accepted, payment by the relevant Customer Entity on behalf of Customer. Customer hereby acknowledges and agrees that it

remains liable to pay the Fees in the event a Customer Entity fails to pay such Fees when due and payable to Supplier.

Section 8.08 Taxes.

(a) Sales Tax or Other Transfer Taxes. Fees are exclusive of, and Customer shall bear and timely pay, any and all sales, use, value-added, transaction and transfer taxes (and any related interest and penalties) imposed on, or payable with respect to, any Fees payable by Customer pursuant to this Agreement; provided that to the extent such taxes are required to be collected and remitted by Supplier and its Affiliates, Customer shall pay such taxes to Supplier or the applicable Affiliate within a reasonable time following receipt of an invoice from Supplier or such Affiliate. The Parties will cooperate with each other in good faith to obtain all available exemptions from and reductions to such taxes.

(b) Withholding Tax and Other Similar Taxes. If Customer determines in good faith that any amount is required under applicable Law to be withheld or deducted in respect of any tax from any payment by Customer under this Agreement, the Parties will take reasonable steps to cooperate with each other in good faith to obtain all available exemptions from and reductions to such taxes. In all cases where payments will be made to Supplier, Customer shall (i) make any such required withholding or deduction from the amount payable to Supplier, (ii) timely pay the withheld or deduct amount to the relevant Governmental Authority in accordance with applicable Law and (iii) if requested by Supplier, promptly forward to Supplier a withholding tax certificate evidencing such payment by Customer to the Governmental Authority.

ARTICLE IX

INTELLECTUAL PROPERTY

Section 9.01 Background IP. Each Party will retain all right, title and interest in any of its Background IP, subject to any licenses granted in this Agreement.

Section 9.02 Customer IP.

(a) Verisure Developed IP and Supplier SOW Technology. Customer will own all Intellectual Property rights created under a Statement of Work in relation to Customer Specific Features (“Verisure Developed IP”). Supplier will own all Intellectual Property rights in the Supplier SOW Technology. Supplier shall take all actions necessary to effect Customer’s ownership of the Verisure Developed IP, including by executing such papers and performing such lawful acts as Customer deems to be necessary to allow Customer to perfect all right, title, and interest in all Verisure Developed IP, including executing, acknowledging, and delivering to Customer, upon request, applications for registration and assignments of Verisure Developed IP (and any Intellectual Property and Trademark rights therein). To the extent any Verisure Developed IP is not deemed to be the sole and exclusive property and Intellectual Property of Customer (whether as a “work made for hire” or by virtue of the foregoing agreement), Supplier hereby irrevocably transfers and assigns (and agrees to so transfer and assign) to Customer all rights to Verisure Developed IP. Customer shall have sole discretion to control worldwide

prosecution and enforcement of the Verisure Developed IP. This Section 9.02(a) will become effective as of the Effective Date.

(b) Trademark Grant-Back License. Effective as of the Closing Date, and during the term of this Agreement, [***].

Section 9.03 Customer License to Supplier. [***]. This Section 9.03 will become effective as of the Effective Date.

Section 9.04 VDP License. [***]. The VDP License in this Section 9.04 is deemed granted on the Effective Date, but Customer covenants not to exercise its rights until (i) the termination of this Agreement (other than a termination under Section 11.03(d)), (ii) the occurrence of a Late Stability Triggering Event or (iii) the occurrence of a Supply Triggering Event. Customer’s license to any Arlo IP in the Arlo Smart Services contained within the VDP License applies only in respect of the occurrence of a Late Stability Triggering Event. Customer will retain its rights under the license in this Section 9.04 in the event of bankruptcy or other insolvency of Supplier. The license in this Section 9.04 to Arlo IP will be subject to a royalty payment to Supplier equaling [***] percent ([***]%) of the finished good invoice price and be paid upon, and for so long as, Customer exercising its right to manufacture and have manufactured the Verisure Developed Products. From and after the initial exercise of such license, Supplier shall provide a quarterly royalty report, together with all relevant documentation demonstrating the royalty calculation, within 30 days of the end of each quarter showing the royalty payable by Customer for the VDP License; and Customer shall pay the associated royalty along with such report.

Section 9.05 Backstop License. [***]. The Backstop License in this Section 9.05 is deemed granted on the Effective Date, but Customer covenants not to exercise its rights until the occurrence of a Late Stability Triggering Event (or Supplier providing an Adverse Notification with respect thereto). In case of a cure (where possible) of a Late Stability Triggering Event, either Party may request the other Party to enter into non-binding discussions in relation to the Backstop License as part of the non-binding discussions described in Section 12.03(d). Customer will retain its rights under the license in this Section 9.05 in the event of bankruptcy or other insolvency of Supplier. The above license to Arlo IP will be subject to a royalty payment to Supplier equaling [***] percent ([***]%) of the finished good invoice price and be paid upon the exercise, and for so long as the exercise continues, of the Backstop License. From and after the initial exercise of such license, Supplier shall provide a quarterly royalty report, together with all relevant documentation demonstrating the royalty calculation, within 30 days of the end of each quarter showing the royalty payable by Customer for the Arlo IP; and Customer shall pay the associated royalty along with such report.

Section 9.06 Additional Arlo Licenses. [***]. To the extent any licenses are required for the support, refurbishment and maintenance of the Products in the ordinary course or Customer’s exercise of its rights in the Development Services or the Associated Services, the Parties will cooperate in good faith to grant and establish the same. This Section 9.06 will become effective as of the Closing Date.

Section 9.07 Registration of License. Customer may register a short form version of any of the licenses set forth in this Article IX at the relevant Intellectual Property and Trademark registry, and Supplier shall provide all reasonable assistance (at its own cost) in respect of the same.

Section 9.08 Prosecution. Supplier shall file for patent and registered design protection in the Territory for its

material patentable innovations and industrial designs of Products, and shall otherwise extend the patent and industrial design protection it has in the United States to the Territory. Supplier shall maintain any registrations (including by way of payment of renewal fees) in the Territory and shall use reasonable endeavors to prosecute any applications for the Arlo IP (including extending existing US patent applications, design applications and where possible design registrations to the Territory) in each case where deemed appropriate by Supplier in light of its global patent strategy and without limiting Supplier's rights to enter into patent-related cross-licenses, settlement agreements and substantially similar agreements, subject to the next sentence. To the extent Supplier decides in its reasonable business judgment to abandon a patent or design application in the Territory, Supplier will give Customer an opportunity to continue such application in Supplier's name at Customer's cost; provided that Supplier will still be able to abandon a patent application if (i) it is required to do so under a settlement agreement, or (ii) if Supplier concludes that a negative decision will be issued by the Intellectual Property office in response to Customer's proposed course of action and such negative decision is very likely to have an adverse effect in a corresponding United States patent application that is pending at the time. Supplier shall, promptly after the Effective Date and from time to time, share its global patent strategy with Customer, provide Customer an opportunity to provide feedback and input on such strategy in respect of the Territory and the overall geographical coverage of Supplier's patent and design filings, and consider such feedback and input in good faith. Supplier shall provide to Customer any reasonable assistance that Customer may require in order to file, prosecute and defend applications for Intellectual Property protection regarding Verisure Developed IP. This Section 9.08 will become effective as of the Effective Date.

Section 9.09 Enforcement. Supplier will control enforcement of its Intellectual Property rights in the Territory provided that the Parties will cooperate in good faith in connection with the same. Supplier agrees to send cease and desist letters and contact retailers, as appropriate, in the event that the Arlo IP is being misused or infringed by third parties. Supplier shall provide Customer with all reasonable cooperation and assistance as requested by Customer in order for Customer to enforce or defend its rights in the Verisure Developed IP. This Section 9.09 will become effective as of the Closing Date.

Section 9.10 Branding. Supplier acknowledges that, pursuant to the APA, Customer is acquiring all right title and interest in all of Supplier's trademarks and logos, whether registered or unregistered (and derivatives thereof) ("Arlo Brand") in the Territory, and Customer will have the sole right to use, protect and enforce the Arlo Brand in the Territory in its sole discretion. Customer and Supplier will cooperate on co-branding and in respect of the commercialization and marketing of the Products by Customer, including in respect of use on websites, domain names, social media identifiers and other online media. The guidelines for use of the Arlo Brand are set forth on Schedule 9.10 hereof, as such schedule is amended from time to time. The Parties agree that the Arlo Catalog Products will be branded with an Arlo Brand. Customer will have sole discretion on the branding for the Verisure Developed Products.

Section 9.11 Arlo Brand License Outside the Territory. [***]

[***].

Section 9.12 Covenants. Effective as of the Effective Date, Supplier hereby covenants to Customer that:

(a) Supplier shall provide assurances to Customer that the Arlo IP has not been and will not be licensed to any third parties in contravention of the licenses set forth in Sections 9.04, 9.05 and 9.06.

(b) Supplier shall not enter into any agreement that contradicts, modifies, terminates or supersedes any of its obligations under this Agreement.

(c) Other than to commercial lenders on arms-length terms, Supplier shall not grant any kind of encumbrance or lien on any of the Arlo IP or the Arlo Brand to a third party, unless such third party acknowledges the existence of this Agreement in writing and agrees not to restrict or challenge Supplier's ability to abide by the relevant terms.

(d) Other than the remedies granted to commercial lenders in the event of default of a commercial loan, Supplier shall not sell, transfer or dispose of any Arlo IP or Arlo Brand to any third party; unless such third party acknowledges the existence of this Agreement in writing and agrees to abide by the relevant terms.

Any lien, encumbrance or transfer in violation of the foregoing is null and void at the outset and of no effect.

Section 9.13 Escrow. Supplier shall, promptly after the Effective Date, deposit into escrow (the "Escrow") the

Source Code for any Software embedded in, or used in connection with the development of, the Products (including the back-end), in each case owned by Supplier or its Subsidiaries, along with any related documentation and materials (including Technical Manufacturing Information and Product Information) and any Software comprised in the Arlo IP (collectively, the “Escrow Materials”). Supplier will, from time to time, provide Customer with a list of all third-party Software embedded in the Escrow Materials and required to use the Escrow Materials. Supplier agrees, during the term of this Agreement, to deposit into such Escrows (on a quarterly basis and for every major new release or similar item, in each case within ten (10) days thereof) any updates to the Escrow Materials. The agreed escrow agreement for any Escrow Materials in the Arlo Catalog Products is set forth on Schedule 9.13 hereof. The Parties agree that the Escrow agreement for any Escrow Materials in the Verisure Developed Products will be entered into upon the completion of the first SOW entered into by the Parties and will have terms substantially similar to the agreement on Schedule 9.13. The Escrow agreements will be deemed “supplementary to” this Agreement for purposes of bankruptcy law. The conditions for release of Escrow shall be limited to the occurrence of a Late Stability Triggering Event or, in respect of Verisure Developed Products, the occurrence of a Supply

[***] = CERTAIN CONFIDENTIAL INFORMATION OMITTED

Triggering Event or the termination of this Agreement (other than a termination under Section 11.03(d); and provided, further, that Customer’s access to any Arlo IP in the Arlo Smart Services applies only in respect of a Late Stability Triggering Event). Customer will pay for the reasonable and documented fees of the Escrow agent (reasonably acceptable to Customer) and for the expense of one employee solely dedicated to fulfilling Customer’s obligations under this Section 9.13 (provided, Supplier shall have received Customer’s prior written consent for any such fees and or expenses) (collectively, the “Escrow Costs”). During the period in which Supplier is in material breach of its obligations under this Section 9.13 or the separate escrow agreement, Supplier shall be liable for any Escrow Costs.

Section 9.14 Third Party IP. Supplier shall not incorporate any Open Source Software in the Verisure Developed Products without Customer’s prior written consent. Supplier shall not incorporate any other third-party Intellectual Property in the Verisure Developed Products without Customer’s consent if such incorporation requires consent from the third party. This Section 9.14 will become effective as of the Effective Date.

Section 9.15 Brexit. In the event that the effect of Brexit reduces the Arlo IP, Supplier shall use its reasonable endeavors to mitigate the impact (for example, by seeking UK applications and registrations for rights only registered at an EU level). In the event that, as an effect of Brexit, the UK does not adopt an international exhaustion doctrine, the Parties will consider what other licenses are required for Customer to exercise its rights under this Agreement in the UK.

Section 9.16 Reservation of Rights. All of the rights granted hereunder are explicitly stated herein and nothing in this Agreement shall be construed to transfer any proprietary ownership interest whatsoever in or to any Intellectual Property rights of Supplier or Customer, or to grant any implied rights whatsoever or any right, title or interest in or to any of the Intellectual Property rights of Customer or Supplier, except the rights explicitly granted pursuant to this Agreement.

ARTICLE X

ADDITIONAL AGREEMENTS

Section 10.01 End User Relationship. Customer will control the relationship with the end users of the Arlo Catalog Products sold in the Territory and with the end users of the Products sold through the Verisure Security Business worldwide. Customer has sole and exclusive responsibility to perform any and all Level 1 and Level 2 technical support for end users of its Products worldwide. Supplier is responsible for all support for Arlo Smart Services for incidents that are Level 3 or above as described in the Service Level Agreement.

Section 10.02 Other Reporting Obligations. Upon Customer’s request, to be made no more than twice per calendar year, Supplier shall deliver to Customer a report, certified by a Supplier employee ranking manager or senior, setting forth for such calendar quarter a description of Supplier’s finances and financial stability for such calendar quarter; provided that this obligation shall be deemed satisfied, and no separate report is required to be

given to Customer, to the extent Supplier is reporting the same on the Securities Exchange Commission’s EDGAR systems.

Section 10.03 User Experience Updates. For relevant Arlo Catalog Products, Supplier shall (A) update the Supplier application and other Supplier platform user experience to include information on Customer service options, benefits and features as allowed by Apple and Google policies and (B) work with Customer to advertise and promote the Verisure Security Business where operated; in each of clause (A) and (B), (i) in the Territory and (ii) outside the Territory, in respect of the unique part numbers sold through the Verisure Security Business.

Section 10.04 Compliance with Law. Effective as of the Effective Date, each Party will be responsible for complying with all applicable Laws and regulations, including, but not limited to export control laws, in performing its obligations under this Agreement and each Party shall reasonably cooperate with the other and provide any information reasonably requested by the other Party in connection with such compliance obligations. Neither Supplier nor its Affiliates shall be obligated to provide any Products which, if provided, would (in Supplier's determination, with advice of counsel) violate any Law.

ARTICLE XI

TERM; TERMINATION

Section 11.01 Initial Term. The initial term of this Agreement will be five (5) years (the "Initial Term") starting on the Effective Date.

Section 11.02 Renewal. This Agreement will automatically renew for additional five (5) year terms on the expiration date of the applicable term (the "Expiration Date") with its currently applicable terms, excluding any prepayments or volume commitment terms (including the Prepayments, Minimum Annual Commitment and Total Commitment) (the "Applicable Terms"), unless either party provides written notice to the other of its intent to renegotiate this Agreement at least twelve (12) months prior to the Expiration Date. If a Party provides written notice of its intent to renegotiate, the Parties will negotiate any revised terms in good faith. If the Parties fail to reach an agreement on new terms by the date which is six (6) months prior to the Expiration Date, Customer will have the right to terminate this Agreement or elect to renew this Agreement for a five (5) year term with its Applicable Terms by providing written notice at least six (6) months prior to the Expiration Date. If no action is taken by Customer, this Agreement will automatically renew for additional five (5) year terms.

Section 11.03 Termination.

(a) Customer will have the right to terminate this Agreement at any time after the Effective Date and immediately by providing written notice if Supplier (i) experiences a Change of Control without Customer's prior written consent (an "Arlo Change of Control"), subject to the next sentences; (ii) assigns this Agreement to a third party other than an Affiliate without Customer's prior written consent; (iii) materially breaches this Agreement and fails to

cure such breach within forty five (45) days' notice; or (iv) ceases to operate in the ordinary course or undergoes an Insolvency Event; (each a "Termination Event").

(i) Supplier shall provide notice to Customer as soon as reasonably practicable and in any event within ten (10) business days of the execution of the definitive agreement with respect to such Arlo Change of Control, and Customer must provide notice of termination on such basis within sixty (60) days of the consummation of the Arlo Change of Control.

