

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 001-39533

Corsair Gaming, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

82-2335306
(I.R.S. Employer
Identification No.)

47100 Bayside Pkwy
Fremont, CA 94538
(Address of principal executive offices and zip code)
(510) 657-8747
Registrant's telephone number, including area code

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, \$0.0001 par value per share	CRSR	The Nasdaq Global Select Market

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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 every Interactive Data File required to be submitted 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 such files). YES NO

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2021, the last business day of the registrant's most recent second fiscal quarter, was \$1,204,332,297 based on the closing price as reported by the Nasdaq Global Select Market.

As of February 14, 2022, 95.2 million shares of the registrant's common stock, \$0.0001 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders, or the Proxy Statement, to be filed within 120 days of the end of the fiscal year ended December 31, 2021, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

Auditor Name:	KPMG LLP	Auditor Location:	San Francisco, California	Auditor Firm ID:	185
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the Exchange Act) that reflect our current views with respect to, among other things, our operations and financial performance. These forward-looking statements are included throughout this Annual Report and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “foreseeable,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will” and similar terms and phrases to identify the forward-looking statements.

The forward-looking statements contained in this Annual Report on Form 10-K are based on management’s current expectations and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, including, for example, the COVID-19 pandemic. We believe that these factors include but are not limited to those described under Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Annual Report on Form 10-K. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

PART I

Item 1. Business.

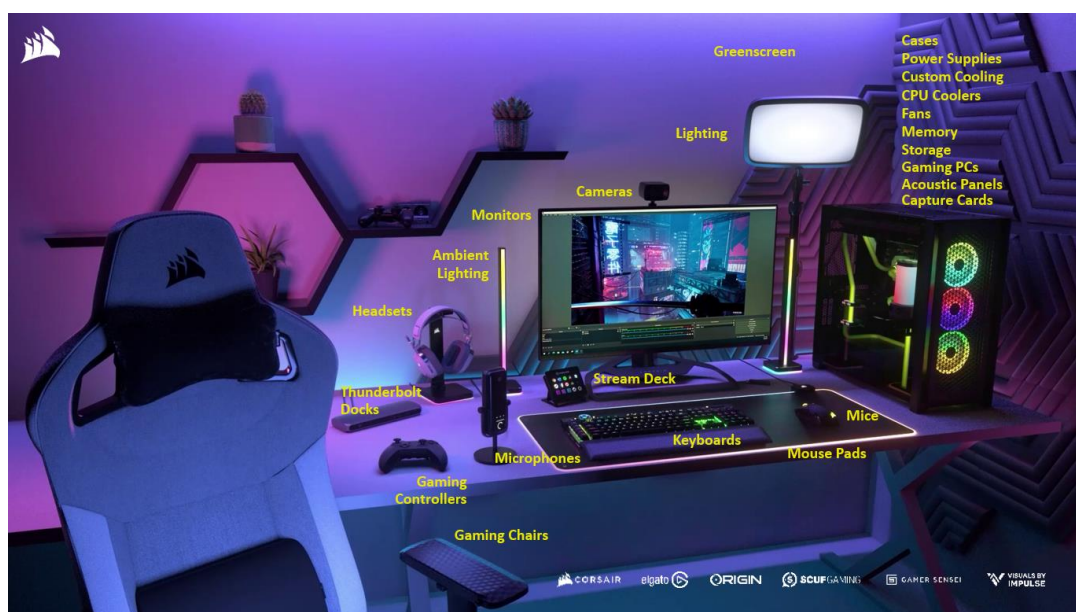
Overview

Corsair Gaming, Inc. (also referred to in this document as “Corsair,” “we,” the “company,” or the “registrant”) is a leading global provider and innovator of high-performance gear for gamers, streamers and content creators, many of which build their own PCs using our components. Our industry-leading gaming gear helps digital athletes, from casual gamers to committed professionals, perform at their peak across PC or console platforms, and our streaming gear enables streamers and content creators to produce studio-quality content to share with friends or to broadcast to millions of fans. Our PC components products offer our customers multiple options to build their customized gaming and workstation desktop PCs. We design and sell high-performance gaming and streaming peripherals, components and systems to enthusiasts globally.

We have served the market for over two decades and many of our products maintain leading market share positions, according to external market data and internal estimates. We have built a passionate base of loyal customers due to our brand authenticity and reputation as a provider of innovative and finely engineered products that deliver a high level of performance.

Our solution is the most complete suite of gear among our major competitors and addresses the most critical components for both game performance and streaming. Our product offering is enhanced by our two proprietary software platforms: iCUE for gamers and Elgato’s streaming suite for streamers and content creators, including our Stream Deck control software. These software platforms provide unified, intuitive performance, and aesthetic control and customization across their respective product families. We group our products into two categories (segments):

- *Gamer and creator peripherals.* Includes our high-performance gaming keyboards, mice, headsets, controllers, and our streaming gear including capture cards, Stream Decks, USB microphones, our Facecam streaming camera, studio accessories and EpocCam software, as well as coaching and training services, among others.
- *Gaming components and systems.* Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others.



Our gear is sold to end users worldwide through our retail channel or our direct-to-consumer channel. In our retail channel, we distribute our gear either directly to the retailer, such as Amazon and Best Buy, or through distributors.

We believe our brand, scale and global reach provide significant competitive advantages and will allow us to continue to capture a growing share of the expanding gaming and streaming market. We believe we can continue to grow by offering market-leading gear

to gamers, streamers and content creators, expanding the breadth of our product suite to meet the needs of our customers, growing our worldwide market share, continuing to invest in marketing, product innovation and sales, and selectively pursuing accretive acquisitions, such as the eight acquisitions we have completed since 2018.

Our Industry

Since traditional arcade games of the 1970s, gaming has evolved into the mainstream and taken a central place in the global entertainment landscape. According to Activate Research, gaming today represents approximately 11% of all American consumer internet and media activity, surpassing activities such as social media and messaging. Further, based on external market data, in the fourth quarter of 2021, it was estimated that the worldwide gaming community consisted of approximately 1.4 billion casual PC gamers, 125 million regular PC gamers and 24 million PC gaming enthusiasts. We believe this indicates that the majority of the gaming hardware total addressable market is still consumed by a small percentage of gamers, and as a result, there is significant potential opportunity for gaming hardware sales.

There are a number of drivers we believe will continue to fuel the gaming market's expansion. Technology continues to improve game quality. There is increasing availability and variety of high quality, interactive game content as game publishers use cutting-edge game development engines to rapidly create graphically sophisticated and engaging virtual worlds, many of which can support massive multiplayer experiences. Audiences are progressively engaging more with gaming content across platforms and finally, there are decreasing barriers to gaming, where more gamers using mobile devices, and the console and PC platforms represent a natural upgrade path for those seeking a more immersive or competitive gaming environment.

In parallel, digital content creation today has democratized, with content sharing, video-first communication and voice-chat being the norm among creators, viewers and gamers. Gaming content creation and streaming is now ubiquitous, with many active gaming channels on YouTube and live streaming hours watched across Twitch, Mixer, YouTube Gaming and Facebook Gaming is growing. The proliferation of gaming content is attracting new gamers and increasing the performance focus of existing gamers. Beyond success in gaming, applications for streaming gear are proliferating across use cases including podcasting, video blogging, interactive fitness, remote learning, and work-from-home, among others. While emerging, these applications represent a promising avenue for continued expansion of the streaming gear market opportunity.

We believe that the growth in gaming and streaming has enhanced demand for our gear by inspiring gamers and creators to reach for the next level of performance and content quality. Competitive gaming rewards speed, precision and reliability. As in other sports, specialized high-performance gear such as gaming mice, keyboards, headsets and performance controllers allow digital athletes to perform at their best. Modern games also require significant processing power to render high-resolution graphics, and reward the speed and precision of user inputs, driving demand for powerful gaming components and systems. Further, in a world where the ability to create content is democratized and competition for viewer engagement is greater than ever, content creators, particularly streamers, are increasingly seeking ways to maximize the quality of their video capture and broadcasting, which requires specialized high-performance gear.

Competitive gamer performance needs are being met with specialized gear, such as ultra-precise optical sensors in gaming mice, very low actuation distances in gaming keyboard switches, customizable rear paddles on performance controllers, liquid cooling solutions for high-performance processors and overclocked DRAM modules to process graphically complex games. Similarly, the broadcast quality expected of streamers has increased significantly and a traditional webcam does not produce the professional quality audiences expect of content. Dedicated capture cards are required to record and broadcast video at high resolution, high fidelity microphones are required to ensure clear sound quality, studio lighting and green screens improve production quality, high resolution USB cameras are required to capture smooth and clear images, and dedicated software is required to allow a single-person operation to optimize the streaming experience, preventing lag and fidelity loss. Further, gamers striving for peak performance have heightened requirements for ergonomics and durability, and gamers and streamers often wish to express their personal style or brand with their choice of gear, including a range of appealing design options and opportunities for customization. Finally, gear integration has become an important feature, where gamers and streamers need all of their gear to integrate harmoniously and need the ability to fine-tune that gear, which we believe is an experience best delivered with a software platform that seamlessly integrates and unifies control across devices. Our two proprietary software ecosystems cover the broadest range of gaming peripherals, components and streaming gear, which we believe are unmatched by anything else in the market.

Our Competitive Strengths

We are a leading global provider and innovator of high-performance gaming gear. We believe that we have a strong position in our target markets, which consist of gamer and creator peripherals, and gaming components and systems markets, as a result of the following competitive strengths:

- **Leading brand recognition for performance drives strong customer loyalty.** Since our founding in 1994, we have shipped more than 237 million gaming and streaming products as of December 31, 2021 and actively nurtured a passionate and engaged global customer base by maintaining a long history of delivering innovative, finely engineered products that have expanded the frontiers of gaming performance. As a result, we believe we have established ourselves as a leading brand among gaming enthusiasts and streamers, many of whom are active and prominent in esports and act as ambassadors for our branded gear.
- **Differentiated, gamer and streamer-centric R&D engine focused on delivering a broad portfolio of high-performing gear, including components for self-built gaming PCs.** We are an innovation-driven company with a rigorous development process designed to consistently deliver high-performance and quality gaming and streaming gear to the market. Our focus on innovation and performance has also earned us significant industry recognition.
- **Differentiated software-driven ecosystem.** Since our inception, we have concentrated our efforts on helping gamers succeed, which has led us to develop what we believe to be the most complete ecosystem of high-performance gaming gear in the market, which is connected through our iCUE software. We have applied the same ethos to our product development for streaming gear, including the development of streaming software, which helps streamers to optimize their products and maximize their content quality. This includes our Stream Deck software that allows fingertip control of hardware and software.
- **Global sales and distribution network.** We have developed a comprehensive worldwide marketing and distribution network. In this global network, we have established a multichannel sales model and have long-standing relationships with distributors and retailers globally, as well as direct-to-consumer sales channels. We currently ship to more than 85 countries across six continents, with our gear being sold at leading retailers including Amazon, Best Buy, JD.com, MediaMarkt and Walmart. In 2021, sales to the Americas, EMEA and Asia Pacific represented 44.2%, 38.6% and 17.2%, respectively, of net revenue.
- **Management team of visionary leaders with deep industry experience and proven ability to execute.** We have a strong management team of experienced and talented executives with a track record of execution and deep industry knowledge.

Our Growth Strategy

We intend to grow our business by increasing value to our customers, expanding our market opportunity and further differentiating ourselves from competitors. Key components of our strategy include:

- **Advance as the global leader in high-performance gaming and streaming gear.** The gaming and streaming gear category is benefiting from the growing popularity of competitive gaming and streaming, which are driving an increase in gaming and streaming participants as well as spend per participant on high-performance gear. We believe our brand name, high-performance gear and market position will allow us to capture a large share of this market growth and we intend to continue to make significant marketing investments in leading streamers, social media influencers and esports teams.
- **Continue to develop innovative, market-leading gaming and streaming gear.** We intend to prioritize investment in creating innovative gaming and streaming gear and related software to enhance the customer experience by delivering cutting-edge technology. We have an exceptional engineering team, with approximately 25% of employees and contractors working on software solutions. We believe this strong bench of engineering expertise has helped us introduce 141 different products to the market across our categories in 2021, 40 in 2020 and 36 in 2019.
- **Expand into new gear and services that grow our market opportunity.** Since our inception, we have successfully entered a number of new gear categories, including gaming PC peripherals, streaming accessories, console controllers, and prebuilt and gaming PCs and laptops. As the gaming and content creation landscape continues to evolve, we intend to continue to introduce new products and services to address our customers' new and changing needs, and to grow our market opportunity.
- **Leverage our software platforms to sell more gear to existing customers.** Our software platforms integrate and enhance our ecosystem of gaming and streaming gear, which drives customer loyalty and allows us to successfully sell additional gear to existing customers.

- **Strengthen relationships with end-users by increasing direct-to-consumer sales.** Through our acquisitions of Origin and SCUF in 2019, we acquired two companies whose sales are primarily generated through direct-to-consumer channels. Our acquisitions of Gamer Sensei in 2020 and Visuals by Impulse in 2021, both of which have recurring service revenue streams, engage directly with our customer base across our brands. While sales from this channel are a relatively small contributor to our revenue today, we believe direct-to-consumer sales represent a significant avenue to drive growth by facilitating increased market penetration across our product categories. The mix of direct-to-consumer sales represented 10.7%, 8.6% and 2.7% of our total revenue for the years ended December 31, 2021, 2020 and 2019.
- **Continue to grow market share globally.** As a globally recognized brand, we have a footprint that reaches customers in more than 85 countries. We will continue to invest in enhancing our sales and distribution infrastructure to expand our leadership position in the Americas and Europe. We view the Asia Pacific region as a long-term growth opportunity and recently invested in our local sales force and regional management to build out distributor networks and retail partnerships.
- **Leverage our brand, software integration and superior product quality to support a pricing premium in the gaming PC components category.** In the gaming PC components category, our revenue and margins have benefited from higher pricing versus the rest of the market, which we expect to continue as we invest in our brand and product portfolio. Compared to the average non-Corsair product, our computer cases, cooling solutions, PSUs and high-performance memory commanded price premiums of 24.7%, 20.7%, 29.2% and 43.7%, respectively, in the United States for the twelve months ended December 31, 2021, according to recent NPD data.
- **Selectively pursue complementary acquisitions.** We plan to evaluate, and may pursue acquisitions, such as our acquisitions of Elgato, Origin and SCUF, which we believe strengthen our capabilities in existing segments as well as diversify our product offerings, broaden our end-user base or expand our geographic presence.

Our Solutions

We design our high-performance gear to address the needs of gamers, streamers and content creators. To help our customers perform at their peak, whether in game or on camera, we have developed the industry's most complete integrated ecosystem of gamer and creator peripherals and gaming components and systems. We have a diversified product portfolio, with 30 primary product lines.

- **Gamer and creator peripherals.** Our gamer and creator peripherals seek to provide the fastest, highest fidelity, and most seamless interface between digital athletes and their game, and content creators and their viewers. Our solutions include our high-performance gaming keyboards, mice, headsets, controllers, and streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming camera, studio accessories, and EpocCam software, as well as coaching and training services and content design services, among others.
- **Gaming components and systems.** We develop and sell high-performance gaming components to help gamers, streamers and content creators build their own custom gaming PCs. We also develop and sell complete high-performance gaming systems using our gaming components. Our prebuilt systems and user-built systems are designed to deliver maximum performance, all the while providing our customers the design aesthetic and customizability they demand. Our solutions include our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others.
- **PC Gaming Software.** Our product offering is enhanced by our two proprietary software platforms: iCUE for gamers and Elgato's streaming suite for streamers and content creators. These software platforms provide unified, intuitive performance, and aesthetic control and customization across their respective product families.

Our iCUE software platform powers the full range of our gear from a single intuitive interface, providing advanced performance tuning, user customization and system monitoring. By enabling our customers to fine tune the response of our gaming gear to maximize performance and match their personal preferences and styles of play, we believe that iCUE provides a distinct competitive advantage.

Product Development

Innovation is a key element of our culture and critical to our success. Our product development efforts focus on broadening our portfolio with innovative, value-added products that provide gamers with more immersive experiences. This process begins with the initial market analysis and product definition phase, where we use deep knowledge of consumer preferences and feedback to decide the exact specifications of new products desired by our end-users. We then leverage third-party manufacturers and, in some cases, engineering and design firms to help us design, prototype and fabricate our products. We select these third-party partners through a comprehensive selection process and subject them to rigorous quality controls. We perform extensive in-house testing of our products with the latest CPUs and GPUs to ensure optimal performance and compatibility of our products with the most advanced hardware. Our rigorous product development and testing is designed to give us the ability to meet the needs of our end-users consistently with well-designed, high-performance and reliable products. We intend to continue to significantly invest in product development to support the design and development of innovative, high-quality products and solutions to maintain and enhance our competitive position.

Marketing

Our marketing efforts are designed to enhance the Corsair, Elgato, Origin and SCUF brand names, to help us acquire new customers and to increase sales from our existing customers. We have structured our marketing organization to achieve both product- and geography-specific coverage. In addition, our marketing personnel regularly meets with other key industry suppliers such as Intel, AMD, NVIDIA and Asus, in order to ensure that our product development efforts appropriately address the needs of their new products and also to discuss trends and changes in the computer technology market.

We build awareness of our products and brand through advertising campaigns, public relations efforts, marketing development funds and other financial incentives provided to retailers to promote our products, end-user rebates, online social media outreach, online and in-store promotions and merchandising, our website and other efforts. We believe that our products and brand have also benefited from social media influencers, customer referrals and positive product reviews. We also invest in sponsorships and partnerships with esports events, leagues teams and streaming influencers.

We benefit from an active computer gaming community whose members communicate with each other through various online social media such as forums, blogs and social networks, including Facebook, Twitter and YouTube. In addition to forums hosted by third-party domains, we host Corsair-branded forums that are accessible via our website. We actively participate in this community, enabling us to communicate directly with our end customers. Finally, we regularly publish technical and editorial content through various online and print channels and participate in industry trade shows, gaming competitions and other consumer-facing events that provide us with the opportunity to demonstrate our products.

Sales and Distribution

Our gear is purchased by gaming enthusiasts worldwide through either our e-tail and retail channel or our direct-to-consumer channel. In our e-tail and retail channel, we distribute our gear either directly to our reseller or through key distributors. While we historically have sold our gear directly to consumers through our website, following our acquisitions of Origin and SCUF Gaming in 2019, the volume of direct-to-consumer sales has increased as both of these companies primarily generated sales through direct-to-consumer channels. We believe direct-to-consumer sales represent a significant avenue to drive growth by facilitating increased market penetration across our product categories.

We have organized our sales organization into four major geographic regions—Europe (including the Middle East and North Africa), North America, Latin America and Asia Pacific (including South Africa)—and we have local language-speaking sales representatives in the countries that, in the aggregate, generate the majority of our net revenue. We ship our products directly to retailers and distributors and, through distributors, supply our products to thousands of smaller online and brick-and-mortar retailers and to specialist and gaming system integrators and value-added resellers. A small portion of our net revenue is from sales directly to original equipment manufacturers that manufacture gaming PCs.

In 2021, 2020 and 2019, Amazon accounted for more than 10% of our net revenue, at 26.7%, 24.6% and 25.1%, respectively.

Production and Operations

We believe we have developed a global, scalable production and operations infrastructure that allows us to deliver our products cost-effectively and in a timely manner. We operate a facility in Taiwan where we assemble, test, package and ultimately supply nearly all of our DRAM modules and a significant portion of our customized gaming controllers, liquid cooling products and prebuilt gaming systems. We also assemble, test, package and ultimately supply our custom-built PCs in our U.S. facility, and our customized gaming controllers in our U.S. and U.K. facilities. All of the other gear we sell is produced at factories operated by third parties

located in Asia. In addition, we outsource storage and shipping to several third-party logistics providers around the world which allows us to reduce order fulfillment time, reduce shipping costs and improve inventory flexibility.

Production of most of our high-speed DRAM modules involves testing and speed sorting of both DRAM ICs and modules and retail packing in our facility in Taoyuan, Taiwan. Our ability to test and sort DRAM modules efficiently enables us to grade them and offer high-performance DRAM modules at higher price points. For standard speed DRAM modules, we also procure assembled modules from approved subcontractors and then test and package them in our Taiwan facility.

In addition to our production capabilities, our corporate planning process places particular emphasis on driving efficiencies in demand forecasting, supply chain planning, procurement cycle time, freight costs and inventory management. Given the products we sell and the global nature of our business, freight costs can have a significant impact on our expenses, because of this, we have developed a sophisticated forecasting and planning process designed to reduce the cost of transporting our products to our regional distribution hubs and finally, to our customers.

The COVID-19 pandemic has affected our supply chain consistent with its effect across many industries, including creating shipping and logistics challenges, increasing freight costs significantly, and placing significant limits on component supplies. While we anticipated industry-wide supply chain tightening we took proactive inventory buffering measures in order to position us well during the second half of 2021 and going forward. We will take additional inventory actions as appropriate to align with market demand, and will continue to leverage strong partnerships with our suppliers.

Seasonality

Since 2020, our revenue seasonality has been impacted positively and negatively, and thus has not followed historic patterns, by external events, such as shelter-in-place restrictions, global supply chain and logistics issues and availability of affordable GPUs, primarily caused by the COVID-19 pandemic. Historically, prior to 2020, we have experienced and expect to continue to experience seasonal fluctuations in sales due to the buying patterns of our customers and the spending patterns of gamers. Our net revenue has generally been lower in the first and second calendar quarters due to lower consumer demand following the fourth quarter holiday season and because of the decline in sales that typically occurs in anticipation of the introduction of new or enhanced CPUs and GPUs, which usually take place in the second calendar quarter and which tend to drive sales in the following two quarters. Further, our net revenue tends to be higher in the third and fourth calendar quarter due to seasonal sales such as “Black Friday,” “Cyber Monday” and “Singles Day” in China, as retailers tend to make purchases in advance of these sales. Our sales also tend to be higher in the fourth quarter due to the introduction of new consoles and high-profile games in connection with the holiday season. As a consequence of seasonality, our net revenue for the second calendar quarter is generally the lowest of the year followed by the first calendar quarter. Historical seasonal patterns may not continue in the future and have been impacted, and may be further impacted in the future, by increasing supply constraints, GPU shortages, shifts in customer behavior and the evolving impacts of the COVID-19 pandemic.

Competition

We face intense competition in the markets for all of our products. We operate in markets that are characterized by rapid technological change, constant price pressure, rapid product obsolescence, evolving industry standards and new demands for features and performance. We experience aggressive price competition and other promotional activities by competitors, including in response to declines in consumer demand and excess product supply or as competitors seek to gain market share.

We believe that the principal competitive factors that affect customer preferences include brand awareness, reputation, breadth and depth of product offering, product performance and quality, design and aesthetics, price, user experience, online product reviews and other value propositions. We believe we compete favorably based on these factors.

In recent years, we have added new product categories and we intend to continue to introduce new product categories in the future. To the extent we are successful in adding new product categories, we will confront new competitors, many of which may have more experience, better known brands and greater distribution capabilities in the new product categories and markets than we do. In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies. Many of our current and potential competitors, some of which are large, multi-national businesses, have substantially greater financial, technical, sales, marketing, personnel and other resources and greater brand recognition than we have. Our competitors may be in a strong position to respond quickly to new technologies and may be able to design, develop, market, and sell their products more effectively than we can. In addition, some of our competitors are small or mid-sized specialty companies, which may enable them to react to changes in industry trends or

consumer preferences or to introduce new or innovative products more quickly than we can. As a result, our product development efforts may not be successful or result in market acceptance of our products.