(ii) In the event of a termination pursuant to an Arlo Change of Control, if such termination occurs: (A) between the Effective Date and the Closing Date, Customer shall not be liable for any termination fee, (B) in the first year following the Closing Date, Customer shall not be liable for any termination fee, (C) in the second year following the Closing Date, Customer shall pay a termination fee equal to [***] percent ([***]%) of the Markup on the Minimum Annual Commitment for 2021, (D) in the third year following the Closing Date, Customer shall pay a termination fee equal to [***] percent ([***]%) of the Markup on the Minimum Annual Commitment for 2022, (E) in the fourth year following the Closing Date, Customer shall pay a termination fee equal to [***] percent ([***]%) of the Markup on the Minimum Annual Commitment for 2023 and (F) in the fifth year following the Closing Date, Customer shall pay a termination fee equal to [***] percent ([***]%) of the Markup on the Minimum Annual Commitment for 2024.

(iii) In the event that Customer waives its right to terminate upon an Arlo Change of Control or does not exercise such right within the sixty (60) day period set forth above, this Agreement will continue in full force and effect and any licenses set forth herein may be exercised at the time set forth herein.

(b) Supplier will have a right to terminate this Agreement at any time after the Effective Date (i) for Customer's material breach which has not been cured within forty-five (45) days or (ii) if Customer ceases to operate in the ordinary course or undergoes an Insolvency Event.

(c) If at any time after the Effective Date, Supplier is in material breach of the delivery or development obligations under this Agreement and fails to cure such breach within forty-five (45) days, or otherwise fails to meet certain milestones set by the Development and Quality Control Committee, Customer will no longer be obligated to pay the Minimum Annual Commitment, the Total Commitment or the remaining Prepayment until such breach is cured or such milestone is reached.

(d) If the APA terminates prior to Closing (as defined in the APA), then this Agreement will be suspended and (i) Supplier will assign, transfer, deliver and convey to Customer, in a mutually agreed format, all deliverables, information and materials developed for Customer during the term of this Agreement; (ii) Supplier will not be required to refund to Customer any payments made prior to such termination (including under any Statement of Work entered prior to such date); and (iii) the Parties will, for a seven (7) week period, enter into good faith discussions on the terms of a supply agreement for the Arlo Catalog Products and the

Verisure Developed Products. Upon the expiration of the above seven week period without the Parties entering into a new supply agreement, this Agreement will automatically terminate.

Section 11.04 Survival. The following provisions will survive the termination or expiration of this Agreement:

(i) Section 3.02,

(ii) Section 5.01, (except that notwithstanding any contrary provisions in Section 5.01, Section 5.01 will not survive a termination of this Agreement that occurs pursuant to Section 11.03(d));

(iii) Section 6.01,

(iv) Section 9.10, (provided that Section 9.10 will not survive a termination of this Agreement that occurs pursuant to Section 11.03(d));

(v) Sections 12.01(b), 12.02(a), 12.02(c), 12.03(a) (other than where termination occurs for Customer breach pursuant to Section 11.02(b)), 12.03(d), 12.03(e), 12.04 (other than where termination occurs for Customer breach pursuant to Section 11.02(b)), and 12.05, in each case provided that (I) the right to exercise the VDP License or the Backstop License will survive only if the relevant triggering event has occurred prior to termination of the Agreement and (II) the foregoing rights under Article XII will not survive a termination of this Agreement that occurs pursuant to Section 11.03(d));

(vi) Article XIV,

(vii) Article XV,

(viii) Article XVI, and

(ix) any other provision of this Agreement that by its nature is meant to survive (provided that, the survival rights of the provisions specifically addressed in this Section 11.03 will survive as and to the extent set forth in this Section 11.03).

ARTICLE XII BUSINESS CONTINUITY

Section 12.01 Triggering Events.

(a) Early Stability Triggering Event. Any of the following from and after the Effective Date shall constitute an early stability triggering event (an "Early Stability Triggering Event") unless Supplier provides prior notice to Customer and Customer provides prior written consent (not to be unreasonably withheld (in Customer's reasonable discretion)) provided that, clauses (i),

(iii), (iv) and (vi) below shall only be applicable to the extent Supplier is, at the time of such event or at any time thereafter while such events are continuing, in an Adverse Liquidity Position:

(i) Supplier or any of its Material Subsidiaries fails to pay within seven (7) Business Days after the same becomes due (without giving effect to any cure period contemplated thereunder or thereby) (x) any of its material payment obligations, that is not in connection with an outstanding bona fide dispute, to third parties in any material respect or (y) any payment obligations owed to Customer hereunder or to any lenders under or to any holders of any material Indebtedness of Supplier or any of its Subsidiaries;

(ii) Supplier or any of its Material Subsidiaries fails to perform or observe any covenant, agreement or condition contained in any of the documentation in respect of any material Indebtedness of Supplier or any of its Subsidiaries on its part to be performed or observed, or any other event occurs, the effect of which default or other event is to cause, or to permit the lender(s) or holder(s) of such Indebtedness (or a trustee or agent on behalf of such lender(s) or holder(s) or beneficiary or beneficiaries) to cause such Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity (each, a “Debt Default”), and such Debt Default continues uncured for thirty (30) days (without giving effect to any cure period contemplated thereunder or thereby);

(iii) Supplier or any of its Material Subsidiaries fails to perform or observe any covenant or agreement or condition contained in any of its material contracts, leases or licenses or any documentation in connection therewith to which Supplier or such Subsidiary is a party on its part to be performed or observed, and such failure continues for [***] (without giving effect to any cure period contemplated thereunder or thereby);

(iv) Supplier or any of its Material Subsidiaries fails to pay within [***] after the same becomes due (without giving effect to any cure period contemplated thereunder or thereby) the salary of a material number of its employees;

(v) The occurrence of a Material Adverse Effect;

(vi) Supplier fails to timely file its quarterly or annual reports with the Securities Exchange Commission (provided that filings pursuant to Form 12b-25 shall be considered timely filings for purposes of the foregoing) or the delisting or suspension of trading for more than one trading day of Supplier’s common stock from the New York Stock Exchange (other than in connection with a going-private transaction);

(vii) Supplier or any of its Material Subsidiaries enters into any discussions to restructure a material portion of its Indebtedness or the creation by Supplier of any restructuring committee or similar committee; or

(viii) Supplier or any of its Material Subsidiaries admits in writing to any of the foregoing, as applicable.

(b) Late Stability Triggering Event. Any of the following from and after the Effective Date shall constitute a late stability triggering event (a “Late Stability Triggering Event” and, collectively with an Early Stability Triggering Event, the “Triggering Events”):

(i) (A) if a Debt Default continues for [***] (without giving effect to any cure period contemplated under or by such debt document) or (B) if an Early Stability Triggering Event arising under Section 12.01(a)(v) continues for thirty (30) days;

(ii) The occurrence of an Insolvency Event;

(iii) Supplier or any of its Material Subsidiaries enters into a restructuring support agreement, plan support agreement or any other similar agreement (a “Support Agreement”) with holders of debt of Supplier or any of its Material Subsidiaries or Supplier or any of its Material Subsidiaries takes any corporate action authorizing the execution of such agreement; provided that the foregoing shall not constitute a Late Stability Triggering Event if (A) Supplier is not in breach of any of its obligations hereunder and (B) the effectiveness of such Support Agreement is conditioned (which condition may not be waived by any party to such Support Agreement without the prior written consent of Customer) on the agreement by the Parties thereto that (1) this Agreement shall not be terminated, canceled, rejected, amended, supplemented or otherwise modified pursuant to the transactions contemplated by such Support Agreement without Customer’s prior written consent, (2) Supplier, or any successor in interest, shall continue to perform hereunder after giving effect both to such Support Agreement and to the transactions contemplated thereby, and (3) any modifications, amendments, supplements to and any waiver of any of the conditions and covenants in respect of clauses (1) and (2) above, shall be satisfactory to Customer; or

(iv) Supplier or any of its Material Subsidiaries admits in writing to any of the foregoing, as applicable.

(c) Officer's Certificate. On the last Business Day of each quarter starting on the Effective Date, Supplier will deliver a certificate to Customer, signed on behalf of Supplier by an executive officer of Supplier, stating that no Triggering Event has occurred and that there is no reasonable expectation that any such event might occur.

(d) Prompt Reporting. If, at any time after the Effective Date, Supplier becomes aware of any event, change, circumstance, occurrence, effect or state of facts (each an "Adverse Event") that, individually, or in the aggregate, has resulted in, or would reasonably be expected to result in, a Triggering Event, Supplier will provide Customer with prompt written notice of such Adverse Event (any such notice or any failure to provide the officer's certificate referenced above, an "Adverse Notification") and any additional information related to such Adverse Event reasonably requested by Customer.

Section 12.02 Step-In Rights.

(a) Supply Step-In Right. Notwithstanding any termination of this Agreement, upon, and following, the occurrence of a Supply Triggering Event:

[***] = **CERTAIN CONFIDENTIAL INFORMATION OMITTED**

(i) Customer may exercise the VDP License and, for the avoidance of doubt, Customer will pay the associated royalties;

(ii) Customer may access the Escrow for the Verisure Developed Products and release the Escrow Materials for the Verisure Developed Products (but not any Escrow Materials for Arlo IP in the Arlo Smart Services); and

(iii) Supplier will respond promptly to Customer's reasonable requests for information and facilitate the transition of manufacturing, supply, distribution, and logistics related to the Verisure Developed Products.

(b) Early Stability Step-In Right. Upon, and following, the occurrence of an Early Stability Triggering Event, Customer in its sole discretion may, immediately upon providing written notice by Customer to Supplier, cause the Early Stability Backstop Services to become effective (the "Early Stability Step-In Right"). For the avoidance of doubt, Customer may not exercise its Early Stability Step-In Right if Supplier has cured any Adverse Event that would have been an Early Stability Triggering Event within the requisite time periods.

(c) Late Stability Step-In Right. Upon, and following, the occurrence of a Late Stability Triggering Event, Customer (1) will exercise the VDP License and the Backstop License and, for the avoidance of doubt, Customer will pay the associated royalties and (2) may, in its sole discretion, take one or more of the following enforcement actions (each of the enforcement actions set forth in clauses (1) and (2), a "Late Stability Step-In Right" and, together with the Early Stability Step-In Rights, the "Step-In Rights") immediately upon providing written notice by Customer to Supplier:

(i) cause the Late Stability Backstop Services (as defined below) to become effective;

(ii) access the Escrow and release the Escrow Materials for the Arlo Catalog Products and the Verisure Developed Products; and

(iii) access all other information, technology, and Supplier Personnel necessary to allow Customer to continue to (i) support end-users to which it has sold Products; and (ii) commercialize, support, develop, manufacture, have made and otherwise use the Products.

Section 12.03 Backstop Services.

(a) Termination Backstop Services. Upon the termination of this Agreement, Customer may exercise the VDP License and Supplier shall provide the following services (the "Termination Backstop Services") for up to a [***] term after termination, (a) at a level of service and in a manner, quantity and quality that Supplier provides or conducts such services (or similar services) as of the date of such termination (but in any event, in a professional and competent manner) and (b) on such other terms to be mutually agreed:

(i) respond promptly to Customer's reasonable requests for information;

(ii) continue, pursuant to the terms of this Agreement, to provide Customer with (a) Products and (b) Development Services for a period of [***] (the "Supply Ramp Down Period");

(iii) facilitate the transition of the Associated Services to Customer or its designee (excluding Arlo Smart

Services and its associated Intellectual Property owned by Supplier) on a direct incurred cost basis;

(iv) facilitate the transition of manufacturing, supply, distribution, and logistics related to the Verisure Developed Products on a direct incurred cost basis and, for the avoidance of doubt, Customer shall pay the associated royalties;

(v) provide Associated Services with respect to the Products; and

(vi) other services to be mutually agreed.

(b) Early Stability Backstop Services. If Customer exercises its Early Stability Step-In Right, Supplier shall provide the following services (the "Early Stability Backstop Services") for up to a [***] term after the exercise of an Early Stability Step-In Right (x) at a level of service and in a manner, quantity and quality that Supplier provides or conducts such services (or similar services) as of the date of Customer's exercise of the Early Stability Step-In Right (but in any event, in a professional and competent manner) and (y) on such other terms to be mutually agreed:

(i) respond promptly to Customer's reasonable requests for information;

(ii) make available Supplier's key personnel related to the Associated Services and Development Services including those identified on the Personnel Lists on a direct incurred cost basis;

(iii) provide training to Customer personnel in order to enable Customer to continue to manufacture, maintain, service, develop and make use of (a) the Products, (b) Associated Services and (c) Development Services independently of Supplier on a direct incurred cost basis;

(iv) provide Associated Services with respect to the Products; and

(v) other services to be mutually agreed.

(c) Suspension of the Early Stability Backstop Services. The Early Stability Backstop Services will be suspended after Supplier provides written evidence, to the reasonable satisfaction of Customer, that Supplier has cured the Early Stability Step-In Right, provided that such suspension will not take effect within [***] of the Early Stability Triggering Event.

(d) Discussions following a Late Stability Triggering Event. When a Late Stability Triggering Event that is capable of being cured, is in fact cured, then the Parties will

enter into non-binding discussions regarding the potential cessation of any applicable Late Stability Step-In Rights on terms to be agreed between the Parties at such time.

(e) Late Stability Backstop Services. If Customer exercises its Late Stability Step-In Right, Supplier shall provide the following services (the "Late Stability Backstop Services") for a period of up to [***] after the exercise of such Late Stability Step-In Right (a) at a level of service and in a manner, quantity and quality that Supplier provides or conducts such services (or similar services) as of the date of Customer's exercise of a Late Stability Step-In Right (but in any event, in a professional and competent manner) and (b) on such other terms to be mutually agreed:

(i) respond promptly to Customer's reasonable requests for information;

(ii) continue, pursuant to the terms of this Agreement applicable on the date of Customer's exercise of the Late Stability Step-In Right, to provide Customer with (a) Products and (b) Development Services for a period of two years after the exercise of such Late Stability Step-In Right (the "Late Stability Ramp Down Period");

(iii) grant Customer any necessary additional licenses required to manufacture, maintain, service, develop and make use of (a) the Products, (b) Associated Services and (c) Development Services;

(iv) facilitate the transition of the Associated Services and Development Services to Customer to enable Customer's continued manufacturing, maintenance, servicing, development and use of the Products with Associated Services or Development Services on a direct incurred cost basis;

(v) facilitate the transition of manufacturing, supply, distribution, and logistics related to the Products (in the case of Customer's exercise of the Stability Step-In Right) on a direct incurred cost basis;

(vi) make available Supplier's key personnel related to the Associated Services and Development Services including those identified on the Personnel Lists on a direct incurred cost basis;

(vii) provide training to Customer personnel in order to enable Customer to continue to manufacture, maintain, service, develop and make use of (a) the Products, (b) Associated Services and (c) Development Services independently of Supplier on a direct incurred cost basis; and

(viii) provide Associated Services with respect to the Products, provided that Customer pays a reasonable royalty fee with respect thereto after migration; and

(ix) other services to be mutually agreed.

(f) Termination of the Backstop Services. Customer may terminate any or all of the Backstop Services at any time in its sole discretion.

[***] = CERTAIN CONFIDENTIAL INFORMATION OMITTED

Section 12.04 Backstop Arrangements. Supplier shall provide all support necessary or desirable for Customer to negotiate the Backstop Arrangements with ODMs and Original Suppliers through step-in contracts, pass-through rights or otherwise with the aim of having all Backstop Arrangements executed no later than [***] after the Effective Date. Such Backstop Arrangements must, at a minimum, permit Customer to continue to manufacture (i) the Products independently of Supplier in the event of a Late Stability Triggering Event or (ii) the Verisure Developed Products independently of Supplier in the event of a Supply Triggering Event or Late Stability Triggering Event. As part of the negotiation of the Backstop Arrangements, Customer shall be entitled, including through its Representatives, to have such reasonable access to the properties, businesses, operations, personnel and books and records, in each case, pertaining to the ODMs and Original Suppliers (and Supplier's relationships therewith) as it reasonably requests in connection with Customer's efforts to negotiate the Backstop Arrangements to the extent that Supplier is permitted to share such information. Any such access and examination shall be conducted on reasonable advance written notice, during regular business hours and under reasonable circumstances and shall be subject to restrictions under applicable Law. Supplier shall use its commercially reasonable efforts to cause the Representatives of Supplier and its Subsidiaries to reasonably cooperate with Customer and its Representatives in connection with such access and examination, and Customer and its Representatives shall reasonably cooperate with Supplier and its Subsidiaries and their respective Representatives and shall use their commercially reasonable efforts to minimize any disruption to Supplier's businesses and operations.

Section 12.05 Insolvency Event.