Our ability to compete successfully is fundamental to our success in existing and new markets. If we do not compete effectively, demand for our products could decline, our net revenues and gross margin could decrease and we could lose market share, which could seriously harm our business, results of operations and financial condition. See the risk factor under the heading “Risks Related to our Business— We face intense competition, and if we do not compete effectively, we could lose market share, demand for our gear could decline and our business may be seriously harmed” in Item 1A of this Form 10-K for further details and a summary of our key competitors.

Intellectual Property

We consider the Corsair brand and its associated sub-brands to be among our most valuable assets. Our future success depends to a large degree upon our ability to defend the Corsair brand and its associated sub-brands from infringement and, to a limited extent, to protect our other intellectual property. We rely on a combination of copyright, trademark, patent and other intellectual property laws and confidentiality procedures and contractual provisions such as non-disclosure terms to protect our intellectual property.

As of December 31, 2021, our worldwide intellectual property portfolio consisted of 291 patents issued and 104 patents pending applications, 431 trademarks issued and 36 trademarks pending applications. We believe that our patents and trademarks and their applications are important for maintaining the competitive differentiation of our products and services, enhancing our freedom of action to sell our products and services in markets in which we choose to participate, and maximizing our return on research and development investments. The expansion of our business has required us to protect our trademarks, domain names, copyrights, and patents and, to the extent that we expand our business into new geographic areas, we may be required to protect our trademarks, domain names, copyrights, patents and other intellectual property in an increasing number of jurisdictions, a process that is expensive and sometimes requires litigation.

For a discussion of risks attendant to intellectual property rights, see “Risk Factors—Risks Related to our Business—Our future success depends to a large degree upon our ability to defend the Corsair brand and product family brands such as SCUF, Vengeance, K70, Elgato and iCUE from infringement and, if we are unable to protect our brand and other intellectual property, our business may be seriously harmed” and “Risk Factors—Risks Related to our Business—We are, have in the past been, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies in the future” in item 1A.

Environmental Matters

Our operations, properties and products are subject to a variety of U.S. and foreign environmental laws and regulations governing, among other things, air emissions, wastewater discharges, management and disposal of hazardous and non-hazardous materials and waste and remediation of releases of hazardous materials. We believe, based on current information that we are in material compliance with environmental laws and regulations applicable to us. However, our failure to comply with present and future requirements under these laws and regulations, or environmental contamination or releases of hazardous materials on our leased premises, as well as through disposal of our products, could cause us to incur substantial costs, including clean-up costs, personal injury and property damage claims, fines and penalties, costs to redesign our products or upgrade our facilities and legal costs, or require us to curtail our operations, any of which could seriously harm our business.

Human Capital Resources

As of December 31, 2021, we had a total of 2,490 employees, including temporary employees and dedicated sales and software developer contractors. None of our employees is currently represented by a labor union or is covered by a collective bargaining agreement with respect to his or her employment. To date we have not experienced any work stoppages, and we consider our relationship with our employees to be good.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees. The principal purposes of our equity incentive plans are to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards.

Corporate Information

We incorporated in Delaware in 2017 as EagleTree-Carbide Acquisition Corp. and we changed our name to Corsair Gaming, Inc. in 2018. We completed the initial public offering, or the IPO, of our common stock in September 2020 and our common stock is listed on the Nasdaq Global Select Market under the symbol “CRSR.” Our principal executive offices are located at 47100 Bayside Pkwy, Fremont, California 94538, and our telephone number is (510) 657-8747.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at www.corsair.com as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

Information about Our Executive Officers

Corsair’s executive officers as of March 1, 2022 are as follows:

Name	Age	Position(s)
Andrew J. Paul	64	Chief Executive Officer and Director
Thi L. La	56	President and Chief Operating Officer
Michael G. Potter	55	Chief Financial Officer
Gregg A. Lakritz	60	Vice President, Corporate Controller

Andrew J. Paul co-founded Corsair in 1994. He has served as our Chief Executive Officer and President since 1994 and we appointed Mr. Paul to our board of directors in September 2018. Previously, Mr. Paul served as President of the Multichip Division at Cypress Semiconductor Corporation, a provider of semiconductor devices. Mr. Paul also founded Multichip Technology, Inc., a provider of high-performance memory modules and electronics in 1987, and the business was sold to Cypress Semiconductor Corporation in 1993. Prior to that, he worked as a marketing manager at Integrated Device Technology, Inc. and in several sales and marketing positions at Fairchild Semiconductor Incorporated. Mr. Paul holds a B.Sc. (Hons) in Physics from The City University, London, England.

Thi L. La has served as our President since January 2021 and as our Chief Operating Officer since August 2013. Ms. La was appointed to our board of directors in December 2021. From May 2010 to August 2013, Ms. La served as our Senior Vice President and General Manager of our gaming PC component unit. Previously, from April 2008 to July 2010, she served as the Vice President of Global Operations and Information Technology at Opnext, Inc., a designer and manufacturer of optical transponders for communications uses. From 1997 to 2008, she held various positions at HP, including Director of Consumer Desktop PC, Display and Accessories for North America. Ms. La holds a B.S. in Electrical Engineering from San Jose State University.

Michael G. Potter has served as our Chief Financial Officer since November 2019. Previously, Mr. Potter worked as a business consultant, including interim Chief Financial Officer work and advising a large pension fund. Prior to that, from July 2011 to May 2016, Mr. Potter was Chief Financial Officer and Chief Legal Officer at Canadian Solar, a company listed on the Nasdaq Exchange. Prior to that, Mr. Potter spent 10 years in the semiconductor industry holding multiple Chief Financial Officer roles at public companies including Lattice Semiconductor Corporation, Neophotonics and STATS ChipPac. Prior to that, Mr. Potter worked for six years at Honeywell in various financing and accounting positions, and at KPMG in Montreal as an auditor. Mr. Potter is a member of the board of Cordelio Power, Inc. and serves as the chair of its audit committee. Mr. Potter is a Chartered Professional Accountant (CPA). He received a Graduate Diploma of Public Accountancy from McGill University, and a BComm in Accounting from Concordia University.

Gregg A. Lakritz has served as our Vice President, Corporate Controller since November 2017. From July 2017 to October 2017, Mr. Lakritz served as a Senior Strategic Consultant at Trimble Inc., or Trimble. From September 2011 to June 2017 he worked at Harmonic Inc., a publicly traded company which sells high-performance video software and cable access solutions, where he served initially as the Vice President and Corporate Controller from September 2011 to December 2014, and then as Chief Accounting Officer, Vice President and Corporate Controller. Previously, Mr. Lakritz also served as a Corporate Controller at Trimble, from

October 2005 to September 2011. Mr. Lakritz is a Certified Public Accountant and he earned a B.A. in Accounting from the University of Wisconsin-Milwaukee and an M.B.A. from the University of Wisconsin-Madison.

Item 1A.

Risk Factor Summary

Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading “Risk Factors” and should be carefully considered, together with other information in this Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission (SEC) before making investment decisions regarding our common stock.

- Our competitive position and success in the market depend to a significant degree upon our ability to build and maintain the strength of our brand among gaming enthusiasts and any failure to build and maintain our brand may seriously harm our business.
- Our success and growth depend on our ability to continuously develop and successfully market new gear and improvements. If we are unable to do so, demand for our current gear may decline and new gear we introduce may not be successful.
- We depend upon the introduction and success of new third-party high-performance computer hardware, particularly graphics processing units, or GPUs, and central processing units, or CPUs, and sophisticated new video games to drive sales of our gear. If newly introduced GPUs, CPUs and sophisticated video games are not successful, if the rate at which those products are introduced declines or if such products are not readily available, it may seriously harm our business.
- We face intense competition, and if we do not compete effectively, we could lose market share, demand for our gear could decline and our business may be seriously harmed.
- If the gaming industry, including streaming and esports, does not grow as expected or declines, our business could be seriously harmed.
- If we lose or are unable to attract and retain key management, our ability to compete could be seriously harmed and our financial performance could suffer.
- Currency exchange rate fluctuations could result in our gear becoming relatively more expensive to our overseas customers or increase our manufacturing costs, each of which may seriously harm our business.
- Total unit shipments of our gear tend to be higher during the third and fourth quarters of the year. As a result, our sales are subject to seasonal fluctuations, which may seriously harm our business.
- The coronavirus outbreak has had, and could continue to have, a materially disruptive effect on our business.
- We are controlled by a single stockholder, whose interest in our business may be different than yours.
- We are a “controlled company” within the meaning of the Nasdaq Global Select Market, rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Risk Factors

Our business involves significant risks, some of which are described below. You should consider carefully the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K such as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes. If any of the following risks actually occurs, our business, reputation, financial condition, results of operations, revenue and future prospects could be seriously harmed. In such event, the market price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones 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. This Annual Report on Form 10-K also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this Annual Report. Unless otherwise indicated, references to our business being

seriously harmed in these risk factors and elsewhere will include harm to our business, reputation, financial condition, results of operations, revenue and future prospects.

Risks Related to Our Business

Our competitive position and success in the market depend to a significant degree upon our ability to build and maintain the strength of our brands among gaming enthusiasts and streamers, and any failure to build and maintain our brands may seriously harm our business.

We regard our brands as a valuable asset, and we consider it essential to both maintaining and strengthening our brands that we be perceived by current and prospective customers as a leading supplier of cutting-edge, high-performance gear for gaming and streaming. This requires that we constantly innovate by introducing new and enhanced gear that achieves significant levels of acceptance among gamers. We also need to continue to invest in, and devote substantial resources to, advertising, marketing and other efforts to create and maintain brand recognition and loyalty among our retailer customers, distributors and gamers. However, product development, marketing and other brand promotion activities may not yield increased net revenue and, even if they do, any increased net revenue may not offset the expenses incurred in building our brands. Further, certain marketing efforts such as sponsorship of esports athletes, content creators or events could become prohibitively expensive, and as a result these marketing initiatives may no longer be feasible.

If we fail to build and maintain our brands, or if we incur substantial expenses in an unsuccessful attempt to build and maintain our brands, our business may be harmed. Our brands may also be damaged by events such as product recalls, perceived declines in quality or reliability, product shortages, damaging action or conduct of our sponsored esports athletes or content creators and other events, some of which are beyond our control.

Our success and growth depend on our ability to continuously develop and successfully market new gear and improvements. If we are unable to do so, demand for our current gear may decline and new gear we introduce may not be successful.

The gear we sell, which includes gamer and creator peripherals and gaming components and systems, is characterized by short product life cycles, frequent new product introductions, rapidly changing technology and evolving industry standards. In addition, average selling prices of some of our gear tend to decline as the gear matures, and we expect this trend to continue. As a result, we must continually anticipate and respond to changing gamer requirements, innovate in our current and emerging categories of gear, introduce new gear and enhance existing gear in a timely and efficient manner in order to remain competitive and execute our growth strategy.

We believe that the success of our gear depends to a significant degree on our ability to identify new features or category opportunities, anticipate technological developments and market trends and distinguish our gear from those of our competitors. In order to further grow our business, we also will need to quickly develop, manufacture and ship innovative and reliable new gear and enhancements to our existing gear in a cost-effective and timely manner to take advantage of developments in enabling technologies and the introduction of new computer hardware, such as new generations of GPUs and CPUs, and computer games, all of which drive demand for our gear. Further, our growth depends in part on our ability to introduce and successfully market new gear and categories of gear. For example, in the last 18 months, we entered into three large new markets, namely the microphones and cameras market for content creators and the gaming monitors market for both gamers and content creators, and in the future, we intend to introduce other gear designed to appeal to these markets. To the extent we do so, we will likely encounter competition from large, well-known consumer electronics and peripherals companies. Some of these companies have significantly greater financial, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. We cannot predict whether we will be successful in developing or marketing new gear and categories of gear and, if we fail to do so, our business may be seriously harmed.

In addition, we implemented a work from home policy for many of our employees as a result of the COVID-19 coronavirus outbreak, which may have a substantial impact on attendance, morale and productivity, disrupt access to facilities, equipment, networks, corporate systems, books and records and may add additional expenses and strain on our business. The duration and extent of the impact from the coronavirus outbreak on our business depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees. If a substantial number of our employees continue to work from home, it could negatively impact new gear and improvements and potentially result in delays or releasing significant updates.

If we do not execute on these factors successfully, demand for our current gear may decline and any new gear that we may introduce may not gain widespread acceptance. If this were to occur, our business may be seriously harmed. In addition, if we do not continue to distinguish our gear through distinctive, technologically advanced features and designs, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business may be seriously harmed

We depend upon the introduction and success of new third-party high-performance computer hardware, particularly GPUs and CPUs, and sophisticated new video games to drive sales of our gear. If newly introduced GPUs, CPUs and sophisticated video games are not successful, if the rate at which those products are introduced declines, or if they are not readily available, it may seriously harm our business.

We believe that the introduction of more powerful GPUs, CPUs and similar computer hardware that place increased demands on other system components, such as memory, PSUs or cooling, has a significant effect on the demand for our gear. The manufacturers of those products are large, public, independent companies that we do not influence or control. As a result, our business results can be materially affected by the frequency with which new high-performance hardware products are introduced by these independent third parties, whether these products achieve widespread acceptance among gamers, whether such products are readily available at affordable prices and whether additional memory, enhanced PSUs or cooling solutions, new computer cases or other peripheral devices are necessary to support those products. Although we believe that, historically, new generations of high-performance GPUs and CPUs have positively affected the demand for our gear, there can be no assurance that this will be the case in the future. For example, the introduction of a new generation of highly efficient GPUs and CPUs that require less power or that generate less heat than prior generations may reduce the demand for both our power supply units and cooling solutions. In the past, semiconductor and computer hardware companies have typically introduced new products annually, generally in the second calendar quarter, which has tended to drive our sales in the following two quarters. If computer hardware companies do not continue to regularly introduce new and enhanced GPUs, CPUs and other products that place increasing demands on system memory and processing speed, require larger power supply units or cooling solutions or that otherwise drive demand for computer cases and other peripherals, or if gamers do not accept those products, our business may be seriously harmed.

We also believe that sales of our gear are driven by conditions in the computer gaming industry. In particular, we believe that our business depends on the introduction and success of computer games with sophisticated graphics that place greater demands on system processing speed and capacity and therefore require more powerful GPUs or CPUs, which in turn drives demand for our DRAM modules, PSUs, cooling systems and other components and peripherals. Likewise, we believe that the continued introduction and market acceptance of new or enhanced versions of computer games helps sustain consumer interest in computer gaming generally. The demand for our gear would likely decline, perhaps substantially, if computer game companies and developers do not introduce and successfully market sophisticated new and improved games that require increasingly high levels of system and graphics processing power on an ongoing basis or if demand for computer games among computer gaming enthusiasts or conditions in the computer gaming industry deteriorate for any reason. As a result, our sales and other operating results fluctuate due to conditions in the market for computer games, and downturns in this market may seriously harm our business.

We face intense competition, and if we do not compete effectively, we could lose market share, demand for our gear could decline and our business may be seriously harmed.

We face intense competition in the markets for all of our gear. We operate in markets that are characterized by rapid technological change, constant price pressure, rapid product obsolescence, evolving industry standards and new demands for features and performance. We experience aggressive price competition and other promotional activities by competitors, including in response to declines in consumer demand and excess product supply or as competitors seek to gain market share.

In addition, because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well-established consumer electronics companies. Many of our current and potential competitors, some of which are large, multi-national businesses, have substantially greater financial, technical, sales, marketing, personnel and other resources and greater brand recognition than we have. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products more effectively than we can. In addition, some of our competitors are small or mid-sized specialty companies that can react to changes in industry trends or consumer preferences or to introduce new or innovative products more quickly than we can. As a result, our product development efforts may not be successful or result in market acceptance of our gear. Our primary competitors include:

Competitors in the gamer and creator peripherals market. Our primary competitors in the market for gaming keyboards and mice include Logitech and Razer. Our primary competitors in the market for headset and related audio products include Logitech, Razer and HP through its HyperX brand. Our primary competitors in the gamer and creator streaming gear market include Logitech,

following its acquisition of Blue Microphones, and AVerMedia. Our primary competitors in the performance controller market include Microsoft and Logitech.

Competitors in the gaming components and systems market. Our primary competitors in the market for PSUs, cooling solutions and computer cases include Cooler Master, NZXT, EVGA, Seasonic and Thermaltake. Our primary competitors in the market for DRAM modules include G.Skill, Kingston and Micron through its Crucial division. Our primary competitors in the market for prebuilt gaming PCs and laptops include Dell through its Alienware brand, HP through its Omen brand, Asus and Razer. Our primary competitors in the market for custom-built gaming PCs and laptops include iBuypower and Cyberpower.

Competitors in new markets. We are considering introducing new gear for gamers or streamers and content creators and, to the extent we introduce gear in new categories, we will likely experience substantial competition from additional companies, including large computer gaming and streaming peripherals and consumer electronics companies with global brand recognition and significantly greater resources than ours.

Our ability to compete successfully is fundamental to our success in existing and new markets. We believe that the principal competitive factors in our markets include performance, reliability, brand and associated style and image, time to market with new emerging technologies, early identification of emerging opportunities, interoperability of products and responsive customer support on a worldwide basis. If we do not compete effectively, demand for our gear could decline, our net revenue and gross margin could decrease and we could lose market share, which may seriously harm our business.

Further, our ability to successfully compete depends in large part on our ability to compete on price for our high-performance gear. Much of the gear we sell is priced higher than products offered by our competitors. If gamers or streamers are not willing to pay the higher price point for our gear, we will either need to discount our gear or our sales volume could decrease. In either event, our business could be seriously harmed.

If gaming, including streaming and esports, does not grow as expected or declines our business could be seriously harmed.

Over the past two decades, gaming has grown from a relatively niche industry to a significant segment of the global entertainment industry with a wide following across various demographic groups globally. This growth includes, and has been driven by, the rapid expansion of live game streaming by content creators and the growing popularity of professional competitive gaming, also referred to as esports. However, the continued growth of the video gaming industry will depend on numerous factors, many of which are beyond our control, including but not limited to:

- the rate of growth of PCs and gaming consoles or the migration of gamers to mobile devices and tablets away from PCs, which historically have been the core focus of our business;
- the continued growth of streaming, including its popularity among fans and aspiring content creators and how it impacts their desire to purchase high-performance gaming and streaming gear;
- the continued growth of esports, including its increasing popularity among fans and amateur esports athletes and how it impacts their desire to purchase high-performance gaming gear;
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending;
- social perceptions of gaming, especially those related to the impact of gaming on health and social development;
- the introduction of legislation or other regulatory restrictions on gaming, such as restrictions addressing violence in video games and addiction to video games, also referred to as Gaming Disorder by the World Health Organization;
- the relative availability and popularity of other forms of entertainment; and
- changes in consumer demographics, tastes and preferences.

We generate a significant portion of our net revenue from gaming-related gear. As a result, any decline or slowdown in the growth of the gaming industry or the declining popularity of the gaming industry could materially and adversely affect our business.

While there were 2.6 billion mobile gamers in 2020, according to Newzoo, we have no specific plans to attract gamers who use only mobile devices or tablets and we have no plans to develop gear specifically designed for gamers who use mobile devices or tablets. As a result, if gamers migrate to mobile devices or tablets and away from PCs and consoles, our business may be seriously harmed. In addition, there can be no assurance that the active demographics in gaming will continue to buy into and drive the growth

in gamer culture and the games industry overall nor can there be any assurance that gaming will expand into new demographics that will drive growth. Further, if gamers' interest in video games is diminished, this may seriously harm our business.

Our growth prospects are, to a certain extent, connected with the ongoing growth of live game streaming and esports and any reduction in the growth or popularity of live game streaming or esports may seriously harm our business.

The success of our business depends on live game streaming and esports driving significant growth in the high-performance gaming and content streaming market, which could prompt strong growth in the sales of our gear. However, there are a number of factors which could result in the esports or live game streaming markets having limited or negative impact on our sales and overall growth. These factors include:

- our competitors marketing products that gain broader acceptance among game streamers, esports participants and content creators;
- esports amateurs and/or spectators not purchasing our gear that is utilized by esports athletes and teams or streamers and content creators, including the esports athletes and teams, and streamers we sponsor;
- the popularity of esports games that do not utilize any of our gear, for example games that run on mobile devices or tablets that replace more traditional esports; and
- our research and development and the gear we sell failing to satisfy the increasing high-performance requirements of competitive gamers or streamers.

Further, there are a number of factors which could result in the growth in live game streaming or the esports markets stagnating, or even decreasing. These factors include:

- consumer interest in watching either live or streamed broadcasts of competitors playing video games diminishing or even disappearing;
- regulations limiting the broadcast of live streaming or esports;
- reduced accessibility of streaming and other gaming video content, whether due to platform fragmentation, the erection of paywalls, or otherwise; and
- economics or monetization of esports performing below expectations, ultimately causing a decrease in outside investments in esports.

If one or more of the above factors are realized, our business may be seriously harmed.

If we lose or are unable to attract and retain key management, our ability to compete could be seriously harmed and our financial performance could suffer.

Our performance depends to a significant degree upon the contributions of our management team, particularly Andrew J. Paul, our co-founder, Chief Executive Officer and Director. If we lose the services of one or more of our key executives, we may not be able to successfully manage our business, meet competitive challenges or achieve our growth objectives. To the extent that our business grows, we will need to attract and retain additional qualified management personnel in a timely manner, and we may not be able to do so.

We rely on highly skilled personnel and if we are unable to attract, retain or motivate key personnel or hire qualified personnel our business may be seriously harmed.

Our performance is largely dependent on the talents and efforts of highly skilled individuals, particularly our marketing personnel, sales force, electrical engineers, mechanical engineers and computer professionals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel and, if we are unable to hire and train a sufficient number of qualified employees for any reason, we may not be able to implement our current initiatives or grow, or our business may contract and we may lose market share. Moreover, certain of our competitors or other technology businesses may seek to hire our employees. There can be no assurance that our stock-based and other compensation will provide adequate incentives to attract, retain and motivate employees in the future, particularly if the market price of our common stock does not increase or declines. If we do not succeed in attracting, retaining and motivating highly qualified personnel, our business may be seriously harmed. Further, we also face significant competition for employees, particularly in the San Francisco Bay Area where our headquarters are located, and as a result, skilled employees in this competitive geographic location can often command higher compensation and may be

difficult to hire. In addition, recent political and military events in Ukraine, poor relations between the United States and Russia, and sanctions by the United States and the European Union against Russia could have an adverse impact on our research and development efforts as we maintain significant research and development operations in Ukraine.

Currency exchange rate fluctuations could result in our gear becoming relatively more expensive to our overseas customers or increase our manufacturing costs, each of which may seriously harm our business.

Our international sales and our operations in foreign countries subject us to risks associated with fluctuating currency exchange rates. Because sales of our gear is denominated primarily in U.S. dollars, an increase in the value of the U.S. dollar relative to the currency used in the countries where our gear is sold may result in an increase in the price of our gear in those countries, which may lead to a reduction in sales. Likewise, because we pay our suppliers and third-party manufacturers, most of which are located outside of the United States, primarily in U.S. dollars, any decline in the value of the U.S. dollar relative to the applicable local currency, such as the Chinese Renminbi or the New Taiwan dollar, may cause our suppliers and manufacturers to raise the prices they charge us. In addition, we generally pay our employees located outside the United States in the local currency and, as a result of our foreign sales and operations, we have other expenses, assets and liabilities that are denominated in foreign currencies and changes in the value of the U.S. dollar could result in significant increases in our expenses that may seriously harm our business.

Total unit shipments of our gear have historically been higher during the third and fourth quarters of the year. As a result, our sales may be subject to seasonal fluctuations, which may seriously harm our business.

Since 2020, our revenue seasonality has been impacted positively and negatively, and thus has not followed historic patterns, by external events, such as shelter-in-place restrictions, global supply chain and logistics issues and availability of affordable GPUs, primarily caused by the COVID-19 pandemic. Historically, prior to 2020, we have experienced and expect to continue to experience seasonal fluctuations in sales due to the spending patterns of gamers who purchase our gear. Our total unit shipments have generally been lowest in the first and second calendar quarters due to lower sales following the fourth quarter holiday season and because of the decline in sales that typically occurs in anticipation of the introduction of new or enhanced GPUs, CPUs and other computer hardware products, which usually takes place in the second calendar quarter, and which tends to drive sales in the following two quarters. As a consequence of seasonality, our total unit shipments for the second calendar quarter are generally the lowest of the year, followed by total unit shipments for the first calendar quarter. As a result, our total unit shipments are subject to seasonal fluctuations, which may seriously harm our business. Historical seasonal patterns may not continue in the future and have been impacted, and may be further impacted in the future, by increasing supply constraints, GPU shortages, shifts in customer behavior and the evolving impacts of the COVID-19 pandemic.

Our results of operations are subject to substantial quarterly and annual fluctuations, which may adversely affect the market price of our common stock.

Our results of operations have in the past fluctuated, sometimes substantially, from period to period, and we expect that these fluctuations will continue. A number of factors, many of which are outside our control, may cause or contribute to significant fluctuations in our quarterly and annual net revenue and other operating results. These fluctuations may make financial planning and forecasting more difficult. In addition, these fluctuations may result in unanticipated decreases in our available cash, which could negatively impact our business. These fluctuations also could both increase the volatility and adversely affect the market price of our common stock. There are numerous factors that may cause or contribute to fluctuations in our operating results. As discussed below, these factors may relate directly to our business or may relate to technological developments and economic conditions generally.

Factors affecting our business and markets. Our result of operations may be materially adversely affected by factors that directly affect our business and the competitive conditions in our markets, including the following:

- changes in demand for our lower margin products relative to demand for our higher margin gear;
- introduction or enhancement of products by us and our competitors, and market acceptance of these new or enhanced products;
- loss of significant retail customers, cancellations or reductions of orders and product returns;
- fluctuations in average selling prices of and demand for our gear;
- change in demand for our gear due to our gear having higher price-points than products supplied by our competitors;
- discounts and price reductions offered by our competitors;
- a delay, reduction or cessation of deliveries from one or more of the third parties that manufacture our gear;

- increased costs or shortages of our gear or components used in our gear;
- changes in the frequency with which new high-performance computer hardware, particularly GPUs and CPUs, and sophisticated new computer games that drive demand for additional DRAM modules, higher wattage PSUs, enhanced cooling solutions and peripherals are introduced;
- fluctuations in the available supply of high-performance computer hardware resulting in the increased costs to gamers, which could ultimately lead to decreased demand for our gaming gear, due to factors such as component supply shortages or gamers purchasing GPUs for non-gaming purposes such as cryptocurrency mining;
- tensions between Russia and the Ukraine resulting in shipments of resources from these countries being delayed, or even ceasing, which could cause the GPU shortage to last longer as the production of GPUs require resources that come from these countries such as highly purified neon gas and palladium, of which Ukraine and Russia, respectively, are the world's leading exporters;
- potential changes in trade relations arising from policy initiatives implemented by the current U.S. administration, which has been critical of existing and proposed trade agreements;
- unexpected changes in laws, including tax and trade laws, and regulatory requirements;
- delays or problems in our introduction of new gear;
- delays or problems in the shipment or delivery of gear to customers;
- changes in freight costs;
- changes in purchasing patterns by the distributors and retailers to which we sell our gear;
- seasonal electronics product purchasing patterns by our retail and distributor customers, as well as the gamers and streamers that purchase their gear directly from us;
- competitive pressures resulting in, among other things, lower selling prices or loss of market share; and
- cost and adverse outcomes of litigation, governmental proceedings or any proceedings to protect our brand or other intellectual property.

General economic conditions. Our business may be materially adversely affected by factors relating to global, national and regional economies, including:

- uncertainty in economic conditions, either globally or in specific countries or regions;
- fluctuations in currency exchange rates;
- outbreaks of pandemics, such as the novel coronavirus;
- the impact of political instability, natural disasters, war and/or events of terrorism, such as the tensions between Russia and Ukraine and any military conflict that may ensue, and the corresponding tensions created from such conflict between Russia, the United States and countries in Europe as well as other countries such as China;
- macro-economic fluctuations in the United States and global economies, including those that impact discretionary consumer spending such as may result from the COVID-19 coronavirus outbreak;
- changes in business cycles that affect the markets in which we sell our gear; and
- the effect of fluctuations in interest rates on consumer disposable income.

Technological factors. In addition to technological developments directly relating to our gear, more generalized changes in technology may have a significant effect on our operating results. For example, our business could be seriously harmed by rapid, wholesale changes in technology in or affecting the markets in which we compete or widespread adoption of cloud computing.

One or more of the foregoing or other factors may cause our expenses to be disproportionately higher or lower or may cause our net revenue and other operating results to fluctuate significantly in any particular quarterly or annual period. Our results of operations in one or more future quarters or years may fail to meet the expectations of investment research analysts or investors, which could cause an immediate and significant decline in the market price of our common stock.

Cloud computing may seriously harm our business.

Cloud computing refers to a computing environment in which software is run on third-party servers and accessed by end-users over the internet. In a cloud computing environment a user's computer may be a so-called "dumb terminal" with minimal processing power and limited need for high-performance components. Through cloud computing, gamers will be able to access and play graphically sophisticated games that they may not be able to otherwise play on a PC that is not fully equipped with the necessary, and often expensive, hardware. If cloud computing is widely accepted, the demand for high-performance computer gaming hardware products such as the PC high-performance memory, prebuilt and custom gaming PCs and laptops, and other PC gaming components we sell, could diminish significantly. As a result, if cloud computing gaming were to become widely adopted, such adoption could seriously harm our business.

Conditions in the retail and consumer electronics markets may significantly affect our business and could have an adverse effect on our net revenue.

We derive most of our revenue from higher priced gear sold through online and brick-and-mortar retailers to gamers, and we are vulnerable to declines in consumer spending due to, among other things, depressed economic conditions, reductions in disposable income and other factors that affect the retail and consumer electronics markets generally. In addition, our revenues are attributable to sales of high-performance gamer and creator peripherals and gaming components and systems, all of which are products that are geared to the computer gaming market which, like other consumer electronic markets, is susceptible to the adverse effects of poor economic conditions.

Other significant negative effects could include limited growth or reductions in worldwide sales of products that incorporate DRAM modules, such as PCs, smartphones and servers, resulting in excess supply in the worldwide DRAM market and reduced demand for our gear from our customers as they limit or lower their spending and inventory levels. Adverse economic conditions may also reduce our cash flow due to delays in customer payments, increase the risk of customer bankruptcy or business failures and result in increases in bad debt write-offs and receivables reserves.

Other negative effects on our business resulting from adverse economic conditions worldwide may include:

- higher costs for promotions, customer incentive programs and other initiatives used to stimulate demand;
- increased risk of excess and obsolete inventories, which may require write-downs or impairment charges;
- financial distress or bankruptcy of key suppliers or third-party manufacturers, resulting in insufficient product quantities to meet demand or increases in the cost of producing our gear; and
- financial distress or bankruptcy of key distributors, resellers or retailers.

Depressed economic conditions, whether in our key regional markets or globally, could result in a decline in both product prices and the demand for our gear, which may seriously harm our business.

Our sponsorship of individuals, teams and events within the gaming community is subject to numerous risks that may seriously harm our business.

We interact with the gaming community in numerous ways, including through the sponsorship of streamers, esports events, tournaments, esports athletes and teams. These sponsored events and individuals are associated with our brand and represent our commitment to the gaming community. There can be no assurance that we will be able to maintain our existing relationships with any of our sponsored individuals or teams in the future or that we will be able to attract new highly visible gamers to endorse our gear. Additionally, certain individuals or teams with greater access to capital may increase the cost of certain sponsorships to levels we may choose not to match. If this were to occur, our sponsored individuals, teams or events may terminate their relationships with us and endorse our competitors' products, and we may be unable to obtain endorsements from other comparable alternatives. In addition, if any of our sponsored individuals or teams become unpopular or engage in activities perceived negatively in the gaming community or more broadly, our sponsorship expenditures could be wasted and our brand reputation could be damaged which, in turn, could seriously harm our business.

DRAM integrated circuits account for most of the cost of producing our DRAM modules and fluctuations in the market price of DRAM integrated circuits may have a material impact on our net revenue and gross profit.

DRAM integrated circuits, or ICs, account for most of the cost of producing our DRAM modules. The market for these ICs is highly competitive and cyclical. Prices of DRAM ICs have historically been subject to volatility over relatively short periods of time due to a number of factors, including imbalances in supply and demand. We expect these fluctuations will recur in the future, which could seriously harm our business. For example, changes in the selling prices of our DRAM modules can have a substantial impact on our net revenue as our performance memory products represents a significant portion of our overall net revenue. In addition, declines in the market price of ICs enable our competitors to lower prices and we will likely be forced to lower our product prices in order to compete effectively which could have an adverse effect on our net revenue. Further, because we carry inventory of DRAM ICs and DRAM modules at our facility in Taiwan, fluctuations in the market price of these ICs can have an effect on our gross margin. For example, declines in the prices of these ICs and their related products have tended to have a negative short-term impact on gross margin of our DRAM modules. In addition, selling prices of our DRAM modules, on the one hand, and market prices of DRAM ICs, on the other hand, may rise or fall at different rates, which may also affect our gross margin. Any of these circumstances could materially adversely affect our net revenue and gross margins.

We use DRAM ICs produced by Samsung, Micron and Hynix in our DRAM modules. We purchase those DRAM ICs, pursuant to purchase orders and not long-term supply contracts, largely from third-party distributors and, to a lesser extent, directly from those manufacturers. According to the most recent external market share data for the year ended December 31, 2021, DRAM IC manufacturers, Samsung, a manufacturer of DRAM ICs, had an approximately 43% share of the worldwide DRAM IC market, compared to approximately 28% for Hynix and approximately 23% for Micron in each case for the same period. However, should supply from any of these vendors be limited, there can be no assurance that we would be able to meet our needs by purchasing DRAM ICs produced by other manufacturers or from agents and distributors. Further, there are a limited number of companies capable of producing the high-speed DRAM ICs required for our high-performance DRAM modules, and any inability to procure the requisite quantities and quality of DRAM ICs could reduce our production of DRAM modules and could seriously harm our business.

The coronavirus outbreak has had, and could continue to have, a materially disruptive effect on our business.

The COVID-19 disease has spread globally and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. For example, starting in mid-March 2020, the governor of California, where our headquarters are located, issued shelter-in-place orders restricting non-essential activities, travel and business operations for an indefinite period of time, subject to certain exceptions for necessary activities. Such orders or restrictions have resulted in our headquarters closing, work stoppages, slowdowns and delays, travel restrictions and cancellation of events, among other effects, thereby negatively impacting our operations.

The spread of COVID-19 has and could continue to seriously harm our business. Current and potential impacts include, but are not limited to, the following:

- the extended closures in early February 2020 and slow ramp up of capacity of many factories in China and other countries in Asia where many of our products and the components and subcomponents used in the manufacture of our gear created, and could continue to create, supply chain disruptions for our gear;
- supply and transportation costs have increased, and may continue to increase, as alternate suppliers are sought;
- labor shortages within delivery and other industries due to extended worker absences could create further supply chain disruptions;
- extended employee absences could negatively impact our business, including potential reductions in the availability of the sales team to complete sales and delays in deliverables and timelines within our engineering and support functions;
- fluctuations in foreign exchange rates could make our products less competitive in a price-sensitive environment for our non-US customers; and
- significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity, including our ability to repay the indebtedness outstanding from our credit facilities.

Since early 2020, we have experienced some business disruptions due to COVID-19, including the stoppage in our factories in early 2020, disruption in our supply chain and increased distribution costs such as the elevated ocean freight costs we incurred in the second half of 2021, which led to increases in operating costs. As a result of the COVID-19 pandemic, we are continuing to experience logistics challenges globally. These negative financial impacts have been offset by strong revenue growth year-over-year

partly due to an increase in demand for our gear as more people are under shelter-in-place restrictions, which we believe have limited people's access to alternative forms of entertainment and social interaction, and thus have increased the demand for home entertainment and connecting with others through content creation. In contrast, as the COVID-19 pandemic subsides, it has, and could continue to, result in shelter-in-place and other similar restrictions being eased. Such easing of restrictions likely has, and will continue to, result in consumers returning to other alternative forms of entertainment and interaction. This in turn has, and could continue to, result in a decline in demand for our products.

The extent to which the COVID-19 outbreak, including the spread of more contagious and deadly variants, ultimately impacts our business, results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, we may continue to experience significant impacts to our business as a result of its global economic impact, including any economic downturn or recession that has occurred or may occur in the future.

A significant portion of our net revenue is generated by sales of DRAM modules and any significant decrease in the average selling prices of our DRAM modules would seriously harm our business.

A significant percentage of our net revenue is generated by sales of DRAM modules. In particular, net revenue generated by sales of DRAM modules accounted for a total of 28.5% and 32.9% of our net revenue in 2021 and 2020, respectively. As a result, any significant decrease in average selling prices of our DRAM modules, whether as a result of declining market prices of DRAM ICs or for any other reason, would seriously harm our business. Selling prices for our DRAM modules tend to increase or decrease with increases or decreases, respectively, in market prices of DRAM ICs.

Sales to a limited number of customers represent a significant portion of our net revenue, and the loss of one or more of our key customers may seriously harm our business.

In 2021 and 2020, sales to Amazon accounted for 26.7% and 24.6% of our net revenue, respectively. Sales to our ten largest customers accounted for 51.7% and 52.7% of the same periods, respectively, of our net revenue. Our customers typically do not enter into long-term agreements to purchase our gear but instead enter into purchase orders with us from time to time. These purchase orders may generally be cancelled and orders can be reduced or postponed by the customer. In addition, our customers are under no obligation to continue purchasing from us and may purchase similar products from our competitors, and some of our customer agreements contain "most favored nation" clauses. Further, while we maintain accounts receivables insurance for many of our customers, we do not maintain such coverage for Amazon and others. As a result, if either Amazon or others were to default on its payment to us, we would not be covered by such insurance, and our business may be seriously harmed. If the financial condition of a key customer weakens, if a key customer stops purchasing our gear, or if uncertainty regarding demand for our gear causes a key customer to reduce their orders and marketing of our gear, our business could be seriously harmed. A decision by one or more of our key customers to reduce, delay or cancel its orders from us, either as a result of industry conditions or specific events relating to a particular customer or failure or inability to pay amounts owed to us in a timely manner, or at all, may seriously harm our business. In addition, because of our reliance on key customers, the loss of one or more key customers as a result of bankruptcy or liquidation or otherwise, and the resulting loss of sales, may seriously harm our business. Additionally, some of our customer agreements contain "most favored nation" clauses.

We have limited manufacturing facilities that only assemble our DRAM modules, custom built PCs, custom cooling and controllers, we have no guaranteed sources of supply of products or components and we depend upon a small number of manufacturers, some of which are exclusive or single-source suppliers, to supply our gear, each of which may result in product or component shortages, delayed deliveries and quality control problems.

We maintain limited manufacturing facilities that only assemble DRAM modules, custom built PCs, custom cooling and performance controllers, and as a result, we depend entirely upon third parties to manufacture and supply the gear we sell and the components used in our gear such as gaming peripherals and gaming components. Our gear that is manufactured by outsourced parties is generally produced by a limited number of manufacturers and in some instances is purchased on a purchase order basis. For example, each model of our gaming keyboards, gaming mice, gaming headsets, computer cases, PSUs and cooling solutions is produced by a single manufacturer. We do not have long-term supply agreements with some of our manufacturers and suppliers. In addition, we carry limited inventory of our gear, and the loss of one or more of these manufacturers or suppliers, or a significant decline in production or deliveries by any of them, could significantly limit our shipments of gear or prevent us from shipping that gear entirely.

Our reliance upon a limited number of manufacturers and suppliers exposes us to numerous risks, including those described below.

Risks relating to production and manufacturing. Our business could be seriously harmed if our manufacturers or suppliers ceased or reduced production or deliveries, raised prices, lengthened production or delivery times or changed other terms of sale. In particular, price increases by our manufacturers or suppliers could seriously harm our business if we are unable to pass those price increases along to our customers. Further, the supply of products from manufacturers and suppliers to us could be interrupted or delayed, and we may be unable to obtain sufficient quantities of our products because of factors outside of our control. For example, our manufacturers and suppliers may experience financial difficulties, be affected by natural disasters or pandemics, have limited production facilities or manufacturing capacity, may experience labor shortages or may be adversely affected by regional unrest or military actions, such as the recent tensions between Russia and Ukraine. In addition, we may be slower than our competitors in introducing new products or reacting to changes in our markets due to production or delivery delays by our third-party manufacturers or suppliers. Likewise, lead times for the delivery of products being manufactured for us can vary significantly and depend on many factors outside of our control, such as demand for manufacturing capacity and availability of components. In addition, if one of our exclusive or single-source manufacturers were to stop production, or experience product quality or shortage issues, we may be unable to locate or engage a suitable replacement on terms we consider acceptable and, in any event, there would likely be significant delays before we were able to transition production to a new manufacturer and potentially significant costs associated with that transition.

Risks relating to product quality. Our manufacturers or suppliers may provide us with products or components that do not perform reliably or do not meet our quality standards or performance specifications or are susceptible to early failure or contain other defects. This may seriously harm our reputation, increase our warranty and other costs or lead to product returns or recalls, any of which may seriously harm our business.

Risks relating to product and component shortages. From time to time we have experienced product shortages due to both disruptions in supply from the third parties that manufacture or supply our gear and our inability or the inability of these third-party manufacturers to obtain necessary components, and we may experience similar shortages in the future. Moreover, procurement of the other components used in our gear is generally the responsibility of the third parties that manufacture our gear, and we therefore have limited or no ability to control or influence the procurement process or to monitor the quality of components.

Any disruption in or termination of our relationships with any of our manufacturers or suppliers or our inability to develop relationships with new manufacturers or suppliers as and when required would cause delays, disruptions or reductions in product shipment and may require product redesigns, all of which could damage relationships with our customers, seriously harm our brand, increase our costs and otherwise seriously harm our business. Likewise, shortages or interruptions in the supply of products or components, or any inability to procure these products or components from alternate sources at acceptable prices in a timely manner, could delay shipments to our customers and increase our costs, any of which may seriously harm our business.

If our proprietary iCUE software or Elgato streaming software suite have any “bugs” or glitches, or if we are unable to update the iCUE software or Elgato streaming software suite to incorporate innovations, our business may be seriously harmed.

Because most of the gear we sell is linked through either our iCUE software or our Elgato streaming software suite, “bugs” or other glitches in the software may cause it to not perform reliably, meet our quality standards or meet performance specifications. Further, even if we detect any bugs or other glitches in the iCUE software or our Elgato streaming software suite we may be unable to update the affected software effectively to remediate these problems. In addition, in order for us to stay competitive, we need to update the iCUE software, Elgato streaming software suite and any other software utilized by our gear, to incorporate innovations and other changes to address gamers and content creators’ changing needs. If we are unable to update the iCUE software or our Elgato streaming software suite to include such updates or address any bugs or glitches, its use to gamers and content creators may be substantially diminished, which could seriously harm our business.

The need to continuously develop new gear and product improvements increases the risk that our gear will contain defects or fail to meet specifications, which may increase our warranty costs and product returns, lead to recalls of gear, damage our reputation and seriously harm our business.

Gear that does not meet specifications or that contains, or is perceived by our customers or gamers to contain, defects could impose significant costs on us or seriously harm our business. Our gear may suffer from design flaws, quality control problems in the manufacturing process or components that are defective or do not meet our quality standards. Moreover, the markets we serve are characterized by rapidly changing technology and intense competition and the pressure to continuously develop new gear and improvements and bring that gear and improvements to market quickly heightens the risks that our gear will be subject to both quality

control and design problems. Because we largely rely on third parties to manufacture our gear and the components that are used in our gear, our ability to control the quality of the manufacturing process and the components that are used to manufacture our gear is limited. Product quality issues, whether as a result of design or manufacturing flaws or the use of components that are not of the requisite quality or do not meet our specifications, could result in product recalls, product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses. In that regard, we have previously voluntarily recalled the SF-series PSUs. Recalls of gear and warranty-related issues can be costly, cause damage to our reputation and result in increased expenses, lost revenue and production delays. We may also be required to compensate customers for costs incurred or damages caused by defective gear. If we incur warranty or product redesign costs, institute recalls of gear or suffer damage to our reputation as a result of defective gear, our business could be seriously harmed.

While we operate a facility in Taiwan that assembles, tests and packages all of our DRAM modules and certain other products, we rely upon manufacturers in China and Southeast Asia to produce a significant portion of our other products, which exposes us to risks that may seriously harm our business.

We operate a facility in Taiwan that assembles, tests, packages and ultimately supplies all of our DRAM modules and a significant portion of our cooling solutions, prebuilt and custom gaming systems and custom gaming controllers. We also assemble, test, package and ultimately supply our custom-built PCs in our U.S. facility, and our customized gaming controllers in our U.S. and U.K. facilities. All of the other gear we sell, including the components used to assemble our DRAM modules, are produced at factories operated by third parties located in China, Taiwan and countries in Southeast Asia. The fact that all of these facilities, manufacturers, suppliers and factories are concentrated in China, Taiwan and countries in Southeast Asia exposes us to numerous risks.

We believe one of the most significant risks associated with this concentration is that production may be interrupted or limited because of labor shortages in southern China and by strains on the local infrastructure. In addition, production at facilities located in China, Taiwan or Southeast Asia, including our own manufacturing, testing and packaging facility in Taiwan, and deliveries from those facilities, may be adversely affected by tensions, hostilities or trade disputes involving China, Taiwan, the United States or other countries. There is considerable potential political instability in Taiwan related to its disputes with China. In addition, political instability in countries in Southeast Asia where we source certain components, such as Thailand, could result in delays in shipments or our inability to source certain critical components for our products. Although we do not do business in North Korea, any future increase in tensions between South Korea and North Korea, such as an outbreak or escalation of military hostilities, or between Taiwan and China could materially adversely affect our operations in Asia or the global economy, which in turn may seriously harm our business.

Other risks resulting from this concentration of our manufacturing facilities and our suppliers in China, Taiwan and Southeast Asia include the following:

- the interpretation and enforcement of China's laws continues to evolve, which may make it more difficult for us to obtain a reliable supply of our gear at predictable costs;
- these facilities are located in regions that may be affected by earthquakes, typhoons, other natural disasters, pandemic outbreaks, political instability, military actions, power outages or other conditions that may cause a disruption in supply;
- our costs may be increased and deliveries of our gear may be decreased or delayed by trade restrictions; and
- our reliance on foreign manufacturers and suppliers exposes us to other risks of doing business internationally, some of which are described below under "We conduct our operations and sell our gear internationally and the effect of business, legal and political risks associated with international operations may seriously harm our business."