(a) Contract Assumption and Assignment. In the event of an Insolvency Event that is not dismissed within thirty (30) days of commencement, Supplier shall (a) file within thirty (30) days of the commencement of such Insolvency Event a motion in form and substance satisfactory to Customer seeking to assume each of the contracts with the relevant manufacturers and suppliers in relation to the Products in accordance with section 365 of the Bankruptcy Code or corresponding applicable bankruptcy Law, (b) seek to have an order with respect to such assumption reasonably satisfactory to Customer entered into promptly and no later than sixty (60) days after the commencement of such Insolvency Event and (c) assume and assign such contracts to Customer promptly upon entry of an order approving such assumptions. It is each Party's intent that each such contract shall remain in full force and effect for the benefit of Customer in accordance with its terms notwithstanding any provision in such contract to the contrary and be fully enforceable by Customer in accordance with its terms, except as modified by any order of a court authorizing and providing for its assumption, or applicable Law. Any monetary defaults under each such contract to be assumed will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment by Supplier on or prior to such assumption of such amounts necessary to cure all defaults under such contract. If the assumption or assumption and assignment of any such contract for any reason is held to be invalid, illegal or unenforceable in any respect, that contract shall not affect the obligations of Supplier to assume and assign to Customer each of the other contracts contemplated under and in accordance with this Section 12.05.

(b) Exclusivity Preservation. In the event of an Insolvency Event that is not dismissed within thirty (30) days of commencement, Supplier shall seek to preserve the exclusivity arrangements described in Article III of this Agreement.

(c) It is understood and agreed by each of the Parties that any failure to comply with this Section 12.05 would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly each of the Parties agrees that, in addition to any other remedies, Customer shall be entitled to seek specific performance and injunctive or other equitable relief for any such failure to comply with this Section 12.05.

ARTICLE XIII

REPRESENTATIONS AND WARRANTIES

Section 13.01 Representations of Both Parties. Each Party represents and warrants, effective as of the Effective Date and as of the Closing Date, that it has the power and authority to enter into and perform this Agreement, which constitutes valid and binding obligations on it in accordance with its terms. Supplier represents and warrants, effective as of the Effective Date and as of the Closing Date, that the execution and delivery of this Agreement and the performance by Supplier of its respective obligations hereunder do not and will not (i) violate or conflict with any provision of the respective certificate of incorporation or by-laws or similar organizational documents of Supplier, (ii) result in any violation or breach of, or constitute any default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or a loss of a benefit under, any Transferred Business Contract (as defined in the APA), (iii) result in the creation of any Lien (as defined in the APA)(except for Permitted Liens) upon, or (iv) violate, conflict with or result in any breach under any provision of any Law applicable to Supplier, except, in the case of clauses (ii), (iii) and (iv), to the extent that any such breach, default, termination, cancellation, acceleration, loss, Lien, violation, conflict, breach or loss would not be material to the Supplier, taken as a whole.

Section 13.02 Supplier Representations. The Supplier represents and warrants, effective as of the Effective Date, that: (i) the Products shall be supplied with full title guarantee; (ii) the Products shall comply with all applicable Laws in those jurisdictions in which Supplier has obtained certification or has determined the Products may be sold in accordance with Section 2.19; (iii) the Development Services and Associated Services shall comply with all applicable Laws; (iv) all information and materials included with the Products under a Purchase Order will be accurate in all material respects and (v) it shall perform the Development Services and the Associated Services and its other obligations under the Agreement with all reasonable skill and care using Supplier Personnel of appropriate expertise and experience.

Section 13.03 Warranty Disclaimer. THE EXPRESS WARRANTIES IN THIS SECTION 13 OR IN THE PRODUCT WARRANTY DESCRIBED IN SECTION 2.22(D) ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, REGARDING THE PRODUCTS, THE DEVELOPMENT SERVICES, THE ASSOCIATED SERVICES OR THE BACKSTOP SERVICES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE,

TITLE, AND NON-INFRINGEMENT OF THIRD PARTY RIGHTS. CUSTOMER ACKNOWLEDGES THAT IT HAS RELIED ON NO WARRANTIES OTHER THAN THE EXPRESS WARRANTIES PROVIDED HEREIN OR IN THE PRODUCT WARRANTY IN SECTION 2.22(D) AND THAT NO WARRANTIES ARE MADE HEREIN BY ANY OF SUPPLIER'S AFFILIATES, ODM AND ORIGINAL SUPPLIERS.

ARTICLE XIV

CONFIDENTIALITY

Section 14.01 Definition of Confidential Information. “Confidential Information” means any business or technical information of Supplier or Customer including, without limitation, any information relating to product plans, designs, costs, product prices and names, finances, marketing plans, business opportunities, personnel, research, development or know-how that is designated in writing by the disclosing party as “confidential” or “proprietary” at the time of disclosure or, if orally disclosed, is reduced to writing by the disclosing party within thirty (30) days of such disclosure, or that a reasonable person under the circumstances would understand to be confidential.

Section 14.02 Exclusions. Confidential Information does not include information that: (a) is or becomes generally known to the public through no fault of or breach of this Agreement by the receiving Party; (b) is rightfully known by the receiving Party at the time of disclosure without an obligation of confidentiality; (c) is independently developed by the receiving Party without use of the disclosing party's Confidential Information; or (d) the receiving Party rightfully obtains from a third party without restriction on use or disclosure. This Section does not limit or intend to limit either Party's rights to exploit the Arlo Catalog Products and Verisure Developed Products as permitted by this Agreement (even though such products embody Confidential Information of both Parties) or either Party's rights of assignment under Section 16.12.

Section 14.03 Use and Disclosure Restrictions. Neither Party will (i) use the other Party's Confidential Information except as necessary for the performance of this Agreement or (ii) disclose such Confidential Information to any

Person except to those of its and its Affiliates' Representatives that need to know such Confidential Information for the purpose of performing this Agreement, provided that each such Representative is subject to a written agreement that includes binding use and disclosure restrictions that are at least as protective as those set forth herein. Each Party will use all reasonable efforts to maintain the confidentiality of all such Confidential Information in its possession or control, but in no event less than the efforts that such Party ordinarily uses with respect to its own proprietary information of similar nature and importance. The foregoing obligations will not restrict either Party from disclosing Confidential Information of the other Party: (a) pursuant to the law, order or requirement of a court, administrative agency, or other governmental or administrative body, provided that the Party required to make such disclosure gives reasonable notice to the other party to contest such order or requirement; (b) on a confidential basis to its and its Affiliates' accountants, lawyers and other similar professional advisors, (c) on a confidential basis to actual and potential acquirers, lenders, investors and other similar transaction counterparties (and their counsel and similar professional advisors) as part of customary due diligence; and (d) other parties with the

disclosing party's prior written consent. Notwithstanding the foregoing sentence, the receiving Party and its Affiliates shall not disclose Source Code of the other Party to any Person other than its employees and contractors who have a need to know. Prior to any disclosure by a recipient under this Section 14.03, such recipient must have an appropriate agreement with any such person sufficient to require such Person to treat such information as confidential and abide by the terms herein. In addition, each Party may disclose the terms and conditions of this Agreement as required under applicable securities laws or regulations; provided that the Parties will mutually agree on any necessary redactions. This Section 14.03 will become effective as of the Effective Date.

ARTICLE XV

INDEMNITY

Section 15.01 Indemnification by Supplier. Effective as of the Effective Date, Supplier shall indemnify, defend and hold harmless the Customer and its Affiliates and each of its and their respective Representatives, from and against amounts paid to third parties as a result of any and all claims, demands, causes of action, actions, suits or proceedings whatsoever ("Claim(s)"), and any and all Losses, arising out of or relating to any such Claim, in all cases to the extent arising out of or related to (a) any Product Recall or any Epidemic Defect in the manufacturing, design or operation of any Product manufactured, modified, altered or sold by Supplier; (b) any breach of its privacy and data security obligations under Section 2.18 (including Schedule 2.18); and (c) any Arlo Catalog Product or a Verisure Developed Product infringing any third party's Intellectual Property or Trademark rights (except to the extent covered by Customer's indemnity below).

Section 15.02 Indemnification by Customer. Customer shall indemnify, defend and hold harmless Supplier and its Affiliates and each of its and their respective Representatives, from and against amounts paid to third parties as a result of any and all Claims and any and all Losses, arising out of or relating to any such Claim, in all cases to the extent arising out of or related to (a) an infringement of any third party's Intellectual Property or Trademark rights caused solely and directly by Supplier's compliance with Customer's requirements and instructions on the Customer Specific Features as defined in a Statement of Work; and (b) a data breach or failure of Supplier to comply with its privacy and data security obligations under this Agreement or applicable Law that is caused solely and directly by Customer.

Section 15.03 Indemnification Procedure.

(a) General Procedure. Each Party indemnified hereunder (an "Indemnified Party") must notify the other Party (the "Indemnifying Party") promptly of the applicable Claim in writing, tender to the Indemnifying Party sole control and authority over the defense or settlement of such Claim, and reasonably cooperate with the Indemnifying Party, at the Indemnifying Party's expense, and provide the Indemnifying Party with available information in the investigation and defense of such Claim. The Parties shall, reasonably promptly after receiving the Claim, enter into a joint defense agreement or a community of interest agreement whereby each participant agrees to cooperate and provide reasonable assistance in the defense

and any settlement of any indemnified Claim. Any effort by the Indemnified Party to settle a Claim without the Indemnifying Party's involvement and written approval shall void any indemnification obligation hereunder.

(b) IP Indemnity Procedure. Supplier shall, in the event of a Claim under Section 15.01(c): (i) procure for the Customer such licenses to cover Customer's use of the alleged infringing Product; or (ii) replace or modify the Product to make it non-infringing with a replacement or modified Product that is substantially equivalent to the original Product; or (iii) if Supplier has

been unable to procure on commercially reasonable terms a license that enables the Customer and its Affiliates to use the enjoined Products pursuant to the terms of this Agreement and Supplier is unable, using commercially reasonable efforts, to modify the affected Product to make it non-infringing; then, Supplier, shall:

(A) discuss any potential remedies with Customer, including the option of having Customer contribute to a portion of any license fee or accepting reduced functionality;

(B) If the Parties cannot agree on a remedy, Supplier shall use commercially efforts to provide Customer within a commercially reasonable time, acting expeditiously, with a version of the relevant Product, where the infringing feature or functionality is removed;

(C) To the extent such remedy is not technically feasible, Supplier may terminate further sales of the infringing Product and allow cancellation of such Products then under open Purchase Orders, but only in respect of those jurisdictions (the “Enjoined Jurisdictions”), and only during the term, in which a Governmental Authority has prohibited the sale of such Product. In such event under this Section 15.03(b)(C), Supplier will notify Customer of such termination and cancellation, and Customer will use reasonable efforts to cease such sales as soon as reasonably practicable. For clarity, Supplier will continue to supply Products to Customer in any jurisdiction that is not an Enjoined Jurisdiction;

(D) In respect of jurisdictions in which a Claim has been made but it is not an Enjoined Jurisdiction: (i) the Parties will discuss in good faith and with the advice of counsel on the risks involved in marketing and selling the Products, including taking into account whether a patent of the same scope has been granted to the same claimant in the Enjoined Jurisdiction; and (ii) Supplier will have right to terminate further sales of the Product in such jurisdiction only if, under the circumstances, outside counsel has recommended that is a normal and reasonable commercial course of action. Supplier will notify Customer of such termination and cancellation, and Customer will remain fully liable for any sales of Products that Customer makes after such notice.

The indemnification processes set out in this Article XV are the Indemnifying Party’s sole obligation and the Indemnified Party’s sole remedy in the event of a Claim covered by such indemnification obligation.

This Section 15.03 will become effective as of the Effective Date.

Section 15.04 Limitations of Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, TO THE EXTENT PERMITTED BY APPLICABLE LAW: (I) EXCEPT FOR CLAIMS ARISING FROM (A) BREACH OF CONFIDENTIALITY, (B) AMOUNTS PAID TO THIRD PARTIES UNDER AN INDEMNIFICATION OBLIGATION, (C) FRAUD OR WILLFUL MISCONDUCT, OR (D) BREACH OF LICENSES GRANTED HEREIN, NEITHER PARTY, INCLUDING ITS AFFILIATES AND LICENSORS, SHALL BE LIABLE HEREUNDER FOR ANY INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, SPECIAL, OR CONSEQUENTIAL DAMAGES, OR FOR ANY LOSS OF PROFITS OR REVENUE, USE, GOODWILL, OR COSTS OF SUBSTITUTE GOODS OR SERVICES, REGARDLESS OF THE THEORY OF LIABILITY (INCLUDING NEGLIGENCE); AND (II) EXCLUDING THE OBLIGATION TO PAY FEES AND ROYALTIES, BREACH OF CONFIDENTIALITY, FRAUD, WILLFUL MISCONDUCT OR BREACH OF LICENSES GRANTED HEREIN, EACH PARTY’S LIABILITY ARISING UNDER THIS AGREEMENT:

(A) FOR SUPPLIER’S INDEMNIFICATION OBLIGATIONS UNDER SECTION 15.01(A), SHALL NOT EXCEED ONE AND ONE HALF TIMES THE TOTAL FEES PAID WITH RESPECT TO THE RELEVANT PRODUCT OR SERVICE UNIT(S) THAT ARE THE SUBJECT OF THE PRODUCT RECALL OR EPIDEMIC FAILURE;

(B) FOR SUPPLIER’S INDEMNIFICATION OBLIGATIONS UNDER SECTION 15.01(B), AND CUSTOMER’S INDEMNIFICATION OBLIGATIONS UNDER SECTION 15.02(B), THE GREATER OF (I) ONE AND ONE HALF TIMES THE TOTAL FEES PAID WITH RESPECT TO THE RELEVANT PRODUCT IN THE ONE YEAR PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM OR (II) [***];

(C) FOR SUPPLIER’S INDEMNIFICATION OBLIGATIONS UNDER SECTION 15.01(C) AND CUSTOMER’S INDEMNIFICATION OBLIGATIONS UNDER SECTION 15.02(A):

(i) IF ANY VERISURE DEVELOPED PRODUCTS ARE THE SUBJECT OF THE CLAIM, SUCH INDEMNITY HEREUNDER SHALL BE (X) DURING THE FIRST TWO YEARS AFTER THE APPLICABLE VERISURE DEVELOPED PRODUCT WAS FIRST SOLD IN THE TERRITORY, UNCAPPED AND (Y) DURING THE REMAINDER OF THE TERM OF THIS AGREEMENT, NOT EXCEEDING ONE AND ONE HALF TIMES THE

TOTAL FEES PAID WITH RESPECT TO THE RELEVANT PRODUCT IN THE ONE YEAR PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM;

(ii) IF ANY ARLO CATALOG PRODUCTS ARE THE SUBJECT OF THE CLAIM, SUPPLIER'S INDEMNITY HEREUNDER SHALL BE (X) FOR ARLO CATALOG PRODUCTS THAT HAVE BEEN SOLD IN THE TERRITORY FOR LESS THAN TWO YEARS PRIOR TO THE DATE OF THE CLAIM, UNCAPPED AND (Y) FOR ARLO CATALOG PRODUCTS THAT HAVE BEEN SOLD IN THE

TERRITORY FOR MORE THAN TWO YEARS PRIOR TO THE DATE OF THE CLAIM, NOT EXCEEDING ONE AND ONE HALF TIMES THE TOTAL FEES PAID WITH RESPECT TO THE RELEVANT PRODUCT IN THE ONE YEAR PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

(iii) IF ANY ARLO SMART SERVICES ARE THE SUBJECT OF THE CLAIM, SUPPLIER'S INDEMNITY HEREUNDER SHALL NOT EXCEED ONE AND ONE HALF TIMES THE TOTAL FEES PAID WITH RESPECT TO THE RELEVANT SERVICE.

(D) IN ALL OTHER CASES, THE AGGREGATE FEES PAID BY CUSTOMER TO SUPPLIER FOR ANY PRODUCTS OR SERVICES IN THE ONE YEAR PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

THESE LIMITATIONS APPLY WHETHER THE LIABILITY IS BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER THEORY.

FOR CLARITY, WHERE THE LIABILITY CAP IS EXPRESSED AS BASED ON THE TOTAL FEES PAID IN THE ONE YEAR PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM, SUCH ONE YEAR IS ON A ROLLING ONE YEAR BASIS. WHERE THERE IS MORE THAN ONE CLAIM IN A ROLLING ONE YEAR PERIOD WITH RESPECT TO A PARTICULAR PRODUCT OR SERVICE, THE EARLIER CLAIM WILL REDUCE THE LIABILITY CAP FOR THE SUBSEQUENT CLAIM(S) ONLY TO THE EXTENT THAT THERE IS OVERLAP IN THE PRODUCT OR SERVICE DURING THE ONE YEAR PERIOD OF THE EARLIER CLAIM AND THE SUBSEQUENT CLAIM(S).