In addition, if significant tariffs or other restrictions are placed on Chinese imports or any related counter-measures are taken by China, our business may be seriously harmed if such tariffs or counter-measures affect the manufacturing costs of any of our gear. Further, such tariffs could adversely impact our gross profits if we cannot pass the increased costs incurred as a result of these tariffs through to our consumers, or if the resulting increased prices result in a decrease in consumer demand.

The occurrence of any one or more of these risks may seriously harm our business.

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

Our business requires that we coordinate the manufacturing and distribution of our gear over a significant portion of the world. We rely upon third parties to manufacture our gear and to transport and distribute our gear to our customers. If we do not successfully coordinate the timely and efficient manufacturing and distribution of our gear, our costs may increase, we may experience a build-

up in inventory, we may not be able to deliver sufficient quantities to meet customer demand and we could lose sales, each of which could seriously harm our business.

Our operating results are particularly sensitive to freight costs, and our costs may increase significantly if we are unable to ship and transport finished products efficiently and economically across long distances and international borders, which may seriously harm our business.

The majority of our gear is manufactured in Asia, and we transport significant volumes of finished products across long distances and international borders. As a result, our operating results can be significantly affected by changes in transportation costs. In that regard, although we ship our DRAM modules, which have selling prices that are relatively high compared to their size and weight, by air, we generally use ocean freight to ship our other products because of their relatively low selling prices compared to their size and weight. If we underestimate the demand for any of the products we ship by ocean freight, or if deliveries of those products to us by our manufacturers are delayed or interrupted, we may be required to ship those products by air in order to fill orders on a timely basis. Shipping larger or heavier items, such as cases or PSUs, by air is significantly more expensive than using ocean freight. As a result, any requirement that we ship these products by air, whether because we underestimate demand or because of an interruption in supply from the manufacturers who produce these products or for any other reason, could materially increase our costs. In addition, freight rates can vary significantly due to large number of factors beyond our control, including changes in fuel prices or general economic conditions or the threat of terrorist activities or acts of piracy. If demand for air or ocean freight should increase substantially, it could make it difficult for us to procure sufficient cargo transportation space at prices we consider acceptable, or at all. Increases in our freight expenses, or any inability to ship our gear as and when required, may seriously harm our business.

Because our gear must cross international borders, we are subject to risk of delay if our documentation does not comply with customs rules and regulations or for similar reasons. In addition, any increases in customs duties or tariffs, as a result of changes to existing trade agreements between countries or otherwise, could increase our costs or the final cost of our gear to our retailer customers or gamers or decrease our margins. The laws governing customs and tariffs in many countries are complex, subject to many interpretations and often include substantial penalties for non-compliance.

Our effective tax rate may increase in the future, including as a result of tax legislation changes, which may have a material adverse effect on our business, financial condition and results of operations.

Our effective tax rate may be impacted by changes in or interpretations of tax laws in any given jurisdiction, utilization of or limitations on our ability to utilize any tax credit carry-forwards, changes in geographical allocation of revenue and expense and changes in management's assessment of matters such as our ability to realize the value of deferred tax assets.

In particular, the U.S. government may enact significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income, significant changes to the taxation of income derived from international operations, and an addition of further limitations on the deductibility of business interest. While certain draft legislation has been publicly released and is under development in Congress at this time, the likelihood of these changes being enacted or implemented is unclear.

Our effective tax rate could also increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax rates, tax treaties, and regulations or the interpretation of them;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- the effects of acquisitions.

In the past, we have experienced fluctuations in our effective income tax rate which reflects a variety of factors that may or may not be present in any given year. In light of these factors, there can be no assurance that our effective income tax rate will not change in future periods. Accordingly, if our effective tax rate were to increase, it may have a material adverse effect on our business, financial condition and results of operations.

Our ability to utilize our net operating losses, or NOLs, carryforwards and certain other tax attributes may be limited.

Our ability to utilize our NOL carryforwards to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates of the NOL carryforwards, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our NOL carryforwards.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research and development tax credits) to offset its post-change income or taxes may be limited. We have experienced ownership changes in the past, and we may experience ownership changes in the future and/or subsequent shifts in our stock ownership (some of which may be outside our control). As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset U.S. federal taxable income may be subject to limitations under Section 382, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

Technological developments or other changes in our industry could render our gear less competitive or obsolete, which may seriously harm our business.

Our industry is characterized by rapidly evolving technology and standards. These technological developments require us to integrate new technology and standards into our gear, create new and relevant categories of gear and adapt to changing business models in a timely manner. Our competitors may develop or acquire alternative and competing technologies and standards that could allow them to create new and disruptive products or produce similar competitive products at lower costs of production. Advances in the development of gaming, computing and audiovisual technology could render our gear less competitive or obsolete. For example, the emergence of augmented reality and virtual reality headsets could render certain of our gamer and creator peripherals such as keyboards and mice less relevant, similar to how cloud computing could drastically reduce the need for gaming components and systems. If we are unable to provide new gear for augmented or virtual reality devices or to address other technological trends, our business may be seriously harmed. In addition, government authorities and industry organizations may adopt new standards that apply to our gear. As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological changes and compete effectively. Our product development expenses were \$60.3 million and \$50.1 million for 2021 and 2020, respectively, representing 3.2% and 2.9% of our net revenue for these periods, respectively. Our failure to improve our gear, create new and relevant categories of gear and adapt to changing business models in a timely manner may seriously harm our business.

In addition, recent political and military events in Ukraine, poor relations between the United States and Russia, and sanctions by the United States and the European Union against Russia could have an adverse impact on our research and development efforts as we maintain significant research and development operations in Ukraine.

We order most of our gear from third-party manufacturers based on our forecasts of future demand and targeted inventory levels, which exposes us to the risk of both product shortages, which may result in lost sales and higher expenses, and excess inventory, which may require us to sell our gear at substantial discounts and lead to write-offs.

We depend upon our product forecasts to make decisions regarding investments of our resources and production levels of our gear. Because of the lead time necessary to manufacture our gear and the fact that we usually have little or no advance notice of customer orders, we must order our gear from third-party manufacturers and therefore commit to substantial purchases prior to obtaining orders for those products from our customers. This makes it difficult for us to adjust our inventory levels if orders fall below our expectations. Our failure to predict low demand for product can result in excess inventory, as well as lower cash flows and lower margins if we were unable to sell a product or if we were required to lower product prices in order to reduce inventories, and may also result in inventory write-downs. In addition, the cancellation or reduction of orders by our customers may also result in excess inventory. On the other hand, if actual orders exceed our expectations, we may need to incur additional costs, such as higher shipping costs for air freight or other expedited delivery or higher product costs for expedited manufacturing, in order to deliver sufficient quantities of products to meet customer orders on a timely basis or we may be unable to fill some orders altogether. In addition, many of the types of gear we sell have short product life cycles, so a failure to accurately predict and meet demand for products can result in lost sales that we may be unable to recover in subsequent periods. These short life cycles also make it more likely that slow moving or excess inventory may become obsolete, requiring us to sell our gear at significant discounts or write off entirely excess or obsolete inventory. Any failure to deliver gear in quantities sufficient to satisfy demand can also seriously harm our reputation with both our retailer customers and end-consumers.

Over the past few years, we have expanded the number and type of gear we sell, and the geographic markets in which we sell them, and we will endeavor to further expand our product portfolio and sales reach. The growth of our product portfolio and the markets in which we sell our gear has increased the difficulty of accurately forecasting product demand. We have in the past experienced significant differences between our forecasts and actual demand for our gear and expect similar differences in the future. If we do not accurately predict product demand, our business may be seriously harmed.

Order cancellations, product returns, price erosion, product obsolescence and retailer and distributor customer and gamer incentive programs may result in substantial inventory and/or receivables write-downs and seriously harm our business.

The gear we sell is characterized by rapid technological change and short product life cycles. As a result, the gear that we hold in inventory may be subject to significant price erosion or may become obsolete, requiring inventory write-downs. We may experience excess or unsold inventory for a number of reasons, including demand for our gear being lower than our forecasts, order cancellations by our customers and product returns.

In that regard, rights to return products vary by customer and range from the right to return defective products to limited stock rotation rights allowing the exchange of a limited percentage of the customer's inventory for new product purchases. If the estimated market values of products held in our finished goods and work in process inventories at the end of any fiscal quarter are below our cost of these products, we will recognize charges to write down the carrying value of our inventories to market value.

In addition, we provide a variety of rebates to both customers and gamers, including instant rebates, volume incentive rebates, back end rebates and mail-in rebates. We also have contractual agreements and cooperative marketing, promotional and other arrangements that provide rebates and other financial incentives to our retailer customers and gamers. To a limited extent, we also offer financial incentives related to retailer customer inventory of specific products. The aggregate amount of charges incurred as a result of all of these rebates and other financial incentives is offset from our gross revenue. For 2021 and 2020, our gross revenue was reduced approximately by 8% and 6%, respectively, as a result of these rebates. In the future, we also may be required to write down inventory or receivables due to product obsolescence or because of declines in market prices of our gear. Any write-downs or offsets could seriously harm our business.

Our indemnification obligations to our customers and suppliers for intellectual property infringement claims could require us to pay substantial amounts and may seriously harm our business.

We indemnify a limited number of retailer customers for damages and costs which may arise if our gear infringe third-party patents or other proprietary rights. We may periodically have to respond to claims and litigate these types of indemnification obligations. Any such indemnification claims could require us to make substantial settlement, damages or royalty payments or result in our incurring substantial legal costs. Our insurance does not cover intellectual property infringement. The potential amount of future payments to defend lawsuits or settle or otherwise satisfy indemnified claims under any of these indemnification provisions may be unlimited. We also have replacement obligations for product warranty claims relating to our gear. Our insurance does not cover such claims. Claims for intellectual property infringement and product warranty claims may seriously harm our business.

From time to time, we pay licensing fees in settlement of certain intellectual property infringement claims made by third parties. There can be no assurance that licensing fees paid under these circumstances will not seriously harm our business.

If we are unable to integrate our gear and proprietary software with third-party hardware, operating system software and other products, the functionality of our gear would be adversely affected, which may seriously harm our business.

The functionality of some of our gear depends on our ability to integrate that gear with the hardware, operating system software and related products of providers such as Intel, AMD, NVIDIA, Microsoft, Sony and Asus, among others. We rely to a certain extent on the relationships we have with those companies in developing our gear and resolving issues. There can be no assurance that those relationships will be maintained or that those or other companies will continue to provide the necessary information and support to allow us to develop gear that integrates with their products or that third party developers will continue to develop plugins for and integrations with our proprietary software. If integration with the products of those or other companies becomes more difficult, our gear would likely be more difficult to use or may not be compatible with key hardware, operating systems or other products, which would seriously harm our reputation and the utility and desirability of our gear, and, as a result, would seriously harm our business.

One of our strategies is to grow through acquisitions, which could result in operating difficulties, dilution to our stockholders and other seriously harmful consequences.

One of our strategies is to grow through acquisitions and we may also seek to grow through other strategic transactions such as alliances and joint ventures. In particular, we believe that our future growth depends in part on our ability to enhance our existing product lines and introduce new gear and categories of gear through acquisitions and other strategic transactions. There is substantial competition for attractive acquisitions and other strategic transactions, and we may not be successful in completing any such acquisitions or other strategic transactions in the future. Acquisitions may be particularly challenging during the COVID-19 pandemic. For example, we will likely not be able to travel to conduct in-person meetings and due diligence sessions with potential target companies. If we are successful in making any acquisition or strategic transaction, we may be unable to integrate the acquired business effectively or may incur unanticipated expenditures, which could seriously harm our business. The COVID-19 pandemic may make integration of these businesses even more difficult. Acquisitions and strategic transactions can involve a wide variety of risks depending upon, among other things, the specific business or assets being acquired or the specific terms of any transaction.

In addition, we may finance acquisitions or investments, strategic partnerships or joint ventures by issuing common stock, which may be dilutive to our stockholders, or by incurring indebtedness, which could increase our interest expense and leverage, perhaps substantially. Acquisitions and other investments may also result in charges for the impairment of goodwill or other acquired assets. Acquisitions of, or alliances with, technology companies are inherently risky, and any acquisitions or investments we make, or alliances we enter into, may not perform in accordance with our expectations. Accordingly, any of these transactions, if completed, may not be successful and may seriously harm our business.

In addition, foreign acquisitions or strategic transactions with foreign partners involve additional risks, including those related to integration of operations across different geographies, cultures and languages, as well as risks related to fluctuation in currency exchange rates and risks associated with the particular economic, political and regulatory environment in specific countries.

We need substantial working capital to operate our business, and we rely to a significant degree upon credit extended by our manufacturers and suppliers and borrowings under our revolving credit facility to meet our working capital needs. If we are unable to meet our working capital needs, we may be required to reduce expenses or product purchases, or delay the development, commercialization and marketing of our gear, which would seriously harm our business.

We need substantial working capital to operate our business. We rely to a significant degree upon credit extended by many of our manufacturers and suppliers in order to meet our working capital needs. Credit terms vary from vendor to vendor but typically allow us zero to 120 days to pay for the products. However, notwithstanding the foregoing, there are instances when we are required to pay for gear in advance of it being manufactured and delivered to us. We may also utilize borrowings under our revolving credit facility to provide working capital, and access to external debt financing has historically been and will likely continue to be very important to us. As a result of any downturn in general economic conditions or conditions in the credit markets or other factors, manufacturers and suppliers may be reluctant to provide us with the same credit that they have in the past, which would require that we increase the level of borrowing under our revolving credit facility or obtain other external financing to provide for our substantial working capital needs. Additional financing may not be available on terms acceptable to us or at all. In particular, our access to other debt financing is limited by the negative covenant in our credit agreement restricting our ability to incur other indebtedness, as well as the financial covenants therein prohibiting our Consolidated Total Net Leverage Ratio from exceeding 3.0 to 1.0 or our Consolidated Interest Coverage Ratio being less than 3.0 to 1.0 (both tested quarterly on a trailing four fiscal quarter basis). As a result, such restrictions could limit, perhaps substantially, the amount of indebtedness we are permitted to borrow under other debt arrangements.

To the extent we are required to use additional borrowings under our revolving credit facility or from other sources (if available and if permitted by the credit facility) to provide working capital, it could increase our interest expense and expose us to other risks of leverage. Any inability to meet our working capital or other cash needs as and when required would likely seriously harm our business, results of operations and financial condition and adversely affect our growth prospects and stock price and could require, among other things, that we reduce expenses, which might require us to reduce shipments of our gear or our inventory levels substantially or to delay or curtail the development, commercialization and marketing of our gear.

Indebtedness and the terms of our credit facilities may impair our ability to respond to changing business and economic conditions and may seriously harm our business.

We had \$247.7 million of indebtedness as of December 31, 2021. We have incurred significant indebtedness under our credit facilities to fund working capital and other cash needs and we expect to incur additional indebtedness in the future, particularly if we use borrowings or other debt financing to finance all or a portion of any future acquisitions. In addition, the terms of our credit facilities require, and any debt instruments we enter into in the future may require, that we comply with certain restrictions and

covenants. These covenants and restrictions, as well as any significant increase in our indebtedness, could adversely impact us for a number of reasons, including the following:

Cash flow required to pay debt service. We may be required to dedicate a substantial portion of our available cash flow to debt service. This risk is increased by the fact that borrowings under our credit facilities bear interest at a variable rate. This exposes us to the risk that the amount of cash required to pay interest under our credit facilities will increase to the extent that market interest increases. Our indebtedness and debt service obligations may also increase our vulnerability to economic downturns and adverse competitive and industry conditions.

Adverse effect of financial and other covenants. The covenants and other restrictions in our credit facilities and any debt instruments we may enter into in the future may limit our ability to raise funds for working capital, capital expenditures, acquisitions, product development and other general corporate requirements, which may adversely affect our ability to finance our operations, any acquisitions or investments or other capital needs or engage in other business activities that would be in our interests. Restrictive covenants may also limit our ability to plan for or react to market conditions or otherwise limit our activities or business plans and place us at a disadvantage compared to our competitors.

Risks of default. If we breach or are unable to comply with a covenant or other agreement contained in a debt instrument, the lender generally has the right to declare all borrowings outstanding under that debt instrument, together with accrued interest, to be immediately due and payable and may have the right to raise the interest rate. Upon an event of default under our credit facilities, the lender may require the immediate repayment of all outstanding loans and accrued interest. In addition, during the continuance of certain events of default under our credit facilities (subject to a cure period for some events of default), interest may accrue at a rate that is 200 basis points above the otherwise applicable rate. As a result, any breach or failure to comply with covenants contained in our debt instruments could seriously harm our business. Moreover, our credit facilities are secured by substantially all of our assets (including capital stock of our subsidiaries), except assets of our foreign subsidiaries and shares of some of our foreign subsidiaries, and if we are unable to pay indebtedness secured by collateral when due, whether at maturity or if declared due and payable by the lender following a default, the lender generally has the right to seize and sell the collateral securing that indebtedness. There can be no assurance that we will not breach the covenants or other terms of our credit facilities or any other debt instruments in the future and, if a breach occurs, there can be no assurance that we will be able to obtain necessary waivers or amendments from the lender or to refinance the related indebtedness on terms we find acceptable, or at all. As a result, any breach or default of this nature may seriously harm our business.

Restrictions under our credit facilities. We must comply with covenants under our current credit facilities, which require the maintenance of a maximum Consolidated Total Net Leverage Ratio of 3.0 to 1.0 and a Minimum Consolidated Interest Coverage Ratio of 3.0 to 1.0 (as defined in our credit facilities). Our Consolidated Total Net Leverage Ratio and Consolidated Interest Coverage Ratio were 1.1 to 1.0 and 11.5 to 1.0 as of December 31, 2021, respectively. While we were in compliance with all applicable financial covenants under our credit facilities as of December 31, 2021, there can be no assurance that we will not breach these financial covenants in our credit facilities in the future or other covenants in our future credit facilities.

Our credit facilities also include covenants that limit or restrict our ability to, among other things, incur liens on our properties, make acquisitions and other investments and sell assets, in each case, subject to specified exceptions. In addition to the covenants described in the preceding sentence, we are also prohibited from incurring indebtedness other than debt owed to the lenders under our credit facilities, debt associated with certain liens permitted by our credit facilities, certain subordinated debt and other specified exceptions. Our credit facilities also contain restrictions on our ability to pay dividends or make distributions in respect of our common stock or redemptions or repurchases of our common stock.

We conduct our operations and sell our gear internationally and the effect of business, legal and political risks associated with international operations may seriously harm our business.

Sales to customers outside the United States accounted for 61.7% and 62.1% our net revenue for 2021 and 2020, respectively. In addition, substantially all of the gear that we sell is manufactured at facilities in Asia. Our international sales and operations are subject to a wide range of risks, which may vary from country to country or region to region. These risks include the following:

- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- political and economic instability;
- problems with the transportation or delivery of our gear;
- issues arising from cultural or language differences and labor unrest;

- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade and technical standards in a variety of jurisdictions;
- difficulties in staffing and managing international operations, including the risks associated with fraud, theft and other illegal conduct;
- compliance with laws and regulations, including environmental, employment and tax laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non-compliance;
- difficulties enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States and European countries;
- the risk that trade to or from some foreign countries, or companies in foreign countries that manufacture our gear or supply components that are used in our gear, may be affected by political tensions, trade disputes and similar matters, particularly between China and Taiwan or between China and the United States or Russia and Ukraine, and the United States and Russia;
- United States and foreign trade restrictions, including those that may limit the importation of technology or components to or from various countries or impose tariffs or quotas;
- difficulties or increased costs in establishing sales and distribution channels in unfamiliar markets, with their own market characteristics and competition; and
- imposition of currency exchange controls or taxes that make it impracticable or costly to repatriate funds from foreign countries.

To the extent we successfully execute our strategy of expanding into new geographic areas, these and similar risks will increase. There can be no assurance that the risks relating to our international operations will not seriously harm our business.

System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which may seriously harm our business.

Security breaches, computer malware and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may penetrate our security controls and misappropriate or compromise our confidential information or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in our systems. For example, we recently discovered the exploitation by hackers of our subsidiary SCUF's servers, which may have enabled such hackers to collect information provided by our customers, including payment card information, which is handled by our third-party ecommerce service provider. Such hackers utilized the credentials we had provided to another third-party to inject a script, which was active for a limited amount of time, that collected this information provided by customers. Additionally, for portions of our information technology infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses.

Actual or perceived breaches of our security measures, those of third-parties or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties have exposed, and may in the future could expose us and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to our brand and reputation or other serious harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions may seriously harm our business.

We may not be able to maintain compliance with all current and potentially applicable U.S. federal and state or foreign laws and regulations relating to privacy and cybersecurity, and actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate could have a material adverse effect on our business.

We are subject to a variety of laws, regulations, and industry standards that relate to the collection, processing, storing, disclosing, using, transfer and protecting of personal data and other data and the privacy of individuals. 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. Because we store, process and use data, some of which contain personal data, we are subject to complex and evolving federal, state and local laws and regulations regarding privacy, data protection and other matters. Many of these laws and regulations are subject to change and uncertain interpretation. The U.S. federal and state governments and agencies may in the future enact new legislation and promulgate new regulations governing collection, use, disclosure, storage, processing, transmission and destruction of personal data and other information. New privacy laws add additional complexity, requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact trading strategies and availability of previously useful data.

In addition, California enacted the California Consumer Privacy Act of 2018, or the CCPA, which came into force in 2020 (and is discussed in further detail below), which has encouraged “copycat” legislative proposals in other states across the country such as Nevada, Virginia, New Hampshire, Illinois and Nebraska. These legislative proposals may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact strategies and availability of previously useful data.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard, or PCI DSS, a security standard applicable to companies that collect, store or transmit certain data regarding credit and debit cards, holders and transactions. Any data security incidents, such as those described above, and/or other issues involving payment card information, can constitute a failure to comply with PCI DSS, which may therefore violate payment card association operating rules and the terms of our contracts with payment networks, processors and merchant banks. Such failure to comply may result in the loss of our ability to accept credit and debit card payments, subject us to fines, penalties, and damages. In addition, there is no guarantee that PCI DSS compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of data pertaining to credit and debit cards, credit and debit card holders and credit and debit card transactions.

Compliance with existing and emerging privacy and cybersecurity laws, regulations and industry standards could result in increased compliance costs and/or lead to changes in business practices and policies, and any failure to protect the confidentiality of client information could adversely affect our reputation, lead to private litigation against us, and require additional investment in resources, impact strategies and availability of previously useful data any of which could materially and adversely affect our business, operating results and financial condition.

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

In connection with certain of our gear, we collect data related to our gamers and streamers. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world. Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction. In addition, because various jurisdictions have different laws and regulations concerning the use, storage and transmission of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter.

Existing privacy-related laws and regulations in the United States and other countries are evolving and are subject to potentially differing interpretations, and various U.S. federal and state or other international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. For example, the European Union General Data Protection Regulation, or GDPR, which came into effect on May 25, 2018, has led to more stringent operational requirements for processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities. The GDPR provides that European Union member states may make their own additional laws and regulations in relation to certain data processing activities, which could limit our ability to use and share personal data or could require localized changes to our operating model. Under the GDPR, fines of up to €20 million or up to 4% of the total worldwide annual revenue of the preceding financial year, whichever is higher, may be assessed for non-compliance. These new laws also could cause our costs to increase and result in further administrative costs.

Further, the United Kingdom's decision to leave the European Union, often referred to as Brexit, means that from January 1, 2021, we are subject to the GDPR and also the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains the GDPR in UK national law. The UK GDPR mirrors the fines under the GDPR, e.g. fines up to the greater of €20 million / £17.5 million or 4% of global turnover.

Although there are legal mechanisms to allow for the transfer of personal data from the United Kingdom, EEA and Switzerland to the United States, uncertainty about compliance with such data protection laws remains, and such mechanisms may not be available or applicable with respect to the personal data processing activities necessary to research, develop and market our products and services. For example, legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the EEA or the United Kingdom to the United States could result in further limitations on the ability to transfer personal data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers. Specifically, on July 16, 2020, the Court of Justice of the European Union invalidated Decision 2016/1250 on the adequacy of the protection provided by the EU-U.S. Privacy Shield Framework and guidance following the Decision requires risk assessments to be conducted and, in many cases additional safeguards to be implemented to transfer data under the standard contractual clauses. These recent developments will require us to review and amend the legal mechanisms by which we make and/ or receive personal data transfers to/ in the U.S. At present, there are few if any viable alternatives to the Standard Contractual Clauses. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

We are also subject to evolving European Union and United Kingdom privacy laws on cookies, tracking technologies and e-marketing. In the European Union and the United Kingdom under national laws derived from the ePrivacy Directive, informed consent is required for the placement of a cookie or similar technologies on a user's device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent for cookies, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. The current national laws that implement the ePrivacy Directive are highly likely to be replaced across the European Union (but not directly in the United Kingdom) by an European Union regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. While the text of the ePrivacy Regulation is still under development, recent European court decisions and regulators' recent guidance are driving increased attention to cookies and tracking technologies. If the trend of increasing enforcement by regulators of the strict approach in recent guidance and decisions continues, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. Regulation of cookies and similar technologies, and any decline of cookies or similar online tracking technologies as a means to identify and potentially target users, may lead to broader restrictions and impairments on our marketing and personalization activities and may negatively impact our efforts to understand users.

In addition, the CCPA, which came into force in 2020, creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal data. For example, the CCPA gives California residents expanded rights to access and require deletion of their personal data, opt out of certain personal data sharing and receive detailed information about how their personal data is used. Failure to comply with the CCPA creates additional risks including enforcement by the California attorney general, private rights of actions for certain data breaches, and damage to reputation. The CCPA may increase our compliance costs and potential liability. Additionally, the Consumer Personal Information Law and Agency Initiative (California Proposition 24), the California Privacy Rights Act was approved by California voters on November 3, 2020. California Proposition 24 would impose additional data protection obligations on companies doing business in California. It will also create a new California data protection agency specifically tasked to enforce the law, which could likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The new California Privacy Rights Act takes effect on January 1, 2023 and will apply to information collected on or after January 1, 2022.

Further, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. Hackers and data thieves are increasingly sophisticated and operating large-scale and complex automated attacks. As cyber threats continue to evolve, we may be required to expend additional resources to further enhance our information security measures, develop additional protocols and/or to investigate and remediate any information security vulnerabilities. We cannot guarantee that our facilities and systems will be free of security breaches, cyber-attacks, acts of vandalism, computer viruses, malware, ransomware, denial-of-service attacks, misplaced or lost data, programming and/or human errors or other similar events. Any compromise or perceived compromise of the security of our systems could damage our reputation, result in disruption or interruption to our business operations, reduce demand for our products and subject us to

significant liability and expense as well as regulatory action and lawsuits, which would harm our business, operating results and financial condition.

In addition, any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards, or any security incident that results in the actual or alleged unauthorized release or transfer of personal data, may result in governmental enforcement actions and investigations, including fines and penalties, enforcement orders requiring us to cease processing or operating in a certain way, litigation and/or adverse publicity, including by consumer advocacy groups, and could cause our customers to lose trust in us, which could have material impacts on our revenue and operations and could seriously harm our business. We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

We may be adversely affected by the financial condition of retailers and distributors to whom we sell our gear and may also be adversely affected by the financial condition of our competitors.

Retailers and distributors of consumer electronics products have, from time to time, experienced significant fluctuations in their businesses and some of them have become insolvent. A retailer or distributor experiencing such difficulties will generally not purchase and sell as much of our gear as it would under normal circumstances and may cancel orders. In addition, a retailer or distributor experiencing financial difficulties generally increases our exposure to uncollectible receivables. Moreover, if one of our distributor or retailer customers experiences financial distress or bankruptcy, they may be required to liquidate their inventory of our gear, or similar products that compete with our gear, at reduced prices, which can result in substantial over-supply and reduced demand for our gear over the short term. If any of these circumstances were to occur, it could seriously harm our business.

Likewise, our competitors may from time to time experience similar financial difficulties or may elect to terminate their sales of certain products. If one of our competitors experiences financial distress or bankruptcy and is forced to liquidate inventory or exits a product line and disposes of inventory at reduced prices, this may also result in over-supply of and reduced demand for our gear and could have a short-term adverse effect on our results of operations and financial condition.

Our online operations are subject to numerous risks that may seriously harm our business.

Our online operations, where we sell a number of products through our online stores, subject us to certain risks that could seriously harm our business, financial condition and results of operations. For example, the operation and expansion of our online stores may seriously harm our relationships with our retailers and distributors. Further, existing and future regulations and laws could impede the growth of our online operations. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and social media marketing. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business and decrease the use of our sites by gamers, streamers and suppliers and may result in the imposition of monetary liability.

In addition, our online stores are partially handled by a third-party ecommerce service provider. We rely on this service provider to handle, among other things, payment and processing of online sales. If the service provider does not perform these functions satisfactorily, we may find another third-party service provider or undertake such operations ourselves, but we may not be able to successfully do either. In either case, our online sales and our customer service reputation could be adversely affected which, in turn, may seriously harm our business.

We may recognize restructuring and impairment charges in future periods, which will adversely affect our operating results and could seriously harm our business.

Depending on market and economic conditions in future periods, we may implement restructuring initiatives. As a result of these initiatives, we could incur restructuring charges, lose key personnel and experience disruptions in our operations and difficulties in delivering our gear.

We are required to test goodwill, intangible assets and other long-lived assets for recoverability and may be required to record charges if there are indicators of impairment, and we have in the past recognized impairment charges. As of December 31, 2021, we had approximately \$317.1 million of goodwill, \$225.7 million of intangible assets and \$73.4 million of other long-lived assets. One of our strategies is to grow through acquisitions of other businesses or technologies and, if we are successful in doing so, these

acquisitions may result in goodwill and other long-lived assets. The risk that we will be required to recognize impairment charges is also heightened by the fact that the life cycles of much of the gear we sell are relatively short, which increases the possibility that we may be required to recognize impairment charges for obsolete inventory. Impairment charges will adversely affect our operating results and could seriously harm our business.

Our future success depends to a large degree on our ability to defend the Corsair brand and product family brands such as SCUF, Vengeance, K70, Elgato and iCUE from infringement and, if we are unable to protect our brand and other intellectual property, our business may be seriously harmed.

We consider the Corsair brand to be one of our most valuable assets. We also consider the Elgato, Origin, and SCUF brands, proprietary technology brands such as iCUE and Slipstream, and major product family brands such as Corsair ONE, Dark Core, Dominator, Glaive, Harpoon, Ironclaw, K70, K100, Nightsword, Scimitar, Vengeance, Virtuoso and Void to be important to our business. Our future success depends to a large degree upon our ability to defend the Corsair brand, proprietary technology brands and product family brands from infringement and to protect our other intellectual property. We rely on a combination of copyright, trademark, patent and other intellectual property laws and confidentiality procedures and contractual provisions such as nondisclosure terms to protect our intellectual property. Although we hold a trademark registration on the Corsair name in the United States and a number of other countries, the Corsair name does not have trademark protection in other parts of the world, including some major markets, and we may be unable to register the Corsair name as a trademark in some countries. Likewise, we hold a trademark registration on certain brands such as K70 only in the United States, Australia and New Zealand and therefore such brands do not have trademark protection in other parts of the world. If third parties misappropriate or infringe on our brands or we are unable to protect our brands, or if third parties use the Corsair, Corsair ONE, Dark Core, Dominator, Elgato, Glaive, Harpoon, iCUE, Ironclaw, K70, K100, Nightsword, Origin, SCUF, Slipstream, Scimitar, Vengeance, Virtuoso and Void brand names, or other brand names we maintain, to sell their products in countries where we do not have trademark protection, it may seriously harm our business.

We hold a limited number of patents and pending patent applications. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged and that our pending or any future patent applications will not be granted. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property and others may independently develop similar technology, duplicate our gear, or design around any intellectual property rights we may have. Any of these events may seriously harm our business.

Certain of the licenses pursuant to which we are permitted to use the intellectual property of third parties can be terminated at any time by us or the other party. If we are unable to negotiate and maintain licenses on acceptable terms, we will be required to develop alternative technology internally or license it from other third parties, which may be difficult and costly or impossible.

The expansion of our business will require us to protect our trademarks, domain names, copyrights, patents and other intellectual property rights in an increasing number of jurisdictions, a process that is expensive and sometimes requires litigation. If we are unable to protect and enforce our trademarks, domain names, copyrights, patents and other intellectual property rights, or prevent third parties from infringing upon them, our business may be seriously harmed.

We have taken steps in the past to enforce our intellectual property rights and expect to continue to do so in the future. However, it may not be practical or cost-effective for us to enforce our rights with respect to certain items of intellectual property rights fully, or at all, particularly in developing countries where the enforcement of intellectual property rights may be more difficult than in the United States. It is also possible that, given the costs of obtaining patent protection, we may choose not to seek patent protection for certain items of intellectual property that may later turn out to be important.

Some of our products contain open source software, which may pose particular risks to our proprietary software and products.

Our products rely on software licensed by third parties under open source licenses, including as incorporated into software we receive from third-party commercial software vendors, and will continue to rely on such open source software in the future. Use of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, updates, warranties or other contractual protections regarding infringement claims or the quality of the code, and the wide availability of source code to components used in our products could expose us to security vulnerabilities. Further, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or commercialize our products. As a result, we may face claims from third parties claiming ownership of what we believe to be open source software. In addition, by the terms of some open source licenses, under certain conditions, we could be required to release our proprietary source code, and to make our proprietary software available under open source licenses, including authorizing further modification and redistribution. These claims

or requirements could result in litigation and could require us to purchase a costly license or cease offering the implicated products unless and until we can re-engineer them to avoid infringement or release of our proprietary source code. This re-engineering process could require significant additional research and development resources. In addition, we have intentionally made certain software we have developed available on an open source basis, both by contributing modifications back to existing open source projects, and by making certain internally developed tools available pursuant to open source licenses, and we plan to continue to do so in the future. While we engage in a review process for any such contributions, which is designed to protect any code that may be competitively sensitive, it is still possible that our competitors or others could use this code for competitive purposes, or for commercial or other purposes beyond what we intended. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could seriously harm our business.

We are, have in the past been, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies in the future.

Companies in the technology industry are frequently subject to litigation or disputes based on allegations of infringement or other violations of intellectual property rights. We have faced claims that we have infringed, or that our use of components or products supplied to us by third parties have infringed, patents or other intellectual property rights of others in the past and may in the future face similar claims. While we are currently involved in an intellectual property infringement claim, we do not believe such claim will have a material adverse effect on our business.

Any intellectual property claims, with or without merit, can be time-consuming, expensive to litigate or settle and can divert management resources and attention. For example, in the past we have settled claims relating to infringement allegations and agreed to make royalty or license payments in connection with such settlements. An adverse determination could require that we pay damages, which could be substantial, or stop using technologies found to be in violation of a third-party's rights and could prevent us from selling some of our gear. In order to avoid these restrictions, we may have to seek a license for the technology. Any such license may not be available on reasonable terms or at all, could require us to pay significant royalties and may significantly increase our operating expenses or otherwise seriously harm our business or operating results. As a result, we may be required to develop alternative non-infringing technologies, which could require significant effort and expense and might not be successful or, if alternative non-infringing technologies already exist, we may be required to license those technologies from third parties, which may be expensive or impossible. If we cannot license or develop technologies for any infringing aspects of our business, we may be forced to halt sales of our gear incorporating the infringing technologies and may be unable to compete effectively. Any of these results may seriously harm our business.

We and our contract manufacturers may be adversely affected by seismic activity or other natural disasters, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters are located in the San Francisco Bay Area and the testing and packaging of most of our DRAM modules take place in our facility in Taiwan. Both locations are known to experience earthquakes from time to time, some of which have been severe. In addition, typhoons and other severe weather systems frequently affect Taiwan. Most of the third-party facilities where our gear and some of the components used in our gear is manufactured are located in China, Taiwan, Southeast Asia and other areas that are known for seismic activity and other natural disasters. Earthquakes in any of the foregoing areas may also result in tsunamis. We do not carry earthquake insurance. As a result, earthquakes or other natural disasters could severely disrupt our operations, either directly or as a result of their effect on third-party manufacturers and suppliers upon whom we rely and their respective supply chains and may negatively impact the ordering patterns of our customers and may seriously harm our business.

We are subject to various environmental laws, conflict mineral-related provisions of the Dodd-Frank Act and other regulations that could impose substantial costs upon us and may seriously harm our business.

Our operations, properties and the gear we sell are subject to a variety of U.S. and foreign environmental laws and regulations governing, among other things, air emissions, wastewater discharges, management and disposal of hazardous and non-hazardous materials and waste, and remediation of releases of hazardous materials. Our failure to comply with present and future requirements under these laws and regulations, or environmental contamination or releases of hazardous materials on our leased premises, as well as through disposal of our gear, could cause us to incur substantial costs, including clean-up costs, personal injury and property damage claims, fines and penalties, costs to redesign our gear or upgrade our facilities and legal costs, or require us to curtail our operations. Environmental contamination or releases of hazardous materials may also subject us to claims of property damage or personal injury, which could result in litigation and require us to make substantial payments to satisfy adverse judgments or pay settlements. Liability under environmental laws can be joint and several and without regard to comparative fault. We also expect that our operations will be affected by new environmental laws and regulations on an ongoing basis, which will likely result in additional costs. Environmental laws and regulations could also require that we redesign our gear or change how our gear is made, any

of which could seriously harm our business. The costs of complying with environmental laws and regulations or the effect of any claims or liability concerning or resulting from noncompliance or environmental contamination could also seriously harm our business.

Under the Dodd-Frank Act, the SEC adopted disclosure and reporting requirements for companies that use “conflict” minerals originating from the Democratic Republic of Congo or adjoining countries. We continue to incur costs associated with complying with these requirements, such as costs related to developing internal controls for the due diligence process, determining the source of any conflict minerals used in our gear, auditing the process and reporting to our customers and the SEC. In addition to the SEC regulation, the European Union, China and other jurisdictions are developing new policies focused on conflict minerals that may impact and increase the cost of our compliance program. Also, since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals. Moreover, we are likely to encounter challenges to satisfy those customers who require that all of the components of our gear are certified as “conflict free.” If we cannot satisfy these customers, they may choose a competitor’s products.

The U.S. federal government has issued new policies for federal procurement focused on eradicating the practice of forced labor and human trafficking. In addition, the United Kingdom and the State of California have issued laws that require us to disclose our policy and practices for identifying and eliminating forced labor and human trafficking in our supply chain. While we have a policy and management systems to identify and avoid these practices in our supply chain, we cannot guarantee that our suppliers will always be in conformance to these laws and expectations. We may face enforcement liability and reputational challenges if we are unable to sufficiently meet these expectations.

Risks Related to Our Common Stock

We are controlled by EagleTree, whose interests in our business may be different than yours.

As of December 31, 2021, EagleTree beneficially owned approximately 57.3% of our common stock and is able to control our affairs in all cases. Further, pursuant to the terms of an Investor Rights Agreement between us and EagleTree, EagleTree has the right, among other things, to designate the chairman of our board of directors, as well as the right to nominate up to five out of eight directors to our board of directors as long as affiliates of EagleTree beneficially own at least 50% of our common stock, four directors as long as affiliates of EagleTree beneficially own at least 40% and less than 50% of our common stock, three directors as long as affiliates of EagleTree beneficially own at least 30% and less than 40% of our common stock, two directors as long as affiliates of EagleTree beneficially own at least 20% and less than 30% of our common stock and one director as long as affiliates of EagleTree beneficially own at least 10% and less than 20% of our common stock.

As a result of the foregoing, EagleTree or its respective designees to our board of directors will have the ability to control the appointment of our management, the entering into of mergers, sales of substantially all or all of our assets and other extraordinary transactions and influence amendments to our amended and restated certificate of incorporation and bylaws. So long as EagleTree continues to beneficially own a majority of our common stock, they will have the ability to control the vote in any election of directors and will have the ability to prevent any transaction that requires stockholder approval regardless of whether other stockholders believe the transaction is in our best interests. In any of these matters, the interests of EagleTree may differ from or conflict with your interests. Moreover, this concentration of stock ownership may also adversely affect the trading price for our common stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder. In addition, EagleTree is in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are our significant existing or potential suppliers or customers. EagleTree may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue.

We are a “controlled company” within the meaning of the Nasdaq rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

EagleTree controls a majority of the voting power of our outstanding common stock. As a result, we are a “controlled company” within the meaning of the corporate governance standards of the Nasdaq Global Select Market, or Nasdaq. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including requirements that:

- a majority of our board of directors consist of “independent directors” as defined under the rules of Nasdaq;

- our board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee purpose and responsibilities; and
- our director nominations be made, or recommended to the full board of directors, by our independent directors or by a nominations committee that is composed entirely of independent directors and that we adopt a written charter or board resolution addressing the nominations process.

We currently utilize certain of these exemptions. As a result, pursuant to an agreement with EagleTree, nominations for certain of our directors will be made by EagleTree based on its ownership of our outstanding voting stock. Accordingly, for so long as we are a “controlled company,” you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq. In the event that we cease to be a “controlled company” and our shares continue to be listed on Nasdaq, we will be required to comply with these provisions within the applicable transition periods.

The market price of our common stock may be volatile and may decline.

The stock market in general, and the market for stocks of technology companies in particular, has been highly volatile. As a result, the market price of our common stock is likely to be volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their common stock or the loss of their entire investment for a number of reasons, including reasons unrelated to our operating performance or prospects. The market price of our common stock could be subject to wide fluctuations in response to a broad and diverse range of factors, including those described elsewhere in this “Risk Factors” section and the following:

- variations in our operating performance and the performance of our competitors;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in estimates or recommendations by securities analysts concerning us or our competitors;
- publication of research reports by securities analysts about us or our competitors or our industry;
- our failure or the failure of our competitors to meet analysts’ estimates or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- developments of new technologies or other innovations;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community;
- changes in accounting principles;
- the outbreak of epidemics or pandemics, such as the coronavirus pandemic;
- natural disasters, terrorist acts, acts of war or periods of widespread civil unrest, such as any military actions taken as a result of the tensions between Russia and Ukraine; and
- changes in general market and economic conditions.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management’s attention and resources and could also require us to make substantial payments to satisfy judgments or to settle litigation.

An active, liquid and orderly market for our common stock may not be maintained.

Our stock only recently began trading on Nasdaq, but we can provide no assurance that we will be able to maintain an active trading market on Nasdaq or any other exchange in the future. If an active market for our common stock is not maintained, it may be difficult for our stockholders to sell shares without depressing the market price for the shares or at all. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications, or technologies using our shares as consideration.

Future sales of our common stock in the public market could cause our stock price to fall.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public, the trading price of our common stock could decline. Based upon the number of shares outstanding as of December 31, 2021, we had outstanding a total of 94.5 million shares of common stock. Of these shares, all of the shares of our common stock sold in the initial public offering and in the secondary offering in January 2021, are freely tradable, without restriction, in the public market.

As of December 31, 2021, the holders of approximately 54.2 million shares of our common stock, or approximately 57.3% of our total outstanding common stock based upon the number of shares outstanding as of December 31, 2021, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of common stock at a discount from the current trading price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline.

Our amended and restated certificate of incorporation and amended and restated bylaws contain antitakeover provisions that could delay, deter or prevent takeover attempts that stockholders may consider favorable or attempts to replace or remove our management that would be beneficial to our stockholders.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could delay, deter or prevent a change in control or other takeover of our company that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our common stock and also may limit the price that investors are willing to pay in the future for our common stock. These provisions may also have the effect of preventing changes in our management. For example, our amended and restated certificate of incorporation and amended and restated bylaws include anti-takeover provisions that:

- authorize our board of directors, without further action by the stockholders, to issue preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting that series and to establish the rights and other terms of that series, which may include dividend and liquidation rights and preferences, conversion rights and voting rights;
- require that actions to be taken by our stockholders may only be taken at an annual or special meeting of our stockholders and not be taken by majority written consent when EagleTree owns less than a majority of our outstanding common stock;
- specify that special meetings of our stockholders can be called only by the Secretary at the direction of our board of directors or the Chairman of our board of directors and not by our stockholders or any other persons when EagleTree owns less than a majority of our outstanding common stock;
- establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting;
- provide that directors may be removed only for cause and only by the affirmative vote of at least 66-2/3% in voting power of the then-outstanding shares of capital stock of our company when EagleTree owns less than 50% in voting power of our stock entitled to vote at an election of directors;
- provide for the sole power of the board of directors, or EagleTree in the case of a vacancy of one of their respective board designees, to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- divide our board of directors into three classes, serving staggered terms of three years each;
- do not give the holders of our common stock cumulative voting rights with respect to the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election;

- require the affirmative vote by the holders of at least two-thirds of the combined voting power of all shares of our outstanding capital stock entitled to vote generally in the election of our directors (voting as a single class) in order to amend certain provisions of our certificate of incorporation or bylaws, including those provisions changing the size of the
- board of directors, the removal of certain directors, the availability of action by majority written consent of the stockholders or the restriction on business combinations with interested stockholders, among others; and
- when EagleTree owns less than a majority of our outstanding common stock, require the affirmative vote by the holders of at least two-thirds of the combined voting power of all shares of our outstanding capital stock entitled to vote generally in the election of our directors (voting as a single class) for any amendment, alteration, change, addition, rescission or repeal of our amended and restated certificate of incorporation.

We have opted out of Section 203 of the Delaware General Corporation Law, or DGCL, which prevents stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations involving us unless certain conditions are satisfied. However, our amended and restated certificate of incorporation will include similar provisions that we may not engage in certain business combinations with interested stockholders for a period of three years following the time that the stockholder became an interested stockholder, subject to certain conditions. Pursuant to the terms of our amended and restated certificate of incorporation, EagleTree will not be considered an interested stockholder for purposes of this provision.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law.

In addition, as permitted by Section 145 of the DGCL, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that:

- we will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful;
- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- we will not be obligated pursuant to our amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees and agents.

We do not currently intend to pay dividends on our common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future. Since we do not intend to pay dividends, your ability to receive a return on your investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our holders have purchased it.

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

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

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (d) any action asserting a claim related to or involving our company that is governed by the internal affairs doctrine. Our amended and restated certificate of incorporation also provides that the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents and arising under the Securities Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could seriously harm our business. The choice of forum provision requiring that the Court of Chancery of the State of Delaware be the exclusive forum for certain actions would not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities.