Section 15.05 Indemnity Survival. The provisions of this Article XV shall survive any termination of this Agreement.

ARTICLE XVI

GENERAL PROVISIONS

All of the provisions of this Article XVI will become effective on the Effective Date.

Section 16.01 Dispute Resolution.

(a) Any dispute arising out of or in connection with this Agreement ("Dispute") shall be resolved as rapidly as possible by discussion between the Relationship Managers. If a Dispute cannot be resolved between the Relationship Manager of the Supplier and the Relationship Manager of the Customer within [***] of the Dispute arising, the Relationship Managers shall escalate the dispute to the Chief Executive Officer of Supplier and the Chief Executive Officer of Customer to negotiate in good faith for an additional [***] (or such longer period as the Parties may agree). If at the end of such time such Persons are unable to resolve such Dispute amicably, then such Dispute shall be resolved in accordance with the dispute resolution process referred to in Section 16.01(b), provided that such dispute resolution process shall not modify or add to the remedies available to the Parties under this Agreement.

(a) If the Parties are unable to resolve a Dispute in accordance with Section 16.01(a), the Dispute shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators. The claimant(s) shall nominate one arbitrator in the Request for Arbitration. The respondent(s) shall nominate one arbitrator in the Answer to the Request. The two party-nominated arbitrators will then attempt to agree for a period of thirty (30) days, in consultation with the parties to the arbitration, upon the nomination of a third arbitrator to act as president of the tribunal, barring which the ICC Court shall select the third arbitrator (or any arbitrator that claimant(s) or respondent(s) shall fail to nominate in accordance with the foregoing). The place of arbitration shall be New York, New York. The language of the arbitration shall be English and the decision of the arbitrators shall be binding on the Parties.

Section 16.02 Specific Performance.

(a) The Parties acknowledge and agree that irreparable damage would occur and that the Parties would not have any adequate remedy at Law in the event that Article XIV, Section 12.05 and Section 2.18 were not performed in accordance with their specific terms or were otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or any such breach. Accordingly, the Parties hereto acknowledge and hereby agree that in the event of any breach or threatened breach by Supplier or Customer of any of their respective covenants or obligations set forth in Article XIV, Section 12.05 and Section 2.18, each of Customer and Supplier, respectively, shall be entitled to make an application for an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement by such other Party (as applicable), and to specifically enforce the terms and provisions of Article XIV, Section 12.05 and Section 2.18 to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other (as applicable) under Article XIV, Section 12.05 and Section 2.18, without proof of actual damages or inadequacy of legal remedy and without bond or other security being required. The pursuit of specific enforcement or other equitable remedies by any Party will not be deemed an election of remedies or waiver of the right to pursue any other right or remedy (whether at Law or in equity) to which such Party may be entitled at any time.

(b) Any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise at any time of any other remedy.

(c) Each of Supplier and Customer hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of Article XIV, Section 12.05 and Section 2.18 by Supplier or Customer, as applicable, and to specifically enforce the terms and provisions of Article XIV, Section 12.05 and Section 2.18 to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of Supplier or Customer, as applicable, under such provisions. The Parties hereto further acknowledge and agree that (i) by seeking the remedies provided for in this Section 16.02, a Party shall not in any respect waive its right to seek at any time any other form or amount of relief that may be available to a Party under this Agreement (including monetary damages) and (ii) nothing set forth in this Section 16.02 shall require any Party to institute any proceeding for (or limit any Party's right to institute any proceeding for) specific performance

under this Section 16.02 prior or as a condition to exercising any termination right under Section 11.03 (and pursuing damages after such termination (subject to the terms of this Agreement)), nor shall the commencement of any proceeding pursuant to this Section 16.02 or anything set forth in this Section 16.02 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Section 11.03 or pursue any other remedies under this Agreement or otherwise that may be available then or thereafter.

Section 16.03 No Joint Venture. Nothing in this Agreement creates a joint venture or partnership between the Parties. This Agreement does not authorize any Party (i) to bind or commit, or to act as an agent, employee or legal Representative of, another Party, except as may be specifically set forth in other provisions of this Agreement or (ii) to have the power to control the activities and operations of another Party. The Parties are independent contractors with respect to each other under this Agreement. Each Party agrees not to hold itself out as having any authority or relationship contrary to this Section 16.03.

Section 16.04 Force Majeure. No Party hereto (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. Each Party (or such Person) shall exercise its reasonable efforts in good faith to minimize the effect of Force Majeure on its obligations.

Section 16.05 Further Assurances. Subject to the terms and conditions hereof, each of the Parties agrees to use commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, all documents and to take, or cause to be taken, all actions that may be reasonably necessary or appropriate, in the reasonable opinion of counsel for Supplier and Customer, to effectuate the provisions of this Agreement, provided that all such actions are in accordance with applicable Law.

Section 16.06 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand (with written confirmation of receipt, by other than automatic means, whether electronic or otherwise), (b) when sent by e-mail (with written confirmation of transmission) or (c) one (1) Business Day following the day sent by an internationally recognized overnight courier (with written confirmation of receipt), in each case, at

the following addresses (or to such other address as a Party may have specified by notice given to the other Party pursuant to this provision).

(a) If to Supplier: 3030 Orchard Parkway, San Jose, California

Attention: General Counsel

(b) If to Customer: [***]

Attention: [***]

Copy to: [***]

Section 16.07 Entire Agreement. This Agreement and the Schedules hereto set forth the entire understanding of the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the Parties or their respective Subsidiaries other than those set forth or referred to herein or therein.

Section 16.08 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person, including any union or any employee or former employee of Supplier or Customer, or entity any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

Section 16.09 Amendment; Waiver. No provision of this Agreement, including any Exhibits, Annexes or Schedules thereto, may be amended, supplemented, waived or modified except by a written instrument making specific reference hereto or thereto signed by all the Parties. No waiver of any breach of or non-compliance with this Agreement shall be deemed to be a waiver of any other or subsequent breach or non-compliance.

Section 16.10 Governing Law. This Agreement, and all claims or causes of action (whether in contract, tort or otherwise) 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) shall be governed by and construed in accordance with the law of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws.

Section 16.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service (including by means of e-mail in .pdf format) shall be considered original executed counterparts for purposes of this Section 16.11.

Section 16.12 Assignment. This Agreement and all of the provisions hereto shall be binding upon and inure to the benefit of, and be enforceable by, the Parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations set forth herein shall be assigned by a Party hereto without the prior written consent of the other Party and any purported assignment without such consent shall be void and null at the outset; provided, however, that (i) Supplier may assign its rights to an Affiliate, provided that any assignee of this Agreement must be the owner of the Arlo IP, such that the Customer Entities must always receive the licenses herein directly from the owner of the Arlo IP, and not from an Affiliate or intermediate licensor; and (ii) Customer may assign its rights and obligations under this Agreement in the following circumstances (provided that, in each case, Customer remains liable for the performance of Customer's obligations in this

[***] = CERTAIN CONFIDENTIAL INFORMATION OMITTED

Agreement by such assignee): (x) in whole or in part, to an Affiliate; or (y) in whole, in connection with a reorganization or a sale or disposition of any assets or lines of business of Customer.

Section 16.13 Rules of Construction. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Article, Section, paragraph, Exhibit and Schedule are references to the Articles, Sections, paragraphs, Exhibits, Annexes and Schedules of this Agreement unless otherwise specified; (c) the terms "hereof", "herein", "hereby", "hereto", and derivative or similar words refer to this entire Agreement, including the Schedules, Annexes and Exhibits hereto; (d) references to "\$" means U.S. dollars; (e) the word "including" and words of similar

import when used in this Agreement means “including without limitation,” unless otherwise specified; (f) the word “or” shall not be exclusive; (g) references to “written” or “in writing” include in electronic form; (h) provisions shall apply, when appropriate, to successive events and transactions; (i) the headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (j) Supplier and Customer have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or burdening either Party by virtue of the authorship of any of the provisions in any of this Agreement; (k) a reference to any Person includes such Person’s successors and permitted assigns; (l) any reference to “days” means calendar days unless Business Days are expressly specified; and (m) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day.

Section 16.14 Non-Recourse. No past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or Representative of Supplier or Customer shall have any liability for any obligations or liabilities of such Party under this Agreement of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby.

Section 16.15 Export Law Compliance. Each Party shall be responsible for their compliance with applicable export laws, rules and regulations as related to their performance under this Agreement.

Section 16.16 No Conflict. In the event of any conflict or inconsistency between the terms and conditions of this Agreement and the terms and conditions of a Statement of Work or a Purchase Order, the terms and conditions of this Agreement shall prevail, unless with respect to a Statement of Work only, such Statement of Work specifically references the provisions of this Agreement that are inconsistent therewith (or it is reasonably apparent from the face of the Statement of Work that such provisions were meant to be specifically referenced and were inadvertently not so referenced), in which case the terms and conditions of such Statement of Work shall prevail. The Parties shall modify any provisions of this Agreement to the extent

necessary to comply with the local Laws of the jurisdiction in which such Statement of Work is executed.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

ARLO TECHNOLOGIES, INC.

By: /s/ Matthew McRae
Name: Matthew McRae
Title: Chief Executive Officer

VERISURE SÀRL

By: /s/ Austin Lally
Name: Austin Lally
Title: Chief Executive Officer

By: /s/ Marta Panzano Barbero
Name: Marta Panzano Barbero
Title: Chief Human Resources Officer

BUSINESS FINANCING AGREEMENT

Borrower: ARLO TECHNOLOGIES, INC.
3030 Orchard Parkway
San Jose, CA 95134

Lender: Western Alliance Bank, an Arizona corporation
55 Almaden Boulevard, Suite 100
San Jose, CA 95113

This BUSINESS FINANCING AGREEMENT, dated as of November 5, 2019 (the "**Closing Date**"), is made and entered into between WESTERN ALLIANCE BANK, AN ARIZONA CORPORATION ("**Lender**"), and ARLO TECHNOLOGIES, INC., a Delaware corporation ("**Borrower**"), on the following terms and conditions:

1. REVOLVING CREDIT LINE.

- 1.1 Advances.** Subject to the terms and conditions of this Agreement, from the Closing Date until the Maturity Date, Lender will make Advances to Borrower not exceeding the Credit Limit or the Borrowing Base, whichever is less; provided that in no event shall Lender be obligated to make any Advance that results in an Overadvance or while any Overadvance is outstanding. Amounts borrowed under this Section may be repaid and subject to the terms and conditions hereof reborrowed during the term of this Agreement. It shall be a condition to each Advance that (a) an Advance Request acceptable to Lender has been received by Lender, (b) all of the representations and warranties set forth in Section 3 are true and correct in all material respects on the date of such Advance as though made at and as of each such date, and (c) no Default has occurred and is continuing, or would result from such Advance. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, Lender shall not be obligated to make any Advances during any Clean-up Period (other than Advances made against Eligible Receivables for which the invoice relating to the Eligible Receivable was first sent to Best Buy between July 1 2019 and December 31 2019 and between July 1 2020 and December 31 2020, subject to the requirement that in respect of Advances after July 2020 Borrower will first provide Lender with 12 month forward-looking financial projections satisfactory to Lender prior to end of June 2020).
- 1.2 Advance Requests.** Borrower may request that Lender make an Advance by delivering to Lender an Advance Request therefor and Lender shall be entitled to rely on all the information provided by Borrower to Lender on or with the Advance Request. Lender may honor Advance Requests, instructions or repayments given by any Authorized Person. So long as all of the conditions for an Advance set forth herein have been satisfied, Lender shall fund such Advance into Borrower's Account within one business day of Lender's receipt of the applicable Advance Request.
- 1.3 Due Diligence.** Lender may audit Borrower's Receivables and any and all records pertaining to the Collateral, at Lender's sole discretion and at Borrower's expense. Borrower acknowledges that such an audit must be completed prior to the initial Advance hereunder and at least annually thereafter, or upon Lender's request (or more frequently if an Event of Default has occurred and is continuing); provided that such an audit shall be required prior to the initial Advance following the last day of any Clean-up Period. Lender may at any time and from time to time contact Account Debtors and other Persons obligated or knowledgeable in respect of Eligible Receivables to confirm the Receivable Amount of such Receivables, to determine whether the Eligible Receivables constitute Eligible Receivables, and for any other purpose in connection with this Agreement. If any of the Collateral or Borrower's books or records pertaining to the Collateral are in the possession of a third party, Borrower authorizes that third party to permit Lender or its agents to have access to perform inspections or audits thereof and to respond to Lender's requests for information concerning such Collateral and records, in each case during reasonable business hours and upon prior written notice, unless an Event of Default has occurred and is continuing, in which case at any time and with no notice required.
- 1.4 Collections.**
- (a) Lender shall have the exclusive right to receive all Collections on all Receivables. Borrower shall promptly notify, transfer and deliver to Lender all Collections Borrower receives for deposit into the Collection Account. Borrower shall instruct all Account Debtors to make payments directly to the Collection Account, or instruct them to deliver such payments to Lender by wire transfer, ACH, or other means as Lender may direct for deposit to the Collection Account.
- (b) At Lender's option, Lender may either (i) transfer all Collections deposited into the Collection Account to Borrower's Account, or (ii) apply the Collections deposited into the Collection Account to the outstanding Account Balance, in either case, within two business days of the date received; provided that upon the occurrence and during the continuance of any Default, Lender may apply all Collections to the Obligations in such order and manner as Lender may determine. Lender has no duty to do any act other than to apply such amounts as required above. If an item of Collections is not honored or Lender does not receive good funds for any reason, any amount previously transferred to Borrower's Account or applied to the Account Balance shall be reversed as of the date transferred or applied, as applicable, and, if applied to the Account Balance, the Finance Charge will accrue as if the Collections had not been so applied. Lender shall have, with respect to any goods related to the Receivables, all the rights and remedies of an unpaid seller under the UCC and other applicable law, including the rights of replevin, claim and delivery, reclamation and stoppage in transit, in each case, in accordance with applicable law.
- 1.5 Receivables Activity Report.** Within 5 business days after each Month End, Lender shall post a report on Lender's online platform covering the transactions for the prior billing period, including the amount of all Advances, Collections, Adjustments, Finance Charges, and other fees and charges. The accounting shall be deemed correct and conclusive unless Borrower makes written objection to Lender within 30 days after Lender sends the accounting to Borrower.
- 1.6 Adjustments.** In the event any Adjustment or dispute is asserted by any Account Debtor, Borrower shall promptly advise Lender and shall, subject to Lender's approval, resolve such disputes and advise Lender of any Adjustments (other than any Best Buy Adjustments); provided that in no case will the aggregate write-offs made with respect to any Eligible Receivable exceed the greater of (i) Ten Thousand Dollars (\$10,000) or (ii) two percent (2%) of its original Receivable Amount unless Borrower has obtained the prior written consent of Lender. So long as any Obligations are outstanding and after the occurrence and during the continuance of an Event of Default, Lender shall have the right, at any time, to take possession of any rejected, returned, or recovered personal property. If such possession is not taken by Lender, Borrower is to resell it for Lender's account at Borrower's expense with the proceeds made payable to Lender. While Borrower retains possession of any returned goods, Borrower shall segregate said goods and mark them as property of Lender.