Under our amended and restated certificate of incorporation, none of EagleTree or any of its respective portfolio companies, funds or other affiliates, or any of their officers, directors, agents, stockholders, members or partners will have any duty to refrain from engaging, directly or indirectly, in the same business activities, similar business activities or lines of business in which we operate. In addition, our amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of EagleTree will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual was presented with a corporate opportunity, other than specifically in their capacity as one of our officers or directors, and ultimately directs such corporate opportunity to EagleTree instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to EagleTree. For instance, a director of our company who also serves as a director, officer or employee of EagleTree, or any of its respective portfolio companies, funds or other affiliates may pursue certain acquisitions or other opportunities that may be complementary to our business and, as a result, such acquisition or other opportunities may not be available to us. As of December 31, 2021, this provision of our amended and restated certificate of incorporation relates only to the EagleTree director designees. These potential conflicts of interest could seriously harm our business if attractive corporate opportunities are allocated by EagleTree to itself or its respective portfolio companies, funds or other affiliates instead of to us.

General Risk Factors

We may be subject to future tax audits in various jurisdictions, which may seriously harm our business.

We operate in multiple jurisdictions, are taxed pursuant to the tax laws of each of these jurisdictions and may be subject to future tax audits in each of these jurisdictions. Because we have substantial operations in a number of locations worldwide, tax authorities in various jurisdictions may raise questions concerning matters such as transfer pricing, whether revenues or expenses should be attributed to particular countries, the presence or absence of permanent establishments in particular countries and similar matters. In addition, we have engaged in a number of material restructuring transactions in various jurisdictions, and the tax positions

we have adopted in connection with these restructuring transactions may be subject to challenge. Accordingly, a material assessment by a tax authority in any jurisdiction could require that we make significant cash payments without reimbursement. If this were to occur, our business may be seriously harmed.

Failure to comply with other laws and governmental regulations may seriously harm our business.

Our business is subject to regulation by various federal and state governmental agencies. Such regulation includes the consumer protection laws of the Federal Trade Commission, the import/export regulatory activities of the Department of Commerce, the product safety regulatory activities of the Consumer Products Safety Commission, the regulatory activities of the Occupational Safety and Health Administration, the environmental regulatory activities of the Environmental Protection Agency, the labor regulatory activities of the Equal Employment Opportunity Commission and tax and other regulations by a variety of regulatory authorities in each of the areas in which we conduct business. We are also subject to regulation in other countries where we conduct business. In certain jurisdictions, such regulatory requirements may be more stringent than in the United States. We are also subject to a variety of federal, state and foreign employment and labor laws and regulations, including the Americans with Disabilities Act, the Federal Fair Labor Standards Act and other laws and regulations related to working conditions, wage-hour pay, overtime pay, employee benefits, anti-discrimination and termination of employment.

Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, fines, damages, civil and criminal penalties or injunctions. In certain of these instances the former employee has brought legal proceedings against us, and we expect that we will encounter similar actions against us in the future. An adverse outcome in any such litigation could require us to pay damages, which may include punitive damages, attorneys' fees and costs.

As a result, noncompliance or any related enforcement or civil actions could result in governmental sanctions and possible civil or criminal litigation, which could seriously harm our business and result in a significant diversion of management's attention and resources.

Failure to comply with the U.S. Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable trade control laws could subject us to penalties and other adverse consequences that may seriously harm our business.

Our gear is manufactured and/or assembled in China, Taiwan, where we maintain a manufacturing facility, countries in Southeast Asia and the United Kingdom and we sell our gear in many countries outside of the United States. Our operations are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, as well as the anti-corruption and anti-bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly, to a "foreign government official" with the intent of improperly influencing the official's act or decision, inducing the official to act or refrain from acting in violation of lawful duty, or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions and to have an adequate system of internal accounting controls. In addition, other applicable anti-corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non-government parties, as well as so-called "facilitation" payments. In addition, we are subject to U.S. and other applicable trade control regulations that restrict with whom we may transact business, including the trade sanctions enforced by the U.S. Treasury, Office of Foreign Assets Control, or OFAC.

While we have implemented policies, internal controls and other measures reasonably designed to promote compliance with applicable anti-corruption and anti-bribery laws and regulations, and certain safeguards designed to ensure compliance with U.S. trade control laws, our employees or agents may engage in improper conduct for which we might be held responsible. Any violations of these anti-corruption or trade controls laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may seriously harm our business, financial condition and results of operations. In addition, our brand and reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti-bribery or trade control laws and regulations.

As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and Nasdaq regarding our internal controls over financial reporting. We may not complete needed improvements to our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock and your investment.

We are subject to the rules and regulations established from time to time by the Securities and Exchange Commission, or SEC, and Nasdaq. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal controls over financial reporting. As part of these evaluations, material weaknesses in our internal controls over financial reporting may be identified. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. While we were able to remediate previously identified material weaknesses in our internal controls over financial reporting, there can be no guarantee we will not identify similar or other material weaknesses in the future and if such material weaknesses are identified, there can be no guarantee we would be able to remediate such material weaknesses. Any material weaknesses in our internal controls may adversely affect our ability to record, process, summarize and accurately report timely financial information and, as a result, our consolidated financial statements may contain material misstatements or omissions.

Reporting obligations as a public company place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal controls over financial reporting. Likewise, our independent registered public accounting firm is required to provide an attestation report on the effectiveness of our internal controls over financial reporting in our Annual Reports on Form 10-K. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot deliver a report attesting to the effectiveness of our internal controls over financial reporting, or if we identify or fail to remediate material weaknesses in our internal controls, we could be subject to regulatory scrutiny and a loss of public confidence, which could seriously harm our reputation and the market price of our common stock. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could cause a decline in our common stock price and may seriously harm our business.

We will incur significant expenses as a result of being a public company, which will negatively impact our financial performance.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the U.S. Exchange Act of 1934, as amended, or the Exchange Act, which will require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and the stock exchange on which our securities are listed to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC has adopted additional rules and regulations in these areas, such as mandatory "say-on-pay" voting requirements. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate.

The rules and regulations applicable to public companies have substantially increased our legal and financial compliance costs. If these requirements divert the attention of our management and personnel from other business concerns, they could seriously harm our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our gear. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. Further, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Our business could be negatively impacted by corporate citizenship and ESG matters and/or our reporting of such matters.

Institutional, individual, and other investors, proxy advisory services, regulatory authorities, consumers and other stakeholders are increasingly focused on environmental, social and governance, or ESG, practices of companies. As we look to respond to evolving standards for identifying, measuring, and reporting ESG metrics, our efforts may result in a significant increase in costs and may nevertheless not meet investor or other stakeholder expectations and evolving standards or regulatory requirements, which may negatively impact our financial results, our reputation, our ability to attract or retain employees, our attractiveness as a service provider, investment, or business partner, or expose us to government enforcement actions, private litigation, and actions by stockholders or stakeholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our current principal executive office is located in Fremont, California and consists of approximately 96,000 square feet of space under a lease that expires in May 2022 and thereafter, we plan to move our principal executive office and headquarters to Milpitas, California. The lease for the new Milpitas headquarters occupies approximately 118,000 square feet and expires in August 2032. We also lease manufacturing and warehousing facilities in Georgia, Florida, Netherlands and Taiwan, as well as properties in various parts of the United States, Europe and Asia for our product development, sales and service support and administrative functions. Our total property leases as of December 31, 2021, which expire at various dates through August 2032, are for an aggregate of approximately 634,000 square feet (excluding the Fremont headquarters lease). In addition, we have approximately 306,000 square feet of space dedicated to us in our contracts with various third-party distribution centers in California and China for additional warehouses to store our inventory.

Both our gamer and creator peripherals segment and gaming components and systems segment utilize substantially each of our leased facilities.

We believe that the facilities that we currently occupy are adequate for our current needs and that suitable additional space will be available, as needed, to accommodate the presently foreseeable expansion of our operations.

Item 3. Legal Proceedings.

We may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of our business. Although the outcome of any pending matters, and the amount, if any, of our ultimate liability and any other forms of remedies with respect to these matters, cannot be determined or predicted with certainty, we do not believe that the ultimate outcome of these matters will have a material adverse effect on our business, results of operations or financial condition.

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.

Market Information of our Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol “CRSR”.

Holders

According to the records of our transfer agent, there were 17 holders of record of our common stock on February 14, 2022. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and covenants and other factors that our board of directors may deem relevant. Further, our credit facilities also contain restrictions on our ability to pay dividends or make distributions in respect of our common stock or redemptions or repurchases of our common stock and future credit facilities or other borrowing arrangements may contain similar provisions.

Stock Performance Graph

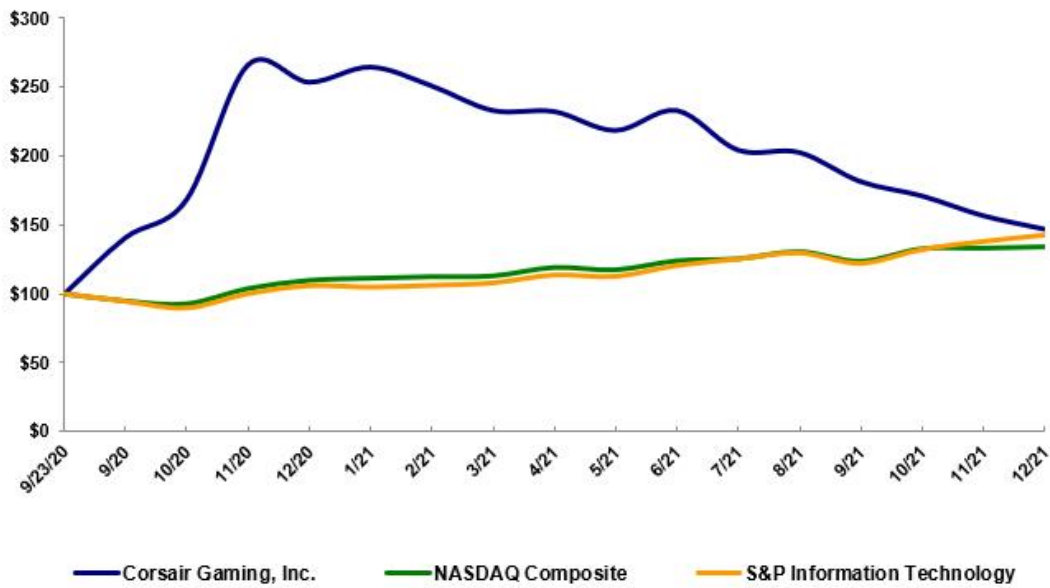
This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC, for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act.

The graph below compares (i) the cumulative total stockholder return on our common stock from September 23, 2020 (the date our common stock commenced trading on Nasdaq Global Select Market) through December 31, 2021 with (ii) the cumulative total

return of the Nasdaq Composite Index and the S&P Information Technology Index over the same period, assuming the investment of \$100 in our common stock and in both of the indices on September 23, 2020 and the reinvestments of dividends, if any.

COMPARISON OF 15 MONTH CUMULATIVE TOTAL RETURN*

Among Corsair Gaming, Inc., the NASDAQ Composite Index
and the S&P Information Technology Index



*\$100 invested on 9/23/20 in stock or 8/31/20 in index, including reinvestment of dividends.
Fiscal year ending December 31.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

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 in conjunction with the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section Item 1A, “Risk Factors” and below in Item 7A, “Quantitative and Qualitative Disclosures about Market Risk”.

Overview

We are a leading global provider and innovator of high-performance gear for gamers, streamers and content creators, many of which build their own PCs using our components. Our industry-leading gaming gear helps digital athletes, from casual gamers to committed professionals, perform at their peak across PC or console platforms, and streaming gear that enables streamers and content creators to produce studio-quality content to share with friends or to broadcast to millions of fans. Our PC components products offer our customers multiple options to build their customized gaming and workstation desktop PCs. Our solution is the most complete suite of gear that addresses the most critical components for both game performance and streaming. Our product offering is enhanced by our two proprietary software platforms: iCUE for gamers and the Elgato streaming suite for content creators, including our Stream Deck control software, which provide unified, intuitive performance, and aesthetic control and customization across their respective product families. In 2020, we also added a digital services layer to our offerings to enhance the customer experience by integrating esports, coaching, stream deck marketplace, customer care and extended warranty into our offerings.

We group our products into two categories (segments):

- **Gamer and creator peripherals.** Includes our high-performance gaming keyboards, mice, headsets, controllers, and streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming camera, studio accessories, and EpocCam software, as well as coaching and training services and content design services, among others.
- **Gaming components and systems.** Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others.

Further information on our industry, our market opportunity and competitive strengths is presented in Part I, Item 1, “Business” of this Annual Report on Form 10-K.

Our net revenue was \$1,904.1 million, \$1,702.4 million, and \$1,097.2 million for the years ended December 31, 2021, 2020, and 2019, respectively. We had net income (loss) of \$101.0 million, \$103.2 million and \$(8.4) million, respectively. Net cash provided by operating activities was \$20.2 million, \$169.0 million, and \$37.1 million for the years ended December 31, 2021, 2020, and 2019, respectively. We continue to experience a shift in net revenue towards a more significant mix of our higher margin gamer and creator peripherals segment, which represented 34.0%, 31.7% and 26.8% of total net revenue for the years ended December 31, 2021, 2020 and 2019, respectively. As our product portfolio continues to expand, our go-to-market model has also been evolving with an increased mix of direct-to-consumer sales representing 10.7%, 8.6% and 2.7% of total net revenue for the years ended December 31, 2021, 2020 and 2019, respectively.

Our net revenue increased 55.2% in 2020, as compared to 2019, primarily due to a larger number of consumers gaming and working from home as a result of the COVID-19 pandemic. Going into 2021, while the lockdowns and shelter-in-place restrictions were gradually lifted, our net revenue continued to grow by 11.8%, despite the negative impact from the global supply chain and logistics challenges as well as the shortages of reasonably priced GPUs, which led to a decrease in demand for self-built gaming PCs and systems and its related components. We also experienced higher cost of goods sold in 2021 primarily related to expenses on freight and logistics due to supply chain and logistics issues. The full extent of the impact of COVID-19 pandemic remains uncertain, which has and may continue to negatively impact our net revenue and gross margin. While we experienced the aforementioned challenges in 2021 caused by the COVID-19 pandemic, our 2021 revenue and gross profits represented strong growth from 2019, pre-pandemic, by 73.5% and 129.1%, respectively.

In the last 18 months, we have entered into three large new markets: microphones and cameras for content creators and gaming monitors for both gamers and content creators. In addition, we have launched 141 new products in 2021. Over the longer term, we believe we will be able to continue to grow in new markets as well as the markets that we participate in through innovation and leading technologies and entry into new categories via organic growth or acquisition. Since 2018, we have completed eight acquisitions, including our acquisition of a 51% of the share capital of iDisplay Technology, or “iDisplay”, a leader in electronic development and design specializing in display technology, in January 2022.

Key Factors Affecting Our Business

Our results of operations and financial condition are affected by numerous factors, including those discussed in the section titled “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K and those described below.

Impact of Industry Trends. Our results of operations and financial condition are impacted by industry trends in the gaming market, including:

- **Increasing gaming engagement.** We believe that gaming’s increasing time share of global entertainment consumption will drive continued growth in spending on both games and gaming gear. Gaming continues to become increasingly social and streaming viewership is more widely adopted along with increasing numbers of content creators. We believe this trend, which has accelerated in the current environment, will continue and we are well positioned to serve the streaming market with best-in-class tools for content creation.
- **Introduction of new high-performance computing hardware and sophisticated games.** We believe that the introduction of more powerful CPUs and GPUs that place increased demands on other system components, such as memory, power supply or cooling, has a significant effect on increasing the demand for our gear. In addition, we believe that our business success depends in part on the introduction and success of games with sophisticated graphics that place increasing demands on system processing speed and capacity and therefore require more powerful CPUs or GPUs, which in turn drives demand for our high-performance gaming components and systems, such as PSUs and cooling solutions, and our gaming PC memory. As a result, our operating results may be materially affected by the timing of, and the rate at which computer hardware companies introduce, new and enhanced CPUs and GPUs, the timing of, and rate at which computer game companies and developers introduce, sophisticated new and improved games that require increasingly high levels of system and graphics processing power, and whether these new products and games are widely accepted by gamers.

Impact of Product Mix. Our gamer and creator peripherals segment has a higher gross margin than our gaming components and systems segment. As a result, our overall gross margin is affected by changes in product mix. External factors can have an impact on our product mix, such as popular game releases that can increase sales of peripherals and availability of new CPUs and GPUs that can impact component sales. In addition, within our gamer and creator peripherals and gaming components and systems segments, gross margin varies between products, and significant shifts in product mix within either segment may also significantly impact our overall gross margin.

Impact of Customer Concentration. We operate a global sales network that consists primarily of retailers (including eRetailers), as well as distributors we use to access certain retailers. Further, a limited number of retailers and distributors represent a significant portion of our net revenue, with eRetailer Amazon accounting for 26.7%, 24.6% and 25.1% of our net revenue for 2021, 2020, and 2019, respectively, and sales to our ten largest customers accounting for approximately 51.7%, 52.7%, and 51.6% of our net revenue for the same periods, respectively. Our customers typically do not enter into long-term agreements to purchase our gear but instead enter into purchase orders with us. As a result of this concentration and the lack of long-term agreements with our customers, a primary driver of our net revenue and operating performance is maintaining good relationships with these retailers and distributors. To help maintain good relationships, we implement initiatives such as our updated packaging design which helps eRetailers such as Amazon process our packages more efficiently. Further, given our global operations, a significant percentage of our expenses relate to shipping costs. Our ability to effectively optimize these shipping expenses, for example utilizing expensive shipping options such as air freight for smaller packages and more urgent deliveries and more cost-efficient options, such as train or boat, for other shipments, has an impact on our expenses and results of operations.

Impact of New Product Introductions. Gamers demand new technology and product features, and we expect our ability to accurately anticipate and meet these demands will be one of the main drivers for any future sales growth and market share expansion. In 2021, we had several product introductions that had a favorable impact on our net revenue and operating results, such as the introduction of our new K65 mini RGB keyboard, Elgato’s new accessories including our new Facecam, Corsair DDR5 memory and new high-performance gaming controllers including SCUF Reflex, Reflex Pro and Reflex FPS, among others. However, there can be no assurance that our new product introductions will have a favorable impact on our operating results or that customers will choose our new gear over those of our competitors.

Impact of Seasonal Sales Trends. Since 2020, our revenue seasonality has been impacted positively and negatively, and thus has not followed historic patterns, by external events, such as shelter-in-place restrictions, global supply chain and logistics issues and availability of affordable GPUs, primarily caused by the COVID-19 pandemic. Historically, prior to 2020, we have experienced and expect to continue to experience seasonal fluctuations in sales due to the buying patterns of our customers and spending patterns of gamers. Our net revenue has generally been lowest in the first and second calendar quarters due to lower consumer demand following the fourth quarter holiday season and because of the decline in sales that typically occurs in anticipation of the introduction of new or

enhanced CPUs, GPUs, and other computer hardware products, which usually take place in the second calendar quarter and which tend to drive sales in the following two quarters. Further, our net revenue tends to be higher in the third and fourth calendar quarter due to seasonal sales such as “Black Friday,” “Cyber Monday” and “Singles Day” in China, as retailers tend to make purchases in advance of these sales, and our sales also tend to be higher in the fourth quarter due to the introduction of new consoles and high-profile games in connection with the holiday season. As a consequence of seasonality, our net revenue for the second calendar quarter is generally the lowest of the year followed by the first calendar quarter. Historical seasonal patterns may not continue in the future and have been impacted, and may be further impacted in the future, by increasing supply constraints, GPU shortages, shifts in customer behavior and the evolving impacts of the COVID-19 pandemic.

Impact of Fluctuations in Currency Exchange Rates. We are subject to inherent risks attributed to operating in a global economy. Some of our international sales are denominated in foreign currencies and any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign countries, in particular the Euro and the British Pound could have an adverse impact on our net revenue. In addition, we generally pay our employees located outside the United States in the local currency, with a significant portion of those payments being made in Taiwan dollars and Euros. As a result of our foreign sales and operations, we have other expenses, assets and liabilities that are denominated in foreign currencies, in particular the Chinese Yuan, Euro and British Pound.

Impact of COVID-19. Due to the COVID-19 pandemic, there has been and will continue to be uncertainty and disruption in the global economy and financial markets. Since early 2020, we have experienced some business disruptions due to COVID-19, including the stoppage in our factories in early 2020, disruption in our supply chain and increased distribution costs in 2021, which led to increases in operating costs such as the significantly elevated ocean freight costs we incurred in the second half of 2021 as compared to the same period of 2020. These negative financial impacts have been offset by revenue growth in 2020 and 2021, partly due to an increase in demand for our gear as more people are under shelter-in-place restrictions, which we believe have limited people’s access to alternative forms of entertainment and social interaction, and thus have increased the demand for home entertainment and connecting with others through content creation. In contrast, as the COVID-19 pandemic subsides, it has, and could continue to, result in shelter-in-place and other similar restrictions being eased. Such easing of restrictions likely has, and will continue to, result in consumers returning to other alternative forms of entertainment and interaction. This in turn has, and could continue to, result in a decline in demand for our products. The full extent of the impact of the COVID-19 pandemic on our business, results of operations, cash flows and financial position will depend on future developments, which are highly uncertain and cannot be fully predicted.

We continue to evaluate the nature and extent of the impact of the COVID-19 pandemic to our business and we have implemented various measures to attempt to mitigate the disruptive logistics impact to our business, specifically around managing inventory stocking level at our distribution hubs and determining the mode of shipment used to deploy our gear to the customers, and we are also ready to implement adjustments to our expenses and cash flow in the event of declines in revenues.

Impact of Fluctuations in Integrated Circuits Pricing. Integrated circuits, or ICs, account for most of the cost of producing our high-performance memory products. IC prices are subject to pricing fluctuations which can affect the average sales prices of memory modules, and thus impact our net revenue, and can have an effect on gross margins. The impact on net revenues can be significant as our high-performance memory products, included within our gaming components and systems segment, represent a significant portion of our net revenue.

Components of our Operating Results

Net Revenue

We generate materially all of our net revenue from the sale of gamer and creator peripherals and gaming components and systems to retailers, including online retailers, gamers and distributors worldwide. Our revenue is recognized net of allowances for returns, discounts, sales incentives and any taxes collected from customers.

Cost of Revenue

Cost of revenue consists of product costs, including costs of contract manufacturers, inbound freight costs from manufacturers to our distribution hubs as well as inter-hub shipments, cost of materials and overhead, duties and tariffs, warranty replacement cost to process and rework returned items, depreciation of tooling equipment, warehousing costs, excess and obsolete inventory write-downs,

and certain allocated costs related to facilities and information technology, or IT, and personnel-related expenses and other operating expenses related to supply chain logistics.

Operating Expenses

Operating expenses consist of sales, general and administrative expenses and product development expenses.

Sales, general and administrative. Sales, general and administrative, or SG&A expenses represent the largest component of our operating expenses and consist of distribution costs, sales, marketing and other general and administrative costs. Distribution costs include outbound freight and the costs to operate our distribution hubs. Sales and marketing costs relate to the costs to operate our global sales force that works in conjunction with our channel partners, gaming team and event sponsorships, advertising and marketing promotions of our products and services, costs of maintaining our web store and credit card processing fees related to sales on our webstore, personnel-related cost and allocated overhead costs. General and administrative costs consist primarily of personnel-related expenses for our finance, legal, human resources, IT and administrative personnel, as well as the costs of professional services related to these functions and allocated overhead costs.

We expect our total sales, general and administrative expenses to increase in absolute dollars as we continue to actively promote and distribute a higher volume of our products and also due to the anticipated growth of our business and related infrastructure, including increase in legal, accounting, insurance, compliance, investor relations and other consulting costs.

Product development. Product development costs are generally expensed as incurred. Product development costs consist primarily of the costs associated with the design and testing of new products and improvements to existing products. These costs relate primarily to compensation of personnel and consultants involved with product design, definition, compatibility testing and qualification, as well as depreciation costs of equipment used, prototype material costs and allocated overhead costs.

We expect our product development expenses to increase in absolute dollars as we continue to make significant investments in developing new products and enhancing existing products.

Interest Expense

Interest expense consists of interest associated with our debt financing arrangements, including our revolving line of credit, amortization of debt issuance costs and debt discounts, loss from debt extinguishment, consisting of the write-off of unamortized debt discount and fees associated with the prepayment of our term loans, and the change in fair value of our interest rate cap contracts.

Other (Expense) Income, Net

Other (expense) income, net consists primarily of our foreign currency exchange gains and losses relating to transactions and remeasurement of asset and liability balances denominated in foreign currencies. We expect our foreign currency gains and losses to continue to fluctuate in the future due to changes in foreign currency exchange rates.

Income Tax (Expense) Benefit

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to United States income, the utilization of foreign tax credits and changes in tax laws. Deferred tax assets are reduced through the establishment of a valuation allowance, if, based upon available evidence, it is determined that it is more likely than not that the deferred tax assets will not be realized.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the tax and financial reporting bases of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled.

Results of Operations

The following tables set forth the components of our consolidated statements of operations, in dollars and as a percentage of total net revenue, for each of the periods presented.

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Net revenue	\$ 1,904,060	\$ 1,702,367	\$ 1,097,174
Cost of revenue	1,390,206	1,236,938	872,887
Gross profit	513,854	465,429	224,287
Operating expenses:			
Sales, general and administrative	315,672	257,004	163,033
Product development	60,288	50,064	37,547
Total operating expenses	375,960	307,068	200,580
Operating income	137,894	158,361	23,707
Other (expense) income:			
Interest expense	(17,673)	(35,137)	(35,548)
Other expense, net	(5,661)	(1,182)	(1,558)
Total other expense, net	(23,334)	(36,319)	(37,106)
Income (loss) before income taxes	114,560	122,042	(13,399)
Income tax (expense) benefit	(13,600)	(18,825)	5,005
Net income (loss)	\$ 100,960	\$ 103,217	\$ (8,394)

	Year Ended December 31,		
	2021	2020	2019
Net revenue	100.0%	100.0%	100.0%
Cost of revenue	73.0	72.7	79.6
Gross profit	27.0	27.3	20.4
Operating expenses:			
Sales, general and administrative	16.6	15.1	14.9
Product development	3.2	2.9	3.4
Total operating expenses	19.7	18.0	18.3
Operating income	7.2	9.3	2.2
Other (expense) income:			
Interest expense	(0.9)	(2.1)	(3.2)
Other expense, net	(0.3)	(0.1)	(0.1)
Total other expense, net	(1.2)	(2.1)	(3.4)
Income (loss) before income taxes	6.0	7.2	(1.2)
Income tax (expense) benefit	(0.7)	(1.1)	0.5
Net income (loss)	5.3%	6.1%	(0.8)%

Components of Results of Operations

Net Revenue

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Net revenue	\$ 1,904,060	\$ 1,702,367	\$ 1,097,174

Net revenue increased \$201.7 million, or 11.8%, in 2021 as compared to 2020. This was due to a 20.0% increase in sales for our gamer and creator peripherals segment and an 8.1% increase in sales for our gaming components and systems segment. This increase in sales was largely due to increased demand for our products in 2020 and the first half of 2021 driven by the COVID-19 pandemic, with such growth beginning to slow down in the second half of 2021, partly due to the easing of the COVID-19 shelter-in-place restrictions resulting in the reopening of most outside entertainment. In addition, our second half 2021 revenue was negatively

impacted by the global supply and logistics constraints caused by the COVID-19 pandemic, as well as the shortage of reasonably priced GPUs.

Net revenue increased \$605.2 million, or 55.2%, in 2020 as compared to 2019. This increase was due to strong revenue growth in both segments. We believe the increased demand of our products was generally due to a larger number of consumers gaming and working from home due to the COVID-19 pandemic in 2020, in addition to existing customers upgrading their systems and gear for a better gaming and/or streaming experience, and to a lesser extent, the inclusion of post-acquisition revenues from our acquisitions of SCUF and Origin.

Gross Profit and Gross Margin

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Gross profit	\$ 513,854	\$ 465,429	\$ 224,287
Gross margin	27.0%	27.3%	20.4%

Gross margin decreased to 27.0% in 2021 from 27.3% in 2020. The decrease was driven primarily by an increase in logistics costs which were largely driven by global shipping and logistics challenges caused by the COVID-19 pandemic, and increased promotional activity. These negative impacts were partially offset by an increase in gross margin from an improved product mix with more sales from the higher margin gamer and creator peripherals segment.

Gross margin increased to 27.3% in 2020 from 20.4% in 2019. The increase in gross margin was primarily driven by increased sales volume, an improved product mix with more higher margin products being sold in 2020 as compared to 2019 and less promotional activity. This increase was partially offset by increased air freight costs driven primarily by tightness in inventory supply due to the COVID-19 pandemic in 2020.

As the global shipping and logistics challenges continue into 2022, we expect our 2022 gross margins to remain pressured by elevated logistics costs.

Sales, General and Administrative (SG&A)

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Sales, general and administrative	\$ 315,672	\$ 257,004	\$ 163,033

SG&A expenses increased \$58.7 million, or 22.8%, in 2021 as compared to 2020. The increase was primarily due to a \$22.4 million increase in distribution costs primarily driven by an increase in sales volume as well as higher freight costs due to the global supply chain and logistics constraints caused by the COVID-19 pandemic, a \$18.3 million increase in personnel-related costs due to headcount growth and higher stock-based compensation, a \$5.3 million increase in director and officer insurance policy fees, a \$5.2 million increase in marketing and advertising expenses, mainly due to increase in sponsorships and digital marketing programs, and a \$3.5 million increase in credit card fees due to increased sales through our webstore.

SG&A expenses increased \$94.0 million, or 57.6%, in 2020 as compared to 2019. The increase was primarily due to the inclusion of \$29.1 million of SCUF's post-acquisition SG&A expenses, including debt refinancing costs for funding the SCUF acquisition and acquisition and integration costs related to the SCUF Acquisition, a \$27.4 million increase in distribution costs including outbound freight and the costs to operate our distribution hubs due to increased sales volume, a \$24.3 million increase in personnel-related costs due to headcount growth and higher bonus expense, a \$6.0 million increase in marketing expenses and a \$4.4 million increase in fees primarily related to increased credit card fees due to increased sales through our webstore and fees from our insurance policies.

Product Development

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Product development	\$ 60,288	\$ 50,064	\$ 37,547

Product development expenses increased \$10.2 million, or 20.4%, in 2021 as compared to 2020. The increase was primarily due to a \$6.9 million increase in personnel-related expenses due to headcount growth and higher stock-based compensation, a \$1.4 million

increase in consultant and contractor expense supporting our business development efforts and a \$1.9 million increase in other product development related costs to support our continued innovation and broadening of our product portfolio.

Product development expenses increased \$12.5 million, or 33.3%, in 2020 as compared to 2019. The increase was primarily driven by a \$5.7 million increase in personnel-related expenses due to headcount growth and higher bonus expense, the inclusion of \$5.8 million of SCUF's post-acquisition product development expenses and a \$5.5 million increase in other product development related expenses. These increases were partially offset by a \$4.5 million decrease in amortization expense of developed technologies intangible assets.

Interest Expense and Other Expense, Net

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Interest expense	\$ (17,673)	\$ (35,137)	\$ (35,548)
Other expense, net	(5,661)	(1,182)	(1,558)

Interest expense decreased \$17.5 million, or 49.7%, in 2021 as compared to 2020. The decrease was primarily due to lower interest expense paid in 2021 for our First Lien Term Loan as a result of the partial and full repayment of such loan in 2020 and 2021, and no interest paid for our Second Lien Term Loan due to the full repayment of such loan in 2020. Additionally, to a lesser extent, the decrease was due to the lower interest rate on our new Term Loan (defined below) executed in September 2021 which replaced our First Lien Term Loan (defined below). These decreases in interest expense were offset partially by higher losses incurred on debt extinguishment in 2021 compared to 2020 as the total debt amount extinguished in 2021 was higher than in 2020.

Interest expense decreased \$0.4 million, or 1.2%, in 2020 as compared to 2019. The decrease was primarily due to lower interest expense paid in 2020 for our First Lien Term Loan and Second Lien Term Loan as a result of the partial extinguishment of our First Lien Term Loan and full extinguishment of our Second Lien Term Loan as well as a decrease in interest from borrowings from our line of credit. The decrease in interest expense was partially offset by an aggregate of \$4.2 million write-off of deferred debt discounts and issuance costs associated with extinguishments of our term loans and a \$0.5 million loss recognized for the change in fair value of our interest rate cap contracts.

Other (expense) income, net relates primarily to the gains and losses resulting from the impact of foreign exchange rate changes on our cash, accounts receivable and intercompany balances denominated in currencies other than the functional currencies in our subsidiaries. Our foreign currency exposure is primarily driven by fluctuations in the foreign currency exchanges rates of the Euro, British Pound and the Chinese Yuan.

Income Tax (Expense) Benefit

	Year Ended December 31,		
	2021	2020	2019
	(in thousands, except percentages)		
Income (Loss) Before Income Taxes	\$ 114,560	\$ 122,042	\$ (13,399)
Income Tax (Expense) Benefit	(13,600)	(18,825)	5,005
Effective Tax Rate	11.9%	15.4%	37.4%

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to United States income, the utilization of net operating loss and tax credit carry forwards, changes in geographic mix of income and expense, and changes in management's assessment of matters such as the ability to realize deferred tax assets, and changes in tax laws.

Our effective tax rates were tax expense of 11.9% and 15.4% for 2021 and 2020, respectively. The change in effective tax rate for 2021 as compared to 2020 was primarily due to excess tax benefits from stock-based compensation as well as the recognition of a \$3.1 million tax benefit resulting from the change in management's assessment of the realizability of our California deferred tax assets as a result of the increased U.S. profitability.

Our effective tax rates were tax expense of 15.4% and tax benefit of 37.4% for 2020 and 2019, respectively. The change in effective tax rate for 2020 as compared to 2019 was primarily due to an increase in income before income tax compared to 2019, the change in the mix of income and losses in the various tax jurisdictions in which we operate, the recognition of a \$4.6 million tax benefit resulting from the change in management's assessment of the realizability of certain deferred tax assets as a result of the reorganization of our organizational structure in connection with our IPO, and a \$0.6 million one-time benefit from the change in tax law resulting from the enactment of the Coronavirus Aid, relief and Economic Security Act ("CARES Act") in the first quarter 2020.

Segment Results

Segment Net Revenue

The following table sets forth our net revenue by segment expressed both in dollars (thousands) and as a percentage of net revenue:

	Year Ended December 31,					
	2021		2020		2019	
Gamer and Creator Peripherals Segment	\$ 647,202	34.0%	\$ 539,366	31.7%	\$ 294,141	26.8%
Gaming Components and Systems Segment						
Memory Products	612,964	32.2	609,053	35.8	463,406	42.2
Other Component Products	643,894	33.8	553,948	32.5	339,627	31.0
	<u>1,256,858</u>	<u>66.0</u>	<u>1,163,001</u>	<u>68.3</u>	<u>803,033</u>	<u>73.2</u>
Total Net Revenue	<u>\$ 1,904,060</u>	<u>100.0%</u>	<u>\$ 1,702,367</u>	<u>100.0%</u>	<u>\$ 1,097,174</u>	<u>100.0%</u>

Gamer and Creator Peripherals Segment

Net revenue of the gamer and creator peripherals segment increased \$107.8 million, or 20.0%, in 2021 as compared to 2020 due to revenue growth across almost all product categories. In particular, the Elgato branded content creator products was our fastest growing category in this segment and accounted for approximately one-third of the segment's revenue. We believe revenue growth in this segment was driven in part by the COVID-19 shelter-in-place orders that prompted consumers to spend more time working and gaming at home and gamers seeking to improve their performance by upgrading their gear. The volume of the products shipped in this segment was lower in the second half of 2021 than the first half of 2021 primarily due to global supply and logistics constraints caused by the COVID-19 pandemic.

Net revenue of the gamer and creator peripherals segment increased \$245.2 million, or 83.4%, in 2020 as compared to 2019 primarily due to strong sales growth in sales of Elgato branded streaming products, we believe driven in part by the COVID-19 shelter-in-place orders as consumers spend more time working and gaming at home, and the inclusion of SCUF post-acquisition revenue.

Gaming Components and Systems Segment

Net revenue of the gaming components and systems segment increased \$93.9 million or 8.1%, in 2021 as compared to 2020. We believe the revenue growth was driven in part by the COVID-19 shelter-in-place orders, particularly, for our PSUs and pre-built systems. The revenue growth in this segment was partially offset in the second half of 2021 due to the shortage of reasonably priced GPUs which curtailed the demand for new PC builds and related components, as well as global supply and logistics constraints caused by the COVID-19 pandemic.

Net revenue of the gaming components and systems segment increased \$360.0 million, or 44.8%, in 2020 as compared to 2019 primarily as a result of strong sales growth across all products due to continued strong market demand, we believe driven in part by the COVID-19 shelter-in-place orders, and to a lesser extent, the inclusion of Origin post-acquisition revenue.

Segment Gross Profit and Gross Margin

The following table sets forth our gross profit expressed in dollars (thousands) and gross margin (which we define as gross profit as a percentage of net revenue) by segment:

	Year Ended December 31,					
	2021		2020		2019	
Gamer and Creator Peripherals Segment	\$ 224,920	34.8%	\$ 189,742	35.2%	\$ 81,363	27.7%
Gaming Components and Systems Segment						
Memory Products	108,901	17.8	125,026	20.5	74,781	16.1
Other Component Products	180,033	28.0	150,661	27.2	68,143	20.1
	<u>288,934</u>	<u>23.0</u>	<u>275,687</u>	<u>23.7</u>	<u>142,924</u>	<u>17.8</u>
Total Gross Profit	<u>\$ 513,854</u>	<u>27.0%</u>	<u>\$ 465,429</u>	<u>27.3%</u>	<u>\$ 224,287</u>	<u>20.4%</u>

Gamer and Creator Peripherals Segment

The gross profit of the gamer and creator peripherals segment increased in 2021 by \$35.2 million, or 18.5%, as compared to 2020, largely due to the revenue growth of 20.0% in the same period. Gross margin decreased by 40 basis points primarily due to increased logistics costs caused by the COVID-19 pandemic disruptions and increased promotional activity. These negative impacts to the gross margin were partially offset by the strong growth in the sales of our higher margin Elgato branded content creator products and better leverage on our fixed cost from higher sales volume year-over-year.

The gross profit of the gamer and creator peripherals segment increased in 2020 by \$108.4 million, or 133.2%, as compared to 2019, largely due to the strong revenue growth of 83.4% in the same period. The 7.5% increase in gross margin was primarily driven by the addition of higher margin SCUF products and the strong growth in sales of higher margin Elgato branded content creator products, coupled with less promotional activities.

Gaming Components and Systems Segment

The gross profit of the gaming components and systems segment increased in 2021 by \$13.2 million, or 4.8%, compared to 2020, primarily due to the revenue growth of 8.1% in the same period. The 70 basis points decrease in gross margin was primarily attributable to our memory products due to lower selling prices as a result of competitive pricing pressure in addition to increased freight and logistics costs across this segment caused by the COVID-19 pandemic disruptions.

The gross profit of the gaming components and systems segment increased in 2020 by \$132.8 million, or 92.9%, compared to 2019, primarily due to the strong revenue growth in the same period. The 5.9% increase in gross margin was primarily driven by a higher margin product mix and less promotional activities.

Risks and uncertainties related to the COVID-19 pandemic remain and until the supply chain and logistics constraints ease and GPUs become more available, our revenue and gross margin for both segments may continue to be negatively impacted.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity have been the payments received from customers purchasing our products, the borrowings under our Credit Agreement (defined below) and the net proceeds we received from our IPO completed in September 2020. Our principal uses of cash generally will include purchases of inventory, payroll and other operating expenses related to the development and marketing of our products, capital expenditure, repayments of debt and related interest, income tax payments and future investments in business and technology.

As of December 31, 2021, we had cash and restricted cash, in aggregate of \$65.4 million, including \$22.8 million held by our foreign subsidiaries. Amounts held outside of the United States are generally utilized to support our non-U.S. liquidity needs. Repatriations of amounts held outside the United States generally will not be taxable from a U.S. federal tax perspective, but may be subject to state income or foreign withholding tax. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the United States to have a material effect on our overall liquidity, financial condition or results of operations.

We believe that the anticipated cash flows from operations based on our current business outlook, combined with our current levels of cash balances at December 31, 2021, supplemented with the borrowings under our Revolving Credit Facility will be sufficient to fund our principal uses of cash for at least the next twelve months. In the longer term, liquidity will depend to a great extent on our future revenues and our ability to appropriately manage our costs based on the demand for our products. We may require additional funding and need or choose to raise the required funds through borrowings or public or private sales of debt or equity securities. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financial covenants that would restrict our operations. There can be no assurance that any such equity or debt financing will be available on favorable terms, or at all. Our liquidity is subject to various risks including the risks identified in the section titled "Risk Factors" in Item 1A and market risks identified in the section titled "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A, each of which is incorporated herein by reference.

Liquidity

The following table summarizes our cash flows for the periods indicated (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net cash provided by (used in):			
Operating activities	\$ 20,192	\$ 168,953	\$ 37,103
Investing activities	(20,541)	(10,280)	(145,427)
Financing activities	(65,404)	(79,131)	132,314

Cash Flows from Operating Activities

Net cash provided by operating activities for 2021 was \$20.2 million and consisted of net income of \$101.0 million and non-cash adjustments of \$60.0 million and offset partially by a net use of cash of \$140.8 million from changes in our net operating assets and liabilities. The non-cash adjustments consisted primarily of amortization of intangibles and depreciation, stock-based compensation expense, loss on debt extinguishment and amortization of debt issuance costs, which were partially offset by changes in deferred income taxes. The net cash outflow from changes in our net operating assets and liabilities was primarily related to increases in inventory purchases and income tax prepayment for our Hong Kong subsidiary, as well as a decrease in accounts payable mainly due to timing of payments and purchases. These cash outflows were partially offset by increases in the accrual for sales returns and customer incentives, income tax payable and bonus accrual.

Net cash provided by operating activities for 2020 was \$169.0 million and consisted of net income of \$103.2 million, non-cash adjustments of \$50.8 million and \$14.9 million from changes in our net operating assets and liabilities. The non-cash adjustments consisted primarily of amortization of intangibles and depreciation, stock-based compensation expense, loss on debt extinguishment and amortization of debt issuance costs, which were partially offset by changes in deferred income taxes. The net cash inflow from changes in our net operating assets and liabilities was primarily related to increase in accounts payable, other liabilities and accrued expenses. The increase in accounts payable was mainly due to timing of payments and purchases with longer payment terms, and the increase in other liabilities and accrued expenses was mainly from an increase in the bonus accrual and a higher accrual for sales returns and customer incentives. The cash inflow was partially offset by an increase in inventory, accounts receivable and prepaid expenses and other assets.

Cash Flows from Investing Activities

Cash used in investing activities was \$20.5 million for 2021 and consisted of \$11.0 million for the purchase of capital equipment and software, \$4.7 million for the payment of deferred and contingent consideration primarily related to the Origin business acquisition, and \$4.8 million for acquisitions of immaterial businesses.

Cash used in investing activities was \$10.3 million for 2020 and consisted of \$9.0 million for the purchase of capital equipment and software and \$1.3 million for acquisitions of immaterial businesses.

Cash Flows from Financing Activities

Net cash used in financing activities was \$65.4 million for 2021 and consisted primarily of \$328.2 million repayments of debt and \$0.4 million payment of taxes related to net share settlement of equity awards. These cash outflows were partially offset by \$248.5 million net proceeds from our new Term Loan executed in September 2021 and \$14.9 million proceeds received from the issuance of shares through our employee equity incentive plans. During 2021, we also borrowed \$63.5 million from our revolving credit facility to fund our operations and the full amount was repaid in 2021.

Cash used in financing activities was \$79.1 million for 2020 and consisted of \$190.4 million repayments of debt and \$8.5 million payment of offering costs. These cash outflows were partially offset by \$118.6 million proceeds received from the issuance of common stock in connection with our IPO, after deducting underwriting discounts and commissions, and \$1.3 million proceeds received from the issuance of shares through our employee equity incentive plans.

Capital Resources**Credit Agreement (Term Loan and Revolving Credit Facility)**

On September 3, 2021, we refinanced the First Lien Credit and Guaranty Agreement with a new Credit Agreement (“Credit Agreement”). The new Credit Agreement provides for a total commitment of \$350.0 million, consisting of a \$100.0 million revolving credit facility (“Revolving Credit Facility”) and a \$250.0 million term loan facility (“Term Loan”). The net proceeds from borrowings

under the Term Loan of \$248.5 million (net of \$1.5 million of debt discount) were used to repay all amounts outstanding under the First Lien Term Loan on September 3, 2021.

The Credit Agreement is available for a period of five years, maturing September 2026, and provides for additional incremental facilities up to a maximum aggregate principal amount of \$250.0 million, subject to the satisfaction of certain conditions. We may prepay the Term Loan and the Revolving Facility at any time without premium or penalty.

The Term Loan and Revolving Credit Facility under the Credit Agreement will each bear interest at our election, either (a) LIBOR plus a percentage spread (ranging from 1.25% to 2.0%) based on our total net leverage ratio, or (b) the base rate (described in the Credit Agreement as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%) plus a percentage spread (ranging from 0.25% to 1.0%) based on our total net leverage ratio.

Our obligations under the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries and secured by a security interest in substantially all assets of the Company and the guarantor subsidiaries, subject to certain exceptions detailed in the Credit Agreement and related ancillary documentation.

The Credit Agreement contains covenants with which we must comply during the term of the agreement, which we believe are ordinary and standard for agreements of this nature, including the maintenance of a maximum Consolidated Total Net Leverage Ratio of 3.0 to 1.0 and a minimum Consolidated Interest Coverage Ratio of 3.0 to 1.0 (as defined in our credit facilities). The Credit Agreement also includes events of default customary for facilities of this nature and upon the occurrence of such events of default, among other things, all outstanding amounts under the Credit Agreement may be accelerated and/or the lenders' commitments terminated. In addition, upon the occurrence of certain events of default, the interest on the Term loan and Revolving Credit Facility can increase by 2.0%. As of December 31, 2021, we were not in default under the Credit Agreement.

As of December 31, 2021, total principal outstanding of the Term Loan was \$248.8 million and the available and uncommitted capacity under the Revolving Credit Facility was \$99.5 million.