- 1.7 Recourse; Maturity.** Advances and the other Obligations shall be with full recourse against Borrower. On the Maturity Date or such earlier date as shall be herein provided, Borrower will pay all then outstanding Advances and other Obligations to Lender.
- 1.8 Letter of Credit Line.** Subject to the terms and conditions of this Agreement, Lender hereby agrees to issue or cause an Affiliate to issue letters of credit for the account of Borrower (each, a "**Letter of Credit**" and collectively, "**Letters of Credit**") from time to time; provided that (a) the Letter of Credit Obligations shall not at any time exceed the International Sublimit less the FX Reserve Amount and (b) the Letter of Credit Obligations will be treated as Advances for purposes of determining availability under the Credit Limit and shall decrease, on a dollar-for-dollar basis, the amount available for other Advances. The form and substance of each Letter of Credit shall be subject to approval by Lender, in its sole discretion. Each Letter of Credit shall be subject to the additional terms of the Letter of Credit agreements, applications and any related documents required by Lender in connection with the issuance thereof (each, a "**Letter of Credit Agreement**"). Each draft paid under any Letter of Credit shall be repaid by Borrower in accordance with the provisions of the applicable Letter of Credit Agreement. No Letter of Credit shall be issued that results in an Overadvance or while any Overadvance is outstanding. Upon the Maturity Date, the amount of Letter of Credit Obligations shall be secured by unencumbered cash on terms acceptable to Lender if the term of this Agreement is not extended by Lender.
- 1.9 Credit Card Facility.** Subject to the terms and conditions of this Agreement, Borrower may request Credit Card Services pursuant to the terms of such Credit Card Services Agreements as may be required by Lender in an aggregate amount not to exceed the Credit Card Limit.
- 1.10 Foreign Exchange Facility.** Borrower may enter in foreign exchange forward contracts with Lender under which Borrower commits to purchase from or sell to Lender a set amount of foreign currency more than one business day after the contract date (the "**FX Forward Contract**"). The total FX Forward Contracts at any one time may not exceed (a) 10 times (b) the amount of (i) the International Sublimit minus (ii) any Letter of Credit Obligations. A percentage, to be determined by Lender in its reasonable discretion from time to time, of each outstanding FX Forward Contract (the "**FX Reserve Amount**") shall be treated as an Advance for purposes of determining availability under the Credit Limit and shall decrease, on a dollar-for-dollar basis, the amount available for other Advances. Lender may terminate the FX Forward Contracts if an Event of Default occurs. Each FX Forward Contract shall be subject to additional terms set forth in the applicable FX Forward Contract or other agreements executed in connection with the foreign exchange facility. Upon the Maturity Date, the amount of Obligations with respect to FX Forward Contracts shall be repaid in full or secured by unencumbered cash on terms acceptable to Lender if the term of this Agreement is not extended by Lender.
- 1.11 Overadvances.** Upon any occurrence of an Overadvance, Borrower shall immediately pay down the Advances such that, after giving effect to such payments, no Overadvance exists.
- 1.12 Notification and Verification.** Lender may (i) verify invoices and (ii) notify Borrower's Account Debtors of Lender's security interest in the Eligible Receivables (or all Receivables upon the occurrence and during the continuance of an Event of Default), at its sole discretion from time to time. Lender shall endeavor to provide notice to and consult with Borrower with respect to such notices so long as no Event of Default has occurred and is continuing, but Lender's failure to provide such notice and/or so consult with Borrower shall not be deemed a breach of this Agreement or otherwise give rise to any liability.

2. FEES AND FINANCE CHARGES.

- 2.1 Finance Charges.** Borrower agrees to pay to Lender the Finance Charges on the Account Balance. Lender may, but is not required to, deduct the amount of accrued Finance Charges from Collections received by Lender. The accrued and unpaid Finance Charges shall be due and payable within 10 calendar days after each Month End during the term hereof. Borrower hereby authorizes Lender to automatically deduct the amount of any loan payments from any deposit account(s) of Borrower held with Lender. If the funds in the account(s) are insufficient to cover any payment, Lender shall not be obligated to advance funds to cover the payment and Borrower agrees to pay any applicable fees for this service disclosed in the Schedule of Fees and Charges applicable to Borrower's account(s). Subject to any terms and conditions in the Loan Documents, Borrower or Lender may voluntarily terminate automatic payments at any time for any reason.
- 2.2 Fees.**
- (a) **Facility Fee.** Borrower shall pay the Facility Fee to Lender promptly upon the execution of this Agreement and annually thereafter.
 - (b) **Letter of Credit Fees.** Borrower shall pay to Lender fees upon the issuance of each Letter of Credit, upon the payment or negotiation of each draft under any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Lender's standard fees and charges then in effect for such activity.
 - (c) **Credit Card Facility and FX Forward Contract Fees.** Borrower shall pay to Lender fees in connection with the Credit Card Facility and FX Forward Contracts as determined in accordance with Lender's standard fees and charges then in effect for such activity.

3. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants:

- 3.1** No representation, warranty or other statement of Borrower in any certificate or written statement given to Lender contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement contained in the certificates or statement not misleading in light of the circumstances under which such statements were made.
- 3.2** Borrower is duly existing and in good standing in its jurisdiction of formation and qualified and licensed to do business in, and in good standing in, any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to so qualify in such other jurisdiction could not reasonably be expected to have a material adverse effect on Borrower.
- 3.3** The execution, delivery and performance of this Agreement has been duly authorized, does not (a) conflict with Borrower's organizational documents, (b) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (c) contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of Borrower's property or assets may be bound or affected, (d) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (e) constitute an Event of Default under any material agreement by which Borrower is bound. Except as set forth in written notice to Lender, Borrower is not in default under any material agreement to which or by which it is bound in which the default could

have a material adverse effect on Borrower's business.

- 3.4 Borrower has not violated any laws, ordinances or rules, the violation of which could have a material adverse effect on Borrower's business.
- 3.5 Borrower has good title to the Collateral and all inventory is in all material respects of good and marketable quality, free from material defects, but subject to ordinary wear and tear and except for used or returned inventory.
- 3.6 Borrower's name, form of organization, chief executive office, and the place where the records concerning all Receivables and Collateral are kept is set forth at the beginning of this Agreement. Borrower's chief executive office is located at its address for notices set forth in this Agreement.
- 3.7 If Borrower owns, holds or has any interest in, any copyrights (whether registered, or unregistered), patents or trademarks, and licenses of any of the foregoing, such interest has been specifically disclosed and identified to Lender in writing (including in any Compliance Certificate).
- 3.8 Borrower is the sole owner of the Intellectual Property, except for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business and Permitted Exclusive Licenses. To the best of Borrower's knowledge, each of the patents is valid and enforceable, and no part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and except as set forth in written notice to Lender, no claim has been made that any part of the Intellectual Property violates the rights of any third party, in each case, except to the extent such claim could not reasonably be expected to have a material adverse effect on Borrower's business.
- 3.9 Borrower is solvent and able to pay its debts (including trade debts) as they mature.
- 3.10 The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise disclosed in writing to Lender. None of the Collateral is currently being maintained at locations other than as disclosed in writing to Lender or in transit in the ordinary course of business.
- 3.11 Except as disclosed in writing to Lender or in the Perfection Certificate, there are no actions or proceedings pending or, to the knowledge of Borrower's officers, threatened in writing by or against Borrower or any Subsidiary that could result in damages or costs to Borrower or any of its Subsidiaries in excess of, individually and in the aggregate, One Million Dollars (\$1,000,000).
- 3.12 All consolidated financial statements for Borrower and its Subsidiaries delivered to Lender fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations as of the dates and periods covered thereby (and as to unaudited financial statements, subject to normal year-end adjustments and the absence of footnote disclosures). There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Lender.
- 3.13 Borrower does not own any stock, partnership interest, other ownership interest or other equity securities in any Person except for Permitted Investments.
- 3.14 Borrower and each Subsidiary have timely filed all required tax returns and reports, and Borrower and each Subsidiary have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each Subsidiary, except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits and contributions do not, individually or in the aggregate, exceed Two Hundred Fifty Thousand Dollars (\$250,000).

4. MISCELLANEOUS PROVISIONS. Borrower will:

- 4.1 Maintain its corporate existence and good standing in its jurisdiction of incorporation and maintain its qualification in each other jurisdiction necessary to Borrower's business or operations (unless failure to maintain such qualification could not reasonably be expected to result in a material adverse effect on Borrower) and not merge or consolidate with or into any other business organization (except that a Subsidiary may merge into Borrower), or acquire all or substantially all of the capital stock or other equity interests or property of a third party, unless (i) any such acquired entity becomes a "borrower" under this Agreement and Lender has previously consented to the applicable transaction in writing or (ii) such transaction is a Permitted Acquisition.
- 4.2 Comply with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower's business.
- 4.3 Give Lender at least twenty (20) days prior written notice of changes to its name, organization, chief executive office, location of records or otherwise add any new domestic business locations or any new domestic locations where Borrower intends to store Collateral in excess of One Million Dollars (\$1,000,000), and, if requested by Lender, Borrower will cause the applicable landlord/bailee to enter into a landlord consent (or bailee agreement in the case of any bailee) in favor of Lender prior to the commencement of such new domestic office or domestic location where Collateral in excess of One Million Dollars (\$1,000,000) is stored.
- 4.4 Pay all its taxes including gross payroll, withholding and sales taxes when due (except for deferred payment of any taxes contested pursuant to the terms of Section 3.14 hereof and taxes with respect to which the amount does not exceed the amount set forth in Section 3.14) and will deliver satisfactory evidence of payment to Lender if requested.
- 4.5 Maintain:
 - (a) insurance satisfactory to Lender in its reasonable discretion as to amount, nature and carrier covering property damage to any of Borrower's properties, business interruption insurance, public liability insurance including coverage for contractual liability, product liability and workers' compensation, and any other insurance which is usual for Borrower's business. Each such policy shall provide for at least twenty (20) days prior notice to Lender of any cancellation thereof (ten (10) days in the case of cancellation for nonpayment of premium).
 - (b) all risk or special perils property damage insurance policies covering the tangible property comprising the collateral. Each insurance policy must be for the full replacement cost of the collateral and include a replacement cost endorsement, or in an amount acceptable to Lender. The insurance must be issued by an insurance company acceptable to Lender and must include a lender's loss payable

endorsement with respect to property coverage and an additional insured endorsement with respect to liability coverage, in each case, in favor of Lender in a form acceptable to Lender in its reasonable discretion.

Upon the request of Lender, Borrower shall deliver to Lender a certificate of insurance listing all insurance in force.

- 4.6 Promptly transfer and deliver to Lender all Collections Borrower receives.
- 4.7 Not create, incur, assume, or be liable for any indebtedness, other than Permitted Indebtedness.
- 4.8 Not convey, sell, lease, transfer or otherwise dispose of (collectively, a "**Transfer**"), all or any part of its business or property, other than: (a) Transfers of inventory in the ordinary course of business; (b) Transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower in the ordinary course of business; (c) Transfers of worn-out, surplus or obsolete equipment which was not financed by Lender; (d) Transfers consisting of licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that (i) may be exclusive in respects other than territory and that may be exclusive as to territory only as to discrete geographical areas outside of the United States or (ii) pertain to customized products for specific customers (collectively, "**Permitted Exclusive Licenses**"); (e) Transfers consisting of Permitted Liens and Permitted Investments; (f) Transfers consisting of the abandonment, cancellation, non-renewal, discontinuance of use or maintenance or other disposition in the ordinary course of business of any Intellectual Property (or rights thereto) that any Borrower determines in its good faith is no longer desirable in the conduct of its business and not materially disadvantageous to the interests of the Lender; (g) Transfers that consist of the sale, transfer, assignment or other disposition of accounts receivable (other than any Eligible Receivables) in connection with the collection, compromise or settlement thereof in the ordinary course of business and not as part of a financing transaction; (h) other Transfers in an aggregate amount not to exceed Five Hundred Thousand Dollars (\$500,000) per fiscal year; (i) Transfers from a Borrower to another Borrower; and (j) Transfers contemplated in or related to the transactions described in Schedule 4.8 of the Disclosure Letter (as amended from time to time so long as Lender receives a copy of, and, with respect to any such amendment in connection with the Transfer of any domestic assets of Borrower outside of the United States, agrees to, such amendments) ("**Permitted Transaction**").
- 4.9 Not make any investment in or to any Person, other than Permitted Investments.
- 4.10 Not pay any dividends or make any distributions or payment with respect to Borrower's capital stock or redeem, retire or purchase any of Borrower's capital stock other than Permitted Distributions.
- 4.11 Not directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.
- 4.12 Not make any payment in respect of any Subordinated Debt or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of the applicable subordination agreement in favor of Lender, or amend any provision contained in any documentation relating to the Subordinated Debt without Lender's prior written consent.
- 4.13 Without limiting any of the other covenants or restrictions contained in this Agreement or any other Loan Document, allow, permit or suffer any Dormant Subsidiary to (a) own or hold any assets or property with an aggregate fair market value above Five Hundred Thousand Dollars (\$500,000) or other than as disclosed to Lender as of the Closing Date or (b) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any material business or operations. Notwithstanding anything to the contrary in this Agreement or any other Loan Document (including, without limitation, in the definition of "Permitted Investments" herein), Borrower shall not invest or otherwise transfer assets to the Dormant Subsidiaries in excess of Five Hundred Thousand Dollars (\$500,000) in the aggregate in any fiscal quarter of Borrower.
- 4.14 Reserved.
- 4.15 Provide the following financial information and statements in form and content acceptable to Lender in its reasonable discretion, and such additional information as requested by Lender from time to time. Lender has the right to require Borrower to deliver financial information and statements to Lender more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.
- (a) Within 180 days of the fiscal year end, the annual financial statements of Borrower, certified and dated by an authorized financial officer. These financial statements must be audited (with an opinion satisfactory to Lender) by PwC or other a Certified Public Accountant acceptable to Lender in its reasonable discretion. The statements shall be prepared on a consolidated basis.
- (b) No later than 30 days after the end of each fiscal month (including the last period in each fiscal year), monthly consolidated financial statements of Borrower, as well as a balance sheet and income statement reflecting U.S. operations, certified and dated by an authorized financial officer.
- (c) No later than 45 days after the end of each fiscal quarter (including the last quarter in each fiscal year), quarterly statement of consolidated cash flows of Borrower and its Subsidiaries for such quarter, certified and dated by an authorized financial officer.
- (d) If applicable, copies of the Form 10-K Annual Report, Form 10-Q Quarterly Report and Form 8-K Current Report for Borrower within 5 days of filing with the Securities and Exchange Commission.
- (e) Financial projections covering a time period acceptable to Lender and specifying the assumptions used in creating the projections. Preliminary/draft annual projections shall in any case be provided to Lender no later than February 15th of each fiscal year and annual board approved projections shall in any case be provided to Lender no later than March 30th of each fiscal year.
- (f) Within 30 days of the end of each month, a Compliance Certificate of Borrower, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish compliance with all financial covenants (set forth in Section 4.17 of this Agreement) at the end of the period covered by the financial statements then being furnished and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement and, if any such default exists, specifying the nature thereof and the action Borrower is taking and proposes to take with

respect thereto.

- (g) Within 30 days of the end of each month (i) an inventory schedule and a sell-through report each with respect to Eligible Receivables, (ii) a general inventory report, and (iii) a detailed aging of Borrower's Receivables by invoice or a summary aging by account debtor, together with payable aging, each in form and detail satisfactory to Lender.
- (h) Within 3 business days after the end of each week (or within 15 days of the end of each month during any Clean-up Period if no Advances are outstanding), a borrowing base certificate, in form and substance satisfactory to Lender, setting forth Eligible Receivables and Eligible Receivable Amounts thereof as of the last day of the preceding week.
- (i) Within 3 business days after the end of each week (or within 15 days of the end of each month during any Clean-up Period if no Advances are outstanding), a detailed aging of Borrower's Eligible Receivables by invoice or a summary aging by account debtor, together with sales journal, cash receipts journal, and such other matters as Lender may request, each with respect to Eligible Receivables.
- (j) Promptly upon Lender's request, such other books, records, statements, lists of property and accounts, board approved budgets, board approved forecasts or reports as to Borrower and as to each guarantor of Borrower's obligations to Lender as Lender may request.
- (k) Upon Lender's request, copies of invoices along with supporting purchase orders, proof-of-delivery and (if applicable) acceptance documentation.

Notwithstanding the foregoing, the financial statements and information required to be delivered pursuant to this Section 4.15 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the internet at Borrower's website address; provided, however, Borrower shall promptly notify Lender in writing (which may be by electronic mail) of the posting of any such documents.

- 4.16** On the Closing Date Borrower shall have at least Thirty Million Dollars (\$30,000,000) in cash and Cash Equivalents in depository, operating and investment accounts with Lender. After the Closing Date, Borrower may make withdrawals and/or transfers for liabilities and expenses incurred in the ordinary course of business. In the case of any domestic accounts not maintained with Lender, grant to Lender a first priority perfected security interest in and "**control**" (within the meaning of Section 9104 of the UCC) of such account pursuant to documentation acceptable to Lender other than with respect to (i) the deposit accounts used exclusively for payroll, payroll taxes, and other employee wage and benefit payments, (ii) the Excluded Account, (iii) the Zero Balance Accounts, and (iv) payment processor accounts shown on the Perfection Certificate or similar payment processor accounts so long as the aggregate balance in such accounts does not exceed Three Million Dollars (\$3,000,000) at any time; provided that Borrower shall have 30 days after the Closing Date to deliver the fully executed account control agreements, in form and substance satisfactory to Lender, with respect to Borrower's accounts maintained with HSBC and Morgan Stanley. Without limiting the foregoing, from and at all times after the Closing Date, Borrower shall (i) may utilize Lender's International Services Group for all foreign exchange, hedging and letter of credit activity to the extent Lender's International Banking Division provides such services in the applicable foreign jurisdiction, and (ii) maintain cash in accounts maintained with Lender of not less than an amount equal to twenty percent (20%) of the aggregate outstanding amount of all Advances (including, for the avoidance of doubt, after giving effect to the requested Advance).
- 4.17** From and at all times after the Closing Date, Borrower shall maintain cash in accounts within the United States (including cash in accounts maintained with Lender and cash in accounts with third parties in the United States) of not less than Twenty Million Dollars (\$20,000,000).
- 4.18** Provide to Lender promptly upon the execution hereof and as a condition to the effectiveness of this Agreement, the following documents which shall be in form satisfactory to Lender: (i) a duly executed account control agreement in favor of Lender with each financial institution (other than Lender, HSBC and Morgan Stanley), if any, at which Borrower maintains any domestic deposit or investment accounts to the extent required pursuant to Section 4.16, (ii) Corporate Resolutions to Borrow, duly executed by Borrower, and (iii) a duly executed opinion letter from Borrower's counsel.

Additionally, within thirty (30) days of the Closing Date, Borrower shall deliver to Lender, each in form and substance satisfactory to Lender, (i) a landlord's consent for Borrower's leased headquarters location and each of Borrower's leased locations where Collateral in excess of One Million Dollars (\$1,000,000) is stored and (ii) a bailee agreement with respect to the premises located at MobilTech Global Services, LLC, 4710 Mercantile, Fort Worth, Texas 761371, APL Warehouse, 408 Brea Canyon Rd., City of Industry, CA 91789, Tracelogix Corporation, 3605 Knight Right Suite 1010, Memphis, TN 38118, and any other bailee location where Collateral in excess of One Million Dollars (\$1,000,000) is stored.
- 4.19** Promptly provide to Lender such additional information and documents regarding the finances, properties, business or books and records of Borrower or any guarantor or any other obligor as Lender may request.
- 4.20** Not make or contract to make, without Lender's prior written consent, capital expenditures, including leasehold improvements, in any fiscal year in excess of Ten Million Dollars (\$10,000,000).
- 4.21** Provide to Lender a prompt report of any legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that could result if in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, One Million Dollars (\$1,000,000) or more.
- 4.22** Execute any further instruments and take further action as Lender requests in its reasonable discretion to perfect or continue Lender's security interest in the Collateral or to affect the purposes of this Agreement.

- 5. SECURITY INTEREST.** To secure the prompt payment and performance to Lender of all of the Obligations, Borrower hereby grants to Lender a continuing security interest in the Collateral. Borrower is not authorized to sell, assign, transfer or otherwise convey any Collateral without Lender's prior written consent, except for (a) the sale of finished inventory in Borrower's usual course of business and (b) Transfers permitted under Section 4.8 hereunder. Borrower agrees to sign any instruments and documents requested by Lender to evidence, perfect, or protect the interests of Lender in the Collateral. Borrower agrees to deliver to Lender the originals of all instruments, chattel paper and documents evidencing or related to Receivables and Collateral. Borrower shall not grant or permit any lien or security in the Collateral or any interest therein other than Permitted Liens. Borrower shall not

enter, and represents and warrants that it has not entered, into any agreement, document, instrument or other arrangement (except with or in favor of Lender) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's Intellectual Property in favor of Lender, except as is otherwise permitted in the definition of "Permitted Liens" herein.

Lender will promptly provide to Borrower or Borrower's designated agents, such UCC-3 and other termination statements and any other release documents as are reasonably requested with respect to any Excluded Collateral.

Regardless of the terms of any Credit Card Services Agreement, Borrower agrees that any amounts Borrower owes Lender thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Lender to have all such Obligations secured by a continuing security interest in all presently existing and hereafter acquired or arising Collateral. Upon termination of this Agreement, all Obligations with respect to Credit Card Services shall be secured by unencumbered cash in such amounts (to be not less than one hundred ten percent (110%) of the amount of such Credit Card Services) and on terms reasonably acceptable to Lender, and, effective as of such termination date, the balance in any deposit accounts held by Lender and the certificates of deposit issued by Lender in Borrower's name (and any interest paid thereon or proceeds thereof, including any amounts payable upon the maturity or liquidation of such certificates), shall automatically secure such obligations to the extent of the then outstanding Credit Card Services; and Borrower authorizes Lender to hold such balances in pledge and to decline to honor any drafts thereon or any requests by Borrower or any other Person to pay or otherwise transfer any part of such balances for so long as the Credit Card Services continue.

6. POWER OF ATTORNEY. Borrower irrevocably appoints Lender and its successors and as true and lawful attorney in fact, and authorizes Lender (a) to, whether or not there has been an Event of Default, (i) demand, collect, receive, sue, and give releases to any Account Debtor for the monies due or which may become due upon or with respect to the Receivables and to compromise, prosecute, or defend any action, claim, case or proceeding relating to the Receivables, including the filing of a claim or the voting of such claims in any bankruptcy case, all in Lender's name or Borrower's name, as Lender may choose; (ii) prepare, file and sign Borrower's name on any notice, claim, assignment, demand, draft, or notice of or satisfaction of lien or mechanics' lien or similar document; (iii) notify all Account Debtors with respect to the Receivables to pay Lender directly; (iv) receive and open all mail addressed to Borrower for the purpose of collecting the Receivables; (v) endorse Borrower's name on any checks or other forms of payment on the Receivables; (vi) execute on behalf of Borrower any and all instruments, documents, financing statements and the like to perfect Lender's interests in the Receivables and Collateral; (vii) debit any Borrower's deposit accounts maintained with Lender for any and all Obligations due under this Agreement; and (viii) do all acts and things necessary or expedient, in furtherance of any such purposes, and (b) to, upon the occurrence and during the continuance of an Event of Default, sell, assign, transfer, pledge, compromise, or discharge the whole or any part of the Receivables. Upon the occurrence and continuation of an Event of Default, all of the power of attorney rights granted by Borrower to Lender hereunder shall be applicable with respect to all Receivables and all Collateral.

7. DEFAULT AND REMEDIES.

7.1 Events of Default. The occurrence of any one or more of the following shall constitute an Event of Default hereunder.

- (a) **Failure to Pay.** Borrower fails to make an interest or principal payment when due under this Agreement, or the failure to make any other payments within five (5) days after written notice by Lender to Borrowers that the same are due.
- (b) **Lien Priority.** Lender fails to have an enforceable first lien (except for any prior liens to which Lender has consented in writing and Permitted Liens securing purchase money indebtedness under clause (c) of the definition of "Permitted Indebtedness" hereunder) on or security interest in the Collateral.
- (c) **False Information.** Borrower (or any guarantor) has given Lender any materially false or misleading information or representations (as of the date made or deemed made) or has failed to disclose any material fact relating to the subject matter of this Agreement.
- (d) **Death.** Any guarantor (if any) dies or becomes legally incompetent.
- (e) **Bankruptcy.** (i) Borrower (or any guarantor) files a bankruptcy petition, (ii) a bankruptcy petition is filed against Borrower (or any guarantor) and is not dismissed or stayed within forty-five (45) days (but no Advances shall be made while any of the conditions described in clause (ii) exist and/or until any bankruptcy proceeding is dismissed) or (iii) Borrower (or any guarantor) makes a general assignment for the benefit of creditors.
- (f) **Receivers.** A receiver or similar official is appointed for a substantial portion of Borrower's (or any guarantor's) business, or the business is terminated.
- (g) **Judgments.** Any judgments or arbitration awards are entered against Borrower (or any guarantor), or Borrower (or any guarantor) enters into any settlement agreements with respect to any litigation or arbitration and the aggregate amount of all such judgments, awards, and agreements exceeds One Million Dollars (\$1,000,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) and such judgments shall not have been satisfied, vacated, discharged, stayed or bonded pending appeal within 30 days after the entry thereof; provided, that no Advances will be made prior to such judgments being so satisfied, vacated, discharged, stayed or bonded.
- (h) **Material Adverse Change.** A Material Adverse Change occurs.
- (i) **Cross-default.** Any default occurs under any agreement in connection with any credit in an amount individually or in the aggregate in excess of One Million Dollars (\$1,000,000) that Borrower (or any guarantor) or any of Borrower's Affiliates has obtained from anyone else or which Borrower (or any guarantor) or any of Borrower's Affiliates has guaranteed (other than trade amounts payable incurred in the ordinary course of business and not more than 90 days past due); provided, however, that the Event of Default under this Section 7.1(i) caused by the occurrence of a breach or default under such other agreement shall be cured or waived for purposes of this Agreement upon Lender receiving written notice from the party asserting such breach or default of such cure or waiver of the breach or default under such other agreement, if at the time of such cure or waiver under such other agreement (i) Lender has not declared an Event of Default under this Agreement and/or exercised any rights with respect thereto; (ii) any such cure or waiver does not result in an Event of Default under any other provision of this Agreement or any related document; and (iii) in connection with any such cure or waiver under such other agreement, the terms of any agreement with such third party are not modified or amended in any manner which could in the good faith business judgment of Lender be materially less advantageous to Borrower.

- (j) **Default under Related Documents.** Any default occurs under any guaranty, subordination agreement, security agreement, deed of trust, mortgage, or other document required by or delivered in connection with this Agreement (after giving effect to any cure period provided for therein) or any such document is no longer in effect (other than in accordance with the terms thereof and the terms of this Agreement).
- (k) **Other Agreements.** Borrower (or any guarantor) or any of Borrower's Affiliates fails to meet the conditions of, or fails to perform any obligation under any other agreement Borrower (or any guarantor) or any of Borrower's Affiliates has with Lender or any Affiliate of Lender (after giving effect to any cure period provided for therein).
- (l) **Change of Control.** A Change of Control occurs.
- (m) **Other Breach Under Agreement.** Borrower fails to meet the conditions of, or fails to perform any obligation under, any term of this Agreement not specifically referred to above and, with respect to any such default other than a default under Sections 1.11 or 4.17 of this Agreement (for which no cure period shall be applicable), Borrower has failed to cure such default within 10 business days after Borrower receives notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the 10 business day period or cannot after diligent attempts by Borrower be cured within such 10 business day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed 30 days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no credit extensions will be made hereunder.

7.2 Remedies. Upon the occurrence and during the continuance of an Event of Default, (1) without implying any obligation to do so, Lender may cease making Credit Extensions or extending any other financial accommodations to Borrower; (2) all or a portion of the Obligations shall be, at the option of and upon demand by Lender, or with respect to an Event of Default described in Section 7.1(e), automatically and without notice or demand, due and payable in full; and (3) Lender shall have and may exercise all the rights and remedies under this Agreement and under applicable law, including the rights and remedies of a secured party under the UCC, all the power of attorney rights described in Section 6 with respect to all Collateral, and the right to collect, dispose of, sell, lease, use, and realize upon all Receivables and all Collateral in any commercially reasonable manner.

8. ACCRUAL OF INTEREST. All interest and finance charges hereunder calculated at an annual rate shall be based on a year of 360 days, which results in a higher effective rate of interest than if a year of 365 or 366 days were used. Lender may charge interest, finance charges and fees based upon the projected amounts thereof as of the due dates therefor, and adjust subsequent charges to account for the actual accrued amounts. If any amount due under Section 2.2, amounts due under Section 9, and any other Obligations not otherwise bearing interest hereunder is not paid when due, such amount shall bear interest at a per annum rate equal to the Finance Charge Percentage until the earlier of (i) payment in good funds or (ii) entry of a trial judgment thereof, at which time the principal amount of any money judgment remaining unsatisfied shall accrue interest at the highest rate allowed by applicable law.

9. FEES, COSTS AND EXPENSES; INDEMNIFICATION. Borrower will pay to Lender upon demand all fees, costs and expenses (including reasonable and invoiced fees of attorneys and fees of other professionals and their costs and expenses) that Lender incurs or may from time to time impose in connection with any of the following: (a) preparing, negotiating, administering, and enforcing this Agreement or any other agreement executed in connection herewith, including any amendments, waivers or consents in connection with any of the foregoing, (b) any litigation or dispute (whether instituted by Lender, Borrower or any other Person) in any way relating to the Receivables, the Collateral, this Agreement or any other agreement executed in connection herewith or therewith, (c) enforcing any rights against Borrower or any guarantor, or any Account Debtor, (d) protecting or enforcing its interest in the Receivables or the Collateral, (e) collecting the Receivables and the Obligations, or (f) the representation of Lender in connection with any bankruptcy case or insolvency proceeding involving Borrower, any Receivable, the Collateral, any Account Debtor, or any guarantor. Borrower shall indemnify and hold Lender harmless from and against any and all claims, actions, damages, costs, expenses, and liabilities of any nature whatsoever arising in connection with any of the foregoing.

10. INTEGRATION, SEVERABILITY WAIVER, CHOICE OF LAW, FORUM AND VENUE.

10.1 This Agreement and any related security or other agreements required by this Agreement, collectively: (a) represent the sum of the understandings and agreements between Lender and Borrower concerning this credit; (b) replace any prior oral or written agreements between Lender and Borrower concerning this credit; and (c) are intended by Lender and Borrower as the final, complete and exclusive statement of the terms agreed to by them. In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail. If any provision of this Agreement is deemed invalid by reason of law, this Agreement will be construed as not containing such provision and the remainder of the Agreement shall remain in full force and effect. Lender retains all of its rights, even if it makes a Credit Extension after a default. If Lender waives a default, it may enforce a later default. Any consent or waiver under, or amendment of, this Agreement must be in writing, and no such consent, waiver, or amendment shall imply any obligation by Lender to make any subsequent consent, waiver, or amendment.

10.2 THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA. THE PARTIES HERETO AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SANTA CLARA, CALIFORNIA, OR, AT THE SOLE OPTION OF LENDER, IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS JURISDICTION OVER THE SUBJECT MATTER AND PARTIES IN CONTROVERSY. EACH PARTY HERETO WAIVES ANY RIGHT TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION AND STIPULATES THAT THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SANTA CLARA, CALIFORNIA SHALL HAVE IN PERSONAM JURISDICTION AND VENUE OVER EACH SUCH PARTY FOR THE PURPOSE OF LITIGATING ANY SUCH DISPUTE, CONTROVERSY, OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR ANY OTHER RELATED DOCUMENTS. SERVICE OF PROCESS SUFFICIENT FOR PERSONAL JURISDICTION IN ANY ACTION AGAINST BORROWER MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ITS ADDRESS SPECIFIED FOR NOTICES PURSUANT TO SECTION 11.

11. NOTICES; TELEPHONIC AND TELEFAX AUTHORIZATIONS. All notices shall be given to Lender and Borrower at the addresses or faxes set forth on the signature page of this agreement and shall be deemed to have been delivered and received: (a) if mailed, three (3) calendar days after deposited in the United States mail, first class, postage pre-paid, (b) one (1) calendar day after deposit with an overnight mail or messenger service; or (c) on the same date of confirmed transmission if sent by hand delivery, telecopy, telefax or telex. Lender may honor telephone or telefax instructions for Advances or repayments given, or purported to be given, by any one of the Authorized Persons. Borrower will indemnify and hold Lender harmless

from all liability, loss, and costs in connection with any act resulting from telephone or telefax instructions Lender reasonably believes are made by any Authorized Person. This paragraph will survive this Agreement's termination, and will benefit Lender and its officers, employees, and agents.

12. DEFINITIONS AND CONSTRUCTION.

12.1 Definitions. In this Agreement:

"Account Balance" means at any time the aggregate of the Advances outstanding as reflected on the records maintained by Lender, together with any past due Finance Charges thereon.

"Account Debtor" has the meaning in the UCC and includes any Person liable on any Receivable, including without limitation, any guarantor of any Receivable and any issuer of a letter of credit or banker's acceptance assuring payment thereof.

"Adjustments" means all discounts, allowances, disputes, offsets, defenses, rights of recoupment, rights of return, warranty claims, or short payments, asserted by or on behalf of any Account Debtor with respect to any Receivable.

"Advance" means an advance made by Lender to Borrower under this Agreement.

"Advance Rate" means sixty percent (60%) or such greater or lesser percentage as Lender may from time to time establish in its reasonable discretion upon notice to Borrower if Lender determines that the trailing twelve (12) month dilution deteriorates by more than five percent (5%).

"Advance Request" means a writing in form and substance satisfactory to Lender and signed by an Authorized Person requesting an Advance.

"Affiliate" means, as to any Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such Person.

"Agreement" means this Business Financing Agreement.

"Authorized Person" means any one of the individuals authorized to sign on behalf of Borrower, and any other individual designated by any one of such authorized signers.

"Best Buy Adjustments" means discounts, offsets and charge-backs applied by Best Buy in the ordinary course of business consistent with past practices on substantially the terms and conditions as disclosed to Lender as of the Closing Date (or upon terms and conditions as disclosed in writing to, and accepted by, Lender after the Closing Date).

"Borrower's Account" means Borrower's general operating account maintained with Lender, into which all Advances will be deposited unless otherwise instructed by Borrower in writing.

"Borrowing Base" means at any time (i) the Eligible Receivable Amount multiplied by the Advance Rate minus (ii) such reserves as Lender may in good faith deem proper and necessary from time to time. Lender shall endeavor to provide notice to and consult with Borrower with respect to any such reserves so long as no Event of Default has occurred and is continuing, but Lender's failure to provide such notice and/or so consult with Borrower shall not be deemed a breach of this Agreement or otherwise give rise to any liability.

"Cash Equivalents" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, and (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Lender.

"Change of Control" shall mean (a) a transaction or series of related transactions in which any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of Borrower ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the Board of Directors of Borrower, who did not have such power before such transaction, or (b) any Subsidiary of Borrower ceases to be wholly-owned by Borrower (other than pursuant to a Permitted Dissolution).

"Clean-up Period" means the period beginning on January 1st and continuing through June 30th of each year.

"Collateral" means all of Borrower's rights and interest in any and all personal property located in the United States or any territory thereof or the District of Columbia, whether now existing or hereafter acquired or created and wherever located (within the United States or any territory thereof or the District of Columbia), and all products and proceeds thereof and accessions thereto, including but not limited to the following (collectively, the **"Collateral"**): (a) all accounts (including health care insurance receivables), chattel paper (including tangible and electronic chattel paper), inventory (including all goods held for sale or lease or to be furnished under a contract for service, and including returns and repossessions), equipment (including all accessions and additions thereto), instruments (including promissory notes), investment property (including securities and securities entitlements), documents (including negotiable documents), deposit accounts, letter of credit rights, money, any commercial tort claim of Borrower which is now or hereafter identified by Borrower or Lender, general intangibles (including payment intangibles and software), goods (including fixtures) and all of Borrower's books and records with respect to any of the foregoing, and the computers and equipment containing said books and records; and (b) any and all cash proceeds and/or noncash proceeds thereof, including without limitation, insurance proceeds, and all supporting obligations and the security therefore or for any right to payment. Notwithstanding the foregoing, the Collateral shall not include (a) any Intellectual Property, now owned or hereafter acquired, or any claims for damages by way of any past, present and future infringement of any of the foregoing; provided, however, that the Collateral shall include all accounts and general intangibles that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part, or rights in, the foregoing (the **"Rights to Payment"**), (b) more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Foreign Subsidiary which shares entitle the holder thereof to vote for directors or any other matter, (c) any interest of Borrower as a lessee or sublessee under a real property lease, (d) rights held under a license that are not assignable by their terms without the consent of the licensor thereof (but only to the extent such restriction on assignment is enforceable under applicable law), (e)

any interest of Borrower as a lessee under an equipment lease if Borrower is prohibited by the terms of such lease from granting a security interest in such lease or under which such an assignment or lien would cause a default to occur under such lease; *provided, however*, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Lender, (f) the Excluded Account, and (g) any assets sold or transferred pursuant to the Permitted Transaction ("**Excluded Collateral**"). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the Closing Date, include the Intellectual Property to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment.

"**Collection Account**" means the deposit account maintained with Lender in which all Collections are to be deposited, and as to which Borrower has no right to withdraw funds.

"**Collections**" means (a) prior to the initial Advance request with respect to an invoice issued by Borrower to an Account Debtor in 2020, all payments from or on behalf of an Account Debtor with respect to Eligible Receivables, and (b) from and at all times after the initial Advance request with respect to an invoice issued by Borrower to an Account Debtor in 2020, all payments from or on behalf of an Account Debtor with respect to Eligible Receivables and all payments from or on behalf of Costco and Amazon (whether or not with respect to Eligible Receivables).

"**Compliance Certificate**" means a certificate in the form attached as Exhibit A to this Agreement by an Authorized Person that, among other things, the representations and warranties set forth in this Agreement are true and correct as of the date such certificate is delivered.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Card Facility**" means a facility for Credit Card Services, as set forth in Section 1.6, in an aggregate amount not to exceed the Credit Card Limit.

"**Credit Card Limit**" means One Hundred Thousand Dollars (\$100,000) or such other amount as is approved by Lender in writing.

"**Credit Card Services**" are any products, credit services and/or financial accommodations relating to credit cards and/or other cash management services previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Lender or any Lender Affiliate.

"**Credit Card Services Agreements**" are any agreements, instruments or documents relating to Credit Card Services.

"**Credit Extension**" means any Advance, use of the Credit Card Facility, or any other extension of credit by Lender for Borrower's benefit

"**Credit Limit**" means Forty Million Dollars (\$40,000,000), which is intended to be the maximum amount of Advances at any time outstanding.

"**Default**" means any Event of Default or any event that with notice, lapse of time or otherwise would constitute an Event of Default.

"**Disclosure Letter**" means that certain Disclosure Letter of even date herewith, that was delivered to and accepted by Lender as of the Closing Date, to which each of the Schedules to such Disclosure Letter referenced herein is attached. Each reference to a Schedule of the Disclosure Letter shall refer to the applicable Schedule attached to the Disclosure Letter.

"**Dormant Subsidiary**" means each of Avaak Inc. and Placemeter Inc., each of which are wholly owned Subsidiaries of Borrower.

"**Eligible Receivable**" means a Receivable that satisfies all of the following:

- (a) The Receivable has been created by Borrower in the ordinary course of Borrower's business and without any obligation on the part of Borrower to render any further performance.
- (b) There are no conditions which must be satisfied before Borrower is entitled to receive payment of the Receivable, and the Receivable does not arise from COD sales, consignments, bill and hold, guaranteed sales, or other terms where the Account Debtor's payment may be conditional.
- (c) The Account Debtor upon the Receivable does not claim any defense to payment of the Receivable, whether well founded or otherwise.
- (d) The Receivable is not the obligation of an Account Debtor who has asserted or may reasonably be expected to assert any counterclaims or offsets against Borrower (including offsets for any "contra accounts" owed by Borrower to the Account Debtor for goods purchased by Borrower or for services performed for Borrower) other than any Best Buy Adjustments.
- (e) The Receivable represents a genuine obligation of the Account Debtor.
- (f) Borrower has sent an invoice to the Account Debtor in the amount of the Receivable.
- (g) Borrower is not prohibited by the laws of the jurisdiction where the Account Debtor is located from bringing an action in the courts of that jurisdiction to enforce the Account Debtor's obligation to pay the Receivable. Borrower has taken all appropriate actions to ensure access to the courts of the jurisdiction where Account Debtor is located, including, where necessary; the filing of a Notice of Business Activities Report or other similar filing with the applicable government agency or the qualification by Borrower as a foreign corporation authorized to transact business in such jurisdiction.
- (h) The Receivable is owned by Borrower free of any title defects or any liens or interests of others except the security interest in favor of Lender, and Lender has a perfected, first priority security interest in such Receivable.
- (i) The Account Debtor on the Receivable is not any of the following: (1) an employee, Affiliate, parent or Subsidiary of Borrower, or any Person which has common officers or directors with Borrower; (2) the U.S. government or any agency or department of the U.S.

government unless otherwise approved in writing by Lender in its sole discretion on a case-by-case basis (including, without limitation, if required by Lender, that Borrower complies with the procedures in the Federal Assignment of Claims Act of 1940 (41 U.S.C. §15) with respect to the Receivable, and the underlying contract expressly provides that neither the U.S. government nor any agency or department thereof shall have the right of set-off against Borrower); or (3) any Person located in a foreign country other than Canada (with the exception of the Province of Quebec) unless otherwise approved in writing by Lender in its sole discretion on a case-by-case basis (including, without limitation, if required by Lender, that any such Receivables be billed and collected in the U.S.).

- (j) The Receivable is not in default (a Receivable will be considered in default if any of the following occur: (i) the Receivable is not paid within (A) 90 days from its invoice date in the case of invoices issued between July 1st and September 14th or between December 16th and December 31st, (B) 120 days from its invoice date for invoices issued between November 16th and December 15th or (C) 150 days from its invoice date for invoices issued between September 15th and November 15th; (ii) the Account Debtor obligated upon the Receivable suspends business, makes a general assignment for the benefit of creditors, or fails to pay its debts generally as they come due; or (iii) any petition is filed by or against the Account Debtor obligated upon the Receivable under any bankruptcy law or any other law or laws for the relief of debtors).
- (k) The Receivable does not arise from the sale of goods which remain in Borrower's possession or under Borrower's control.
- (l) The Receivable is not a bonded Receivable and does not constitute a prebilling, prepaid deposit, retention billing or progress billing.
- (m) The Receivable is not owing from an Account Debtor with respect to which Borrower has received deferred revenue (but such Receivable shall only be offset to the extent of such deferred revenue), unless otherwise approved in writing by Lender in its sole discretion on a case-by-case basis and unless such deferred revenue relates to free services.
- (n) The Receivable is not evidenced by a promissory note or chattel paper, nor is the Account Debtor obligated to Borrower under any other obligation which is evidenced by a promissory note.
- (o) The Receivable is owing from Best Buy (but excluding Best Buy Canada).
- (p) The invoice relating to the Receivable was first sent to Best Buy between July 1 and December 31.
- (q) The Receivable is otherwise acceptable to Lender.

"Eligible Receivable Amount" means at any time the sum of the Receivable Amounts of the Eligible Receivables.

"Event of Default" has the meaning set forth in Section 7.1.

"Excluded Account" means Borrower's restricted cash account maintained with HSBC Bank (account no. *****427) for the purpose of providing cash collateral for a letter of credit, provided that the balance in such account shall not exceed Five Million Dollars (\$5,000,000) at any time.

"Facility Fee" means a payment of an annual fee equal to one-quarter percentage point (0.25%) of the Credit Limit due upon the Closing Date and each anniversary thereof so long as any Advance is outstanding or available hereunder.

"Finance Charge" means an interest amount equal to the Finance Charge Percentage of the ending daily Account Balance for the relevant period.

"Finance Charge Percentage" means a floating rate per year equal to the Prime Rate plus two and one-quarter percentage points (2.25%) plus an additional five percentage points (5.0%) during any period that an Event of Default has occurred and is continuing.

"Foreign Subsidiary" means any Subsidiary not organized under the laws of the United States or any state or territory thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles consistently applied and used consistently with prior practices.

"Governmental Approval" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"Governmental Authority" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"Intellectual Property" means, with respect to any Person, all of such Person's right, title, and interest in and to the following:

- (a) its Copyrights, Trademarks and Patents;
- (b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how and operating manuals;
- (c) any and all source or object code;
- (d) any and all design rights which may be available to such Person;
- (e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and
- (f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"International Sublimit" means One Million Dollars (\$1,000,000).

"Lender" means WESTERN ALLIANCE BANK, an Arizona corporation, and its successors and assigns.

"Letter of Credit" has the meaning set forth in Section 1.8.

"Letter of Credit Obligations" means, at any time, the sum of, without duplication, (i) the maximum amount available to be drawn on all outstanding Letters of Credit issued by Lender or by Lender's Affiliate and (ii) the aggregate amount of all amounts drawn and unreimbursed with respect to Letters of Credit issued by Lender or by Lender's Affiliate.

"Material Adverse Change" means a material adverse change in (i) the business operations or financial condition of Borrower (or any guarantor) and its Subsidiaries taken as a whole or (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Loan Documents or (iii) the value or priority of Lender's security interests in the Collateral.

"Maturity Date" means two years from the Closing Date or such earlier date as Lender shall have declared the Obligations immediately due and payable pursuant to Section 7.2; provided that the Maturity Date may be extended by mutual written agreement of Borrower and Lender.

"Month End" means the last calendar day of each Monthly Period.

"Monthly Period" means each fiscal month of the Borrower.

"Obligations" means all liabilities and obligations of Borrower to Lender of any kind or nature, present or future, arising under or in connection with this Agreement, any Credit Card Services Agreement, or under any other document, instrument or agreement, whether or not evidenced by any note, guarantee or other instrument, whether arising on account or by overdraft, whether direct or indirect (including those acquired by assignment) absolute or contingent, primary or secondary, due or to become due, now owing or hereafter arising, and however acquired; including, without limitation, all Credit Extensions, Finance Charges, fees, interest, expenses, professional fees and reasonable attorneys' fees.

"Overadvance" means at any time an amount equal to the greater of (a) the amounts (if any) by which the total amount of the outstanding Advances (including deemed Advances with respect to the International Sublimit and the total amount of the Credit Card Limit) exceeds the lesser of the Credit Limit or the Borrowing Base, (b) the amounts (if any) by which the total amount of the outstanding deemed Advances with respect to the International Sublimit exceeds the International Sublimit, or (c) the amounts (if any) by which the total amount of the Credit Card Services exceeds the Credit Card Limit.

"Patents" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"Permitted Acquisition" means: a transaction under which Borrower acquires by merger, stock purchase, asset purchase or otherwise substantially all of the assets of, or all of the equity interests in, any Person or makes investments in any Person during the term of this Agreement without Lender's consent; provided however, that each of the following conditions precedent is satisfied:

- (a) The aggregate amount of cash consideration for all such Permitted Acquisitions does not exceed Twenty Million Dollars (\$20,000,000) in any twelve (12) month period;
- (b) No additional indebtedness or liabilities shall be incurred, assumed or otherwise be reflected on the consolidated balance sheet of Borrower after giving effect to such Permitted Acquisition (other than Permitted Indebtedness);
- (c) Lender shall receive at least 30 days' prior written notice of such Permitted Acquisition, which notice shall include a reasonably detailed description of such Permitted Acquisition, and such other financial information, financial analysis, documentation or other information relating to such Permitted Acquisition as Lender shall reasonably request;
- (d) Immediately prior to and after giving effect to the Permitted Acquisition, no Default or Event of Default shall exist under this Agreement or any other Loan Document;
- (e) Borrower provides Lender with pro-forma financial information in form and detail satisfactory to Lender reflecting the effect of the Permitted Acquisition;
- (f) The Person being acquired is a going concern;
- (g) The Permitted Acquisition is not a hostile acquisition;
- (h) After giving effect to the Permitted Acquisition, Borrower's chief executive officer and chief financial officer remain actively involved in the ongoing business of Borrower;
- (i) Simultaneously with the closing of the Permitted Acquisition, Borrower must execute and deliver to Lender such documents and agreements as reasonably required by Lender in connection with granting a security interest in favor of Lender on the domestic purchased assets and/or equity interests of a U.S. Person;
- (j) If the U.S. target is not merged with and into Borrower then, simultaneously with the closing of the Permitted Acquisition, the U.S. target must become a "Borrower" under this Agreement and the other Loan Documents and become subject to all rights and obligations of this Agreement and the other Loan Documents, and must execute and deliver to Lender a joinder agreement acceptable to Lender as well as such other documents and agreements as required by Lender in connection with the target becoming a Borrower and granting a Lien in favor of Lender on the Collateral; and
- (k) Borrower shall have provided Lender with evidence satisfactory to Lender that the assets of the Person being acquired, immediately prior to and at the closing of the acquisition, are free and clear of all liens other than Permitted Liens.

“Permitted Dissolution” means Borrower’s dissolution of any Dormant Subsidiary or any foreign Subsidiary of which all or substantially all of such foreign Subsidiary’s assets were sold pursuant to the Permitted Transaction, in each case, so long as any remaining assets of such Dormant Subsidiary or foreign Subsidiary are transferred to Borrower prior to any such dissolution.

“Permitted Distributions” are:

- (a) purchases of capital stock from former or current employees, officers, consultants and directors pursuant to employee stock purchase plans, stockholder plans, director or consultant stock option plans, employee stock option agreements, restricted stock agreements, equity incentive plans or other similar agreements or plans so long as an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase; provided such purchases do not exceed Five Hundred Thousand Dollars (\$500,000) in the aggregate in any twelve-month period.
- (b) distributions or dividends consisting solely in common stock of Borrower.
- (c) purchases of capital stock in connection with the exercise of stock options, warrants or other equity awards by way of cashless exercise or in connection with the satisfaction of withholding tax obligations.
- (d) purchases of fractional shares of capital stock arising out of stock dividends, splits or combinations or business combinations or in connection with exercises or conversions of options, warrants and other convertible securities.

“Permitted Exclusive Licenses” has the meaning set forth in Section 4.8.

“Permitted Indebtedness” means:

- (a) Indebtedness under this Agreement or that is otherwise owed to Lender.
- (b) Indebtedness existing on the Closing Date and specifically disclosed on a schedule to this Agreement or in the Perfection Certificate delivered by Borrower to Lender as of the Closing Date (the “Perfection Certificate”).
- (c) Purchase money indebtedness and capital leases incurred to acquire capital assets in the ordinary course of business and not exceeding Five Hundred Thousand Dollars (\$500,000) per fiscal year.
- (d) Indebtedness in respect of bankers acceptances, letters of credit, bank guarantees and other similar instruments issued for the account of the Borrower or any Subsidiary in the ordinary course of business not to exceed Five Million Dollars (\$5,000,000).
- (e) Advances or deposits received in the ordinary course of business from customers or vendors.
- (f) “Earnouts”, purchase price adjustments, profit sharing arrangements, deferred purchase money amounts and similar payment obligations or continuing obligations of any nature of such Person arising out of purchase and sale contracts (including any indemnification and other similar obligations incurred in an acquisition), in each case subject to the limitations in the definition of “Permitted Acquisition”.
- (g) Indebtedness with respect to performance bonds, appeal bonds, customs and duty bonds, and other similar obligations.
- (h) Hedging obligations incurred in the ordinary course of business not for speculative purposes.
- (i) Guaranties of the obligations of suppliers and licensees of the Borrower incurred in the ordinary course of business to third parties for the purpose of enabling such suppliers, customers and licensees to purchase products that will be supplied, or incorporated into products that will be supplied, to the Borrower by such supplier or licensee.
- (j) Indebtedness incurred in the refinancing of any indebtedness set forth in (a) through (d) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower.
- (k) Unsecured indebtedness to trade creditors incurred in the ordinary course of business.
- (l) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business.
- (m) Subordinated Debt.
- (n) Indebtedness in respect of credit cards with other financial institutions not to exceed Seven Hundred Thousand Dollars (\$700,000).
- (o) Extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (n) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose materially more burdensome terms upon Borrower.
- (p) Other unsecured Indebtedness not to exceed Five Hundred Thousand Dollars (\$500,000) in aggregate principal amount at any time outstanding.

“Permitted Investments” means:

- (a) Investments existing on the Closing Date and specifically disclosed on a schedule to this Agreement or in the Perfection Certificate.
- (b) Cash Equivalents and Lender’s money market accounts.
- (c) Investments by (i) a Borrower in another Borrower or any secured guarantor, (ii) by any Subsidiary in Borrower or any secured

guarantor or (iii) so long as no Event of Default has occurred and is continuing or would be caused by such investment, by Borrower in a Subsidiary that is not a co-Borrower or secured guarantor up to One Hundred Thousand Dollars (\$100,000) per Subsidiary in any twelve-month period.

- (d) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower.
- (e) Investments consisting of deposit and investment accounts (but only to the extent that Borrower is permitted to maintain such accounts pursuant to Section 4.16 of this Agreement) in which Lender has a first priority perfected security interest, to the extent required by Section 4.16.
- (f) Investments accepted in connection with Transfers permitted by Section 4.8.
- (g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business.
- (h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this clause (h) shall not apply to Investments of Borrower in any Subsidiary.
- (i) Investments consisting of "transfer pricing", "cost sharing" and "cost plus" arrangements in the ordinary course of business by Borrower in its wholly-owned foreign Subsidiaries (other than directors' qualifying shares or other similar shares as required by applicable law), for operating expenses, provided that the amount charged to Borrower and the other terms of such arrangements are upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.
- (j) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's board of directors.
- (k) Joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the licensing of technology, the development of technology or the providing of technical support provided that the aggregate cash transferred to the joint ventures and strategic alliances does not exceed One Million Dollars (\$1,000,000) in any twelve-month period.
- (l) Permitted Acquisitions.
- (m) Investments consisting of hedging obligations permitted under clause (h) of the definition of "Permitted Indebtedness" hereunder.
- (n) So long as no Event of Default has occurred and is continuing or would be caused by such investment, investments in Dormant Subsidiaries not to exceed Five Hundred Thousand Dollars (\$500,000) in the aggregate in any fiscal quarter of Borrower.
- (o) So long as no Event of Default has occurred and is continuing or would be caused by such investment, other Investments aggregating not in excess of Five Hundred Thousand Dollars (\$500,000) in any twelve-month period.

"Permitted Liens" means the following but only with respect to property not consisting of Receivables:

- (a) Liens securing any of the indebtedness described in clauses (a) through (d) of the definition of Permitted Indebtedness.
- (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Lender's security interests.
- (c) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness described in clause (e) of the definition of Permitted Indebtedness, provided that any extension, renewal or replacement lien shall be limited to the property encumbered by the existing lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.
- (d) Liens existing on the Closing Date and specifically disclosed on a schedule to this Agreement or in the Perfection Certificate.
- (e) Deposits to secure the performance of bids, tenders, trade contracts, government contracts, statutory obligations, surety, stay, customs and appeal bonds, performance and other similar obligations, in each case provided in the ordinary course of business and not in connection with indebtedness for money borrowed.
- (f) Non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business and Permitted Exclusive Licenses.
- (g) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions, provided that (i) Lender has a first priority perfected security interest in the amounts held in such deposit and/or securities accounts, and (ii) such accounts are permitted to be maintained pursuant to Section 4.16 of this Agreement.
- (h) Liens of carriers, warehousemen, suppliers, landlords, mechanics or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens secure liabilities which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto.
- (i) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by Employee Retirement Income Security Act of 1974, and its regulations).

- (j) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default.
- (k) Leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Lender a security interest therein.
- (l) Easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business, and other minor title imperfections with respect to real property that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of Borrower.
- (m) Deposits with landlords as security in connection with real property leases.
- (n) Deposits as security for contested taxes or import or customs duties in the ordinary course of business.
- (o) Escrows, Liens and licenses contemplated in or related to the Permitted Transaction.

"Permitted Transaction" is defined in Section 4.8.

"Person" shall mean any individual, sole proprietorship, partnership, limited liability partnership, joint venture, company, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, firm, joint stock company, estate, entity or government (whether national, federal, provincial, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof), and shall include such Person's successors and assigns.

"Prime Rate" means the greater of five percent (5.0%) per year or the Prime Rate published in the Money Rates section of the Western Edition of The Wall Street Journal, or such other rate of interest publicly announced from time to time by Lender as its Prime Rate. Lender may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Prime Rate.

"Receivable Amount" means as to any Receivable, the amount due from the Account Debtor after deducting all discounts, credits, offsets, payments or other deductions of any nature whatsoever, whether or not claimed by the Account Debtor.

"Receivables" means Borrower's rights to payment arising in the ordinary course of Borrower's business, including accounts, chattel paper, instruments, contract rights, documents, general intangibles, letters of credit, drafts, and banker's acceptances.

"Requirement of Law" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Subordinated Debt" means indebtedness of Borrower that is expressly subordinated to the indebtedness of Borrower owed to Lender pursuant to a subordination agreement satisfactory in form and substance to Lender.

"Subsidiary" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower.

"Trademarks" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"Transfer" has the meaning set forth in Section 4.8.

"UCC" means the California Uniform Commercial Code, as amended or supplemented from time to time.

"Zero Balance Account" means any deposit account subject to a daily zero balance sweep or similar control to the extent entering into an account control agreement with respect to such account would unlink or otherwise materially conflict with the zero balance sweep or similar controls in place for such account, including those accounts identified as zero balance accounts (ZBAs) in the Perfection Certificate.

12.2 Construction:

- (a) In this Agreement: (i) references to the plural include the singular and to the singular include the plural; (ii) references to any gender include any other gender; (iii) the terms "include" and "including" are not limiting; (iv) the term "or" has the inclusive meaning represented by the phrase "and/or," (v) unless otherwise specified, section and subsection references are to this Agreement, and (vi) any reference to any statute, law, or regulation shall include all amendments thereto and revisions thereof.
- (b) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved using any presumption against either Borrower or Lender, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each party hereto and their respective counsel. In case of any ambiguity or uncertainty, this Agreement shall be construed and interpreted according to the ordinary meaning of the words used to accomplish fairly the purposes and intentions of all parties hereto.
- (c) Titles and section headings used in this Agreement are for convenience only and shall not be used in interpreting this Agreement.
- (d) Any obligations of a Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance by the Financial Accounting Standards Board on February 25, 2016, of an Accounting Standards Update (the "**ASU**") shall continue to

be accounted for as operating leases for purposes of all financial definitions, calculations and covenants for purpose of this Agreement (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations in accordance with GAAP.

- 13. JURY TRIAL WAIVER.** THE UNDERSIGNED ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED UNDER CERTAIN CIRCUMSTANCES. TO THE EXTENT PERMITTED BY LAW, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OTHER DOCUMENT, INSTRUMENT OR AGREEMENT BETWEEN THE UNDERSIGNED PARTIES.
- 14. JUDICIAL REFERENCE PROVISION.**
- 14.1** In the event the Jury Trial Waiver set forth above is not enforceable, the parties elect to proceed under this Judicial Reference Provision.
- 14.2** With the exception of the items specified in Section 14.3, below, any controversy, dispute or claim (each, a "**Claim**") between the parties arising out of or relating to this Agreement, any Credit Card Services Agreement, or any other document, instrument or agreement between the undersigned parties (collectively in this Section, the "**Loan Documents**"), will be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where the real property involved in the action, if any, is located or in the state or federal court in the county or district where venue is otherwise appropriate under applicable law (the "**Court**").
- 14.3** The matters that shall not be subject to a reference are the following: (i) nonjudicial foreclosure of any security interests in real or personal property, (ii) exercise of self-help remedies (including, without limitation, set-off), (iii) appointment of a receiver and (iv) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This reference provision does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (i) and (ii) or to seek or oppose from a court of competent jurisdiction any of the items described in clauses (iii) and (iv). The exercise of, or opposition to, any of those items does not waive the right of any party to a reference pursuant to this reference provision as provided herein.
- 14.4** The referee shall be a retired judge or justice selected by mutual written agreement of the parties. If the parties do not agree within ten (10) days of a written request to do so by any party, then, upon request of any party, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP § 170.6, each party shall have one peremptory challenge to the referee selected by the Presiding Judge of the Court (or his or her representative).
- 14.5** The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within one hundred twenty (120) days after the date of the conference and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.
- 14.6** The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "**priority**" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.
- 14.7** Except as expressly set forth herein, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.
- 14.8** The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a court proceeding, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision at the close of the reference proceeding which disposes of all claims of the parties that are the subject of the reference. Pursuant to CCP § 644, such decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court and any such decision will be final, binding and conclusive. The parties reserve the right to appeal from the final judgment or order or from any appealable decision or order entered by the referee. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.
- 14.9** If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or justice, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.
- 14.10** THE PARTIES RECOGNIZE AND AGREE THAT ALL CONTROVERSIES, DISPUTES AND CLAIMS RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY CONTROVERSY, DISPUTE OR CLAIM BETWEEN OR AMONG THEM ARISING OUT OF OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

15. **EXECUTION, EFFECTIVENESS, SURVIVAL.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other documents executed in connection herewith constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement shall become effective upon the execution and delivery hereof by Borrower and Lender and shall continue in full force and effect until the Maturity Date and thereafter so long as any Obligations remain outstanding hereunder. Lender reserves the right to issue press releases, advertisements, and other promotional materials describing any successful outcome of services provided on Borrower's behalf after review and consultation with Borrower. Borrower agrees that Lender shall have the right to identify Borrower by name in those materials.
16. **OTHER AGREEMENTS.** Any security agreements, liens and/or security interests securing payment of any obligations of Borrower owing to Lender or its Affiliates also secure the Obligations, and are valid and subsisting and are not adversely affected by execution of this Agreement. An Event of Default under this Agreement constitutes a default under other outstanding agreements between Borrower and Lender or its Affiliates.
17. **REVIVAL AND REINSTATEMENT OF OBLIGATIONS.** If the incurrence or payment of the Obligations by Borrower or any guarantor, or the transfer to Lender of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the United States Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (each, a "**Voidable Transfer**"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender is required or elects to repay or restore, and as to all reasonable costs, expenses, and reasonable attorneys' fees of Lender related thereto, the liability of Borrower and such guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.
18. **PATRIOT ACT NOTIFICATION.** Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 ("**Patriot Act**"), Lender is required to obtain, verify and record information that identifies Borrower, which information includes the names and addresses of Borrower and other information that will allow Lender to identify Borrower in accordance with the Patriot Act.
19. **SUCCESSORS AND ASSIGNS.** This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Lender's prior written consent (which may be granted or withheld in Lender's discretion). Lender has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Lender's obligations, rights, and benefits under this Agreement and the other Loan Documents. Notwithstanding anything to the contrary contained herein, as long as no Event of Default has occurred and is continuing, Lender may not make an assignment of this Agreement, without Borrower's consent, to a direct competitor of Borrower as reasonably determined by Lender, whether as an operating company or direct or indirect parent with voting control over such operating company; provided however, no such consent shall be required for any assignment made in connection with the acquisition of Lender or sale or disposition of all or a portion of Lender's loan portfolio.
20. **THIRD PARTIES.** Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any Persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any Person not an express party to this Agreement; or (c) give any Person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.
21. **NOTICE OF FINAL AGREEMENT.** BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THIS WRITTEN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

[Signature Page Follows]

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement on the day and year above written.

BORROWER:

ARLO TECHNOLOGIES, INC.

By: /s/ Christine Gorjanc
Name: Christine Gorjanc
Title: Chief Financial Officer

Address for Notices:

Arlo Technologies, Inc.
3030 Orchard Parkway
San Jose, CA 95134
Fax: _____
Email: _____
Attn: Chief Executive Officer

LENDER:

WESTERN ALLIANCE BANK, AN ARIZONA CORPORATION

By: /s/ Elisa Sun
Name: Elisa Sun
Title: VP

Address for Notices:

Western Alliance Bank,
55 Almaden Blvd.
San Jose, CA 95113
Fax: (408) 423-8520
Email: elisa.sun@bridgebank.com
Attn: Elisa Sun

Subsidiaries and Affiliates of the Registrant

Arlo Technologies, Inc.
Arlo Technologies Australia Pty Ltd
Arlo Technologies Canada Limited
Arlo France SAS
Arlo Germany GmbH
Arlo Hong Kong Limited
Arlo Asia Limited
Arlo Technologies International Ltd
Arlo Technologies B.V.
Arlo Sweden AB
Arlo Taiwan Co. Ltd
Arlo Technologies UK Limited
Arlo Italy Srl
Arlo India
Avaak, Inc.
Placemeter Inc.
Placemeter France SAS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-226576 and 333-229335) of Arlo Technologies, Inc. of our report dated February 28, 2020 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 28, 2020

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Matthew McRae, certify that:

1. I have reviewed this Annual Report on Form 10-K of Arlo Technologies, Inc. (the “Registrant”);
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting;
and
5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: February 28, 2020

/s/ MATTHEW MCRAE

Matthew McRae

Chief Executive Officer

Arlo Technologies, Inc.

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Christine M. Gorjanc, certify that:

1. I have reviewed this Annual Report on Form 10-K of Arlo Technologies, Inc. (the “Registrant”);
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: February 28, 2020

/s/ CHRISTINE M. GORJANC

Christine M. Gorjanc

Chief Financial Officer

Arlo Technologies, Inc.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEYACT OF 2002

In connection with the Annual Report of Arlo Technologies, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew McRae, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2020

By: /s/ MATTHEW MCRAE
Matthew McRae
Chief Executive Officer
Arlo Technologies, Inc.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-K), irrespective of any general incorporation language contained in such filing.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEYACT OF 2002

In connection with the Annual Report of Arlo Technologies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christine M. Gorjanc, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2020

By: /s/ CHRISTINE M. GORJANC

Christine M. Gorjanc
Chief Financial Officer
Arlo Technologies, Inc.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-K), irrespective of any general incorporation language contained in such filing.