Contractual Cash and Other Obligations

The following table summarizes our contractual cash and other obligations as of December 31, 2021 (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt principal and interest payments (1)	\$ 278,168	\$ 9,899	\$ 32,984	\$ 235,285	\$ —
Inventory-related purchase obligations (2)	141,599	141,599	—	—	—
Operating lease obligations (3)	72,868	10,164	21,225	12,066	29,413
Other purchase obligations (4)	24,346	19,815	4,223	308	—
Contingent consideration in connection with a business acquisition	1,250	1,250	—	—	—
Total	\$ 518,231	\$ 182,727	\$ 58,432	\$ 247,659	\$ 29,413

- (1) Amounts represent the principal cash payments as of December 31, 2021 of our Term Loan based on the repayment schedule according to the Credit Agreement and the expected interest payments associated with the Term Loan. See Note 8 "Debt" to our consolidated financial statements for more information.
- (2) Amounts represent an estimate of purchase obligations related to inventory, of which \$17.5 million is related to purchase orders issued to iDisplay, in which we have acquired a 51% controlling financial interest effective January 1, 2022 and therefore, these obligations no longer exist as of the acquisition date.
- (3) Amounts represent contractual obligations from our operating leases for offices and warehouse spaces.
- (4) Amounts represent non-cancelable obligations related to capital expenditures, software licenses, marketing and other activities.

As of December 31, 2021, we had \$2.1 million in non-current income tax payable, including interest and penalties, related to our income tax liability for uncertain tax positions. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the contractual cash obligation table above.

Critical Accounting Policies and Estimates

A critical accounting policy is defined as one that has both a material impact on our financial condition and results of operations and requires us to make difficult, complex and/or subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. Our consolidated financial statements are prepared in accordance with U.S. Generally Accepted

Accounting Principles ("GAAP"), which requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe to be applicable and evaluate them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results may differ significantly from those estimates, which could have a material impact on our business, results of operations, and financial condition.

We believe the accounting policies below are critical in the portrayal of our financial condition and results of operations, and involve management's most difficult, subjective, or complex judgments.

Revenue Recognition and Accruals for Product Returns and Customer Incentive Programs

We offer product return rights and customer incentive programs. Customer incentive programs include special pricing arrangements, promotions, rebates and volume-based incentives.

Rights of return vary by customer and range from the right to return products to limited stock rotation rights allowing the exchange of a percentage of the customer's quarterly purchases. Estimates of expected future product returns qualify as variable consideration and are recorded as a reduction of the transaction price of the contract at the time of sale based on historical return rates. Return rates are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, the type of customer, seasonality, product quality issues, competitive pressures, published return policy, and other unforeseen global factors. Return rates can fluctuate over time but are sufficiently predictable to allow us to estimate expected future product returns.

Customer incentive programs are considered variable consideration, which we estimate and record as a reduction to revenue at the time of sale. Significant management judgments and estimates must be used to determine the cost of these programs to be included in the transaction price in any accounting period including a reduction for the estimate of amounts that ultimately will not be claimed for certain customer incentive programs. We use the expected value method to arrive at the amount of variable consideration. The Company constrains variable consideration until the likelihood of a significant revenue reversal is not probable. The accrual estimates are based on actual sales data, historical experience, forecasted incentives, anticipated volume of future purchases, and inventory levels in the channel.

Recent Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

As of December 31, 2021, we had cash and restricted cash of \$65.4 million, which consisted primarily of bank deposits. Our cash is held for working capital purposes.

On September 3, 2021, we entered into a new Credit Agreement which replaced our previous credit facilities under First Lien and Credit Guaranty Agreement. As of December 31, 2021, under the new Credit Agreement, we had a \$248.8 million Term Loan outstanding (face value), and the Term Loan bears variable market interest rates, primarily LIBOR. Refer to Note 8 "Debt – Credit Agreement" for additional information on this new Credit Agreement. A significant change in these market interest rates may adversely affect our operating results. As of December 31, 2021, a hypothetical 100 basis point change in interest rates would result in a change to interest expense by approximately \$2.5 million.

Foreign Currency Risk

Approximately 18.7% of our net revenue in fiscal year 2021 was denominated in foreign currencies, primarily Euro and British Pound. Any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign

countries could have an adverse impact on our net revenue and gross margins as we may have to have to adjust local currency product pricing due to competitive pressures if there is significant volatility in foreign currency exchange rates. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Europe, China and Taiwan. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates.

We enter into forward currency contracts to reduce the short-term effects of currency fluctuations on Euro, British Pound, and Chinese Yuan denominated cash, accounts receivable, and intercompany receivable and payable balances. These forward contracts generally mature within three to four months, and we do not enter into foreign currency forward contracts for trading purposes. The outstanding notional principal amount was \$48.6 million and \$41.6 million as of December 31, 2021 and 2020, respectively. The gains or losses on these contracts are recognized in earnings based on the changes in fair value of the foreign currency forward contracts.

The net impact of changes in foreign currency rates, including the net gains or (losses) on the forward currency contracts, recognized in other (expense) income, net was \$(5.8) million, \$(1.5) million, and \$(1.6) million, for the years ended December 31, 2021, 2020, and 2019, respectively. A hypothetical ten percent change in exchange rates between foreign currencies and the U.S. dollar would increase or decrease our gains or losses on foreign currency exchange of approximately \$3.3 million in our consolidated financial statements for the year ended December 31, 2021.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Corsair Gaming, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Corsair Gaming, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Transaction price in contracts with customers

As discussed in Note 2 to the consolidated financial statements, the transaction price received by the Company from sales to distributors and retailers is net of variable consideration that may include product returns and customer incentives. Estimates of expected future product returns are recorded based on historical return rates, among other factors. Customer incentive programs are recorded based on historical experience and forecasted incentives, and include special pricing arrangements, promotions, rebates, volume-based incentives, and price protection credits for certain customers. The amounts recorded for accrued reserves for sales returns and accrued reserves for customer incentive programs were \$37.2 million and \$66.7 million, respectively, as of December 31, 2021.

We identified the evaluation of the transaction price in contracts with customers as a critical audit matter. Subjective auditor judgment was required to evaluate changes in conditions and events affecting (1) the Company's historical return rates, and (2) the length of time between when a sale occurs and a return is processed, which are used to determine accrued reserves for sales returns. In addition, subjective auditor judgment was required to evaluate the reliability of data used to determine certain accrued reserves for customer incentive programs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process to determine the transaction price, including controls related to estimating variable consideration related to product returns and customer incentives. We evaluated the historical return rates by assessing the historical relationship between sales and returns, considering the effect of external market conditions obtained from peer company data and market publications. We evaluated the length of time between when a sale occurs and a return is processed by comparing (1) the return date obtained from return claims from customers to (2) the estimated date the sale occurred obtained from supporting documentation. We evaluated the reliability of data used to determine certain accrued reserves for customer incentive programs by selecting a sample of incentives recorded during the year and (1) comparing the key inputs to correspondence with customers and customer agreements, and (2) recalculating the total incentive amount and comparing it to the incentive recorded or the claim from the customer if it was received by the Company before December 31, 2021.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

San Francisco, California
March 1, 2022

Corsair Gaming, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2021	2020	2019
Net revenue	\$ 1,904,060	\$ 1,702,367	\$ 1,097,174
Cost of revenue	1,390,206	1,236,938	872,887
Gross profit	513,854	465,429	224,287
Operating expenses:			
Sales, general and administrative	315,672	257,004	163,033
Product development	60,288	50,064	37,547
Total operating expenses	375,960	307,068	200,580
Operating income	137,894	158,361	23,707
Other (expense) income:			
Interest expense	(17,673)	(35,137)	(35,548)
Other expense, net	(5,661)	(1,182)	(1,558)
Total other expense, net	(23,334)	(36,319)	(37,106)
Income (loss) before income taxes	114,560	122,042	(13,399)
Income tax (expense) benefit	(13,600)	(18,825)	5,005
Net income (loss)	\$ 100,960	\$ 103,217	\$ (8,394)
Net income (loss) per share			
Basic	\$ 1.08	\$ 1.20	\$ (0.11)
Diluted	\$ 1.01	\$ 1.14	\$ (0.11)
Weighted-average shares used to compute net income (loss) per share			
Basic	93,260	86,256	76,223
Diluted	100,004	90,577	76,223

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

Corsair Gaming, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$ 100,960	\$ 103,217	\$ (8,394)
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of zero tax	(1,482)	2,477	490
Unrealized foreign exchange gain (loss) from long-term intercompany loans, net of tax benefit (expense) of \$76, \$(150), and \$55 for the years ended December 31, 2021, 2020, and 2019, respectively	(385)	1,221	(278)
Comprehensive income (loss)	<u>\$ 99,093</u>	<u>\$ 106,915</u>	<u>\$ (8,182)</u>

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

Corsair Gaming, Inc.
Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31,	
	2021	2020
Assets		
Current assets:		
Cash	\$ 62,415	\$ 129,543
Restricted cash	2,734	3,795
Accounts receivable, net	291,287	293,629
Inventories	298,315	226,007
Prepaid expenses and other current assets	51,024	37,997
Total current assets	705,775	690,971
Restricted cash, noncurrent	231	230
Property and equipment, net	16,819	16,475
Goodwill	317,054	312,760
Intangible assets, net	225,709	259,317
Other assets	71,808	34,362
TOTAL ASSETS	\$ 1,337,396	\$ 1,314,115
Liabilities and Stockholders' Equity		
Current liabilities:		
Debt maturing within one year	\$ 4,753	\$ —
Accounts payable	236,120	299,636
Other liabilities and accrued expenses	205,874	205,745
Total current liabilities	446,747	505,381
Long-term debt	242,898	321,393
Deferred tax liabilities	25,700	29,752
Other liabilities, noncurrent	53,871	20,199
TOTAL LIABILITIES	769,216	876,725
Commitments and Contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value: 5,000 shares authorized, nil and nil shares issued and outstanding as of December 30, 2021 and 2020, respectively	—	—
Common stock, \$0.0001 par value: 300,000 shares authorized, 94,510 and 91,935 shares issued and outstanding as of December 31, 2021 and 2020, respectively	9	9
Additional paid-in capital	470,364	438,667
Retained earnings (accumulated deficit)	98,147	(2,813)
Accumulated other comprehensive income (loss)	(340)	1,527
Total Stockholders' Equity	568,180	437,390
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,337,396	\$ 1,314,115

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

Corsair Gaming, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2018	75,896	\$ 8	\$ 258,238	\$ (93,161)	\$ (2,383)	\$ 162,702
Cumulative effect of adoption of new accounting standard	—	—	—	(3,686)	—	(3,686)
Issuance of common stock in relation to acquisitions	1,322	—	10,000	—	—	10,000
Issuance of common stock in connection with employee equity incentive plans	34	—	124	—	—	124
Issuance of common stock for capital contribution from stockholders	7,046	—	53,500	—	—	53,500
Repurchase of common stock	(219)	—	(742)	(789)	—	(1,531)
Stock-based compensation	—	—	3,848	—	—	3,848
Other comprehensive income	—	—	—	—	212	212
Net loss	—	—	—	(8,394)	—	(8,394)
Balance as of December 31, 2019	84,079	8	324,968	(106,030)	(2,171)	216,775
Issuance of common stock to directors	20	—	—	—	—	—
Issuance of common stock in connection with employee equity incentive plans	336	—	1,337	—	—	1,337
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions and other offering costs	7,500	1	106,566	—	—	106,567
Stock-based compensation	—	—	5,796	—	—	5,796
Other comprehensive income	—	—	—	—	3,698	3,698
Net income	—	—	—	103,217	—	103,217
Balance as of December 31, 2020	91,935	9	438,667	(2,813)	1,527	437,390
Issuance of common stock in connection with employee equity incentive plans	2,590	—	14,872	—	—	14,872
Shares withheld related to net share settlement	(15)	—	(417)	—	—	(417)
Stock-based compensation	—	—	17,242	—	—	17,242
Other comprehensive loss	—	—	—	—	(1,867)	(1,867)
Net income	—	—	—	100,960	—	100,960
Balance as of December 31, 2021	94,510	\$ 9	\$ 470,364	\$ 98,147	\$ (340)	\$ 568,180

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

Corsair Gaming, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 100,960	\$ 103,217	\$ (8,394)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation	17,235	5,796	3,848
Depreciation	10,300	9,318	7,384
Amortization of intangible assets	34,794	33,916	30,123
Debt issuance costs amortization	1,458	2,550	2,989
Loss on debt extinguishment	4,868	4,114	—
Deferred income taxes	(11,962)	(7,476)	(11,535)
Other	3,291	2,594	(347)
Changes in operating assets and liabilities:			
Accounts receivable	444	(91,492)	(48,033)
Inventories	(71,316)	(80,086)	15,711
Prepaid expenses and other assets	(13,177)	(7,953)	(1,619)
Accounts payable	(63,722)	116,522	16,203
Other liabilities and accrued expenses	7,019	77,933	30,773
Net cash provided by operating activities	<u>20,192</u>	<u>168,953</u>	<u>37,103</u>
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(4,846)	(1,291)	(126,104)
Payment of deferred and contingent consideration	(4,721)	—	(10,300)
Purchase of property and equipment	(10,974)	(8,989)	(8,848)
Purchase of intangible asset	—	—	(175)
Net cash used in investing activities	<u>(20,541)</u>	<u>(10,280)</u>	<u>(145,427)</u>
Cash flows from financing activities:			
Proceeds from issuance of debt, net	248,513	—	113,885
Repayment of debt	(328,188)	(190,394)	(3,969)
Payment of debt issuance costs	(204)	(194)	(2,450)
Borrowings from line of credit	63,500	—	—
Repayment of line of credit	(63,500)	—	(27,000)
Proceeds from initial public offering, net of \$8,925 underwriting discounts and commissions	—	118,575	—
Payment of other offering costs	—	(8,455)	(245)
Proceeds from issuance of common stock to common stockholders	—	—	53,500
Repurchase of common stock	—	—	(1,531)
Proceeds from issuance of shares through employee equity incentive plans	14,872	1,337	124
Payment of taxes related to net share settlement of equity awards	(397)	—	—
Net cash provided by (used in) financing activities	<u>(65,404)</u>	<u>(79,131)</u>	<u>132,314</u>
Effect of exchange rate changes on cash	(2,435)	2,079	37
Net increase (decrease) in cash and restricted cash	(68,188)	81,621	24,027
Cash and restricted cash at the beginning of the year	133,568	51,947	27,920
Cash and restricted cash at the end of the year	<u>\$ 65,380</u>	<u>\$ 133,568</u>	<u>\$ 51,947</u>
Supplemental cash flow disclosures:			
Cash paid for interest	\$ 11,267	\$ 27,957	\$ 32,842
Cash paid for income taxes	41,243	13,505	571
Supplemental disclosure of non-cash investing and financing activities:			
Equipment purchased and unpaid at period end	\$ 2,122	\$ 1,832	\$ 927
Issuance of common stock relating to business acquisitions	—	—	10,000
Deferred purchase consideration related to business acquisitions	202	145	7,641
Measurement period adjustments relating to business acquisitions	50	1,531	—
Deferred offering costs included in accounts payable and accrued expenses	—	—	2,255

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

Corsair Gaming, Inc.
Notes to Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Description of Business

Corsair Gaming, Inc., a Delaware corporation, together with its subsidiaries (*collectively*, “*Corsair*” the “*Company*”, “*we*”, “*us*”, or “*our*”), is a global provider and innovator of high-performance gear for gamers, streamers and content creators, many of which build their own PCs using our components.

Corsair is organized into two reportable segments:

- **Gamer and creator peripherals.** Includes our high-performance gaming keyboards, mice, headsets, controllers, and our streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming camera, studio accessories and EpocCam software, as well as coaching and training services, among others.
- **Gaming components and systems.** Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others.

Initial Public Offering and Secondary Offering

On September 25, 2020, we completed our initial public offering (*the “IPO”*). In connection with the IPO, we sold 7,500,000 shares of common stock at \$17.00 per share, resulting in proceeds of \$118.6 million, net of the underwriting discounts and commissions and before offering costs. In connection with the IPO, certain selling stockholders sold 6,500,000 shares of common stock at \$17.00 per share. Subsequent to the IPO, certain selling stockholders further sold 1,135,375 shares pursuant to the underwriters’ exercise of their option to purchase additional shares.

On January 26, 2021, we completed a secondary offering of our common stock where certain selling stockholders sold 8,625,000, shares of common stock at \$35.00 per share.

We did not receive any of the proceeds from the sale of shares by the selling stockholders.

Deferred offering costs consist primarily of accounting, legal, and other fees related to the IPO. Prior to the IPO, all deferred offering costs were capitalized in other assets in the consolidated balance sheets. After the IPO, \$12.0 million of deferred offering costs were reclassified into stockholders’ equity as a reduction of the IPO proceeds in the consolidated balance sheet as of December 31, 2020.

Basis of Presentation

The accompanying consolidated financial statements include those of Corsair and its subsidiaries, after elimination of all intercompany balances and transactions. These consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”).

2. Summary of Significant Accounting Policies

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 as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the valuation of intangible assets, accounts receivable, sales return reserves, reserves for customer incentives, warranty reserves, inventory, derivative instruments, stock-based compensation, deferred income tax, and common stock (prior to the IPO completed in September 2020). These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Risks and Uncertainties related to the COVID-19 Pandemic

Due to the COVID-19 pandemic, there has been and will continue to be uncertainty and disruption in the global economy and financial markets. Since early 2020, we have experienced some business disruptions due to COVID-19 including the stoppage in our factories in early 2020, disruption in our supply chain and increased distribution costs in 2021, which led to increases in operating costs such as the significantly elevated ocean freight costs we incurred in the second half of 2021, as compared to the same period of 2020. These negative financial impacts have been offset by revenue growth in 2020 and 2021, partly due to an increase in demand for our gear as more people are under shelter-in-place restrictions, which we believe have limited people's access to alternative forms of entertainment and social interaction, and thus have increased the demand for home entertainment and connecting with others through content creation. In contrast, as the COVID-19 pandemic subsides, it has, and could continue to, result in shelter-in-place and other similar restrictions being eased. Such easing of restrictions likely has, and will continue to, result in consumers returning to other alternative forms of entertainment and interaction. This in turn has, and could continue to, result in a decline in demand for our products. The extent to which the COVID-19 outbreak ultimately impacts our business, sales, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, we may continue to experience significant impacts to our business as a result of its global economic impact, including any economic downturn or recession that has occurred or may occur in the future.

As of the date of issuance of these consolidated financial statements, we are not aware of any specific event or circumstance that would require updates to our estimates and judgments or revisions due to COVID-19 to the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the consolidated financial statements.

Revenue Recognition

- We determine revenue recognition through the following five-step approach:
- identification of the contract, or contracts, with the customer
- identification of the performance obligations in the contract
- determination of the transaction price
- allocation of the transaction price to the performance obligations in the contract, and
- recognition of revenue when, or as the performance obligation is fulfilled

Revenue is recognized when performance obligations are satisfied under the terms of the contracts, and control of the products is transferred to the customers in an amount that reflects the consideration we expect to receive from the customers in exchange for those products or services.

Our products are primarily sold through a network of distributors and retailers, including online retailers, and to a lesser extent direct to consumers. We primarily sell hardware products, such as gamer and creator peripherals and gaming components and systems. These products are hardware devices, which may include embedded software that function together, and are considered as one performance obligation. Hardware devices are generally plug and play, requiring no configuration and little or no installation. Revenue is recognized at a point in time when control of the products is transferred to the customer which generally occurs upon shipment or delivery to customer. We report revenue net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as other liabilities and accrued expenses until remitted to the relevant government authority.

Shipping and handling costs associated with outbound freight are accounted for as a fulfillment cost and are included as part of our distribution costs recorded under sales, general and administrative expenses. Costs of maintaining our web store and credit card processing fees related to sales on our webstore are recorded under sales, general and administrative expenses.

We generally provide a warranty on products that provides assurance that our products conform to published specifications. Such assurance-type warranties are not deemed to be separate performance obligations from the product, and costs associated with providing these warranties are accrued in accordance with ASC 460-10, Guarantees.

We offer return rights and customer incentive programs. Customer incentive programs include special pricing arrangements, promotions, rebates and volume-based incentives.

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

The transaction price received by us from sales to distributors and retailers is calculated as selling price net of variable consideration which may include rebates, product returns and price protection.

Rights of return vary by customer and range from the right to return products to limited stock rotation rights allowing the exchange of a percentage of the customer's quarterly purchases. Estimates of expected future product returns qualify as variable consideration and are recorded as a reduction of the transaction price of the contract at the time of sale based on historical return rates. Return rates are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, the type of customer, seasonality, product quality issues, competitive pressures, operational policies and procedures, and other factors. Return rates can fluctuate over time but are sufficiently predictable to allow us to estimate expected future product returns.

We normally require payments from customers within 30 to 90 days from invoice date. We do not generally modify payment terms on existing receivables. Our contracts with customers typically do not include significant financing components as the period between the satisfaction of the performance obligations and timing of payment are generally within one year.

Customer incentive programs are considered variable consideration, which we estimate and record as a reduction to revenue at the time of sale. Significant management judgments and estimates must be used to determine the cost of these programs to be included in the transaction price in any accounting period including a reduction for the estimate of amounts that ultimately will not be claimed for certain customer incentive programs. We use the expected value method to arrive at the amount of variable consideration. The Company constrains variable consideration until the likelihood of a significant revenue reversal is not probable. The accrual estimates are based on actual sales data, historical experience, forecasted incentives, anticipated volume of future purchases, and inventory levels in the channel.

During the years ended December 31, 2021 and 2020, we did not recognize any material revenue adjustments related to performance obligations satisfied in prior periods as a result of changes in estimated variable consideration. Because the majority of the performance obligations in our contracts with customers relate to contracts with a duration of less than one year, we have elected to apply the optional exemption to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Contract Balances

Contract assets represent amounts that have been recognized as revenue but for which we did not have the unconditional right to invoice the customers. There were no contract assets as of December 31, 2021 and 2020.

Contract liabilities are obligations to transfer products or services to a customer for which we have received consideration, or the amount is due, from the customer. Our contract liabilities primarily consist of deferred revenue and unearned revenue. Deferred revenue consists primarily of amounts that have been shipped and invoiced but not recognized as revenue as of period end because the control of the inventory has not passed to the customer. Revenue will be recognized when the customer has obtained control of the inventory sold, which is generally within 3 months or less. The deferred revenue balances as of December 31, 2021 and 2020 were not material.

Unearned revenue consists of payments received from customers in advance of product shipment for our webstore orders. These orders are generally shipped within two weeks from order date and revenue will be recognized when the customer has obtained control of the inventory sold. The unearned revenue balance as of December 31, 2021 and 2020 was \$4.8 million and \$8.0 million, respectively.

Contract liabilities are included in other liabilities and accrued expenses and other liabilities noncurrent on the consolidated balance sheets.

Cost of Revenue

Cost of revenue consists of product costs, including purchases from contract manufacturers, inbound freight costs from manufacturers to our distribution hubs, as well as inter-hubs shipments, duties and tariffs, warranty replacement costs, costs to process and rework returned items, depreciation of tooling equipment, warehousing costs, inventory valuation write-downs, certain allocated costs related to facilities and IT department, and personnel-related expenses and other operating expenses related to supply chain logistics.

Distribution Costs

Distribution costs, recorded as a component of sales, general and administrative expenses, include the costs to operate two of our distribution hubs internally and the costs paid to third-party logistics providers to operate our remaining four distribution hubs. Distribution costs also include the costs of shipping products to customers through third party carriers. Amounts billed to customers for shipping and handling of products are recorded in net revenue. We do not consider distribution costs to be part of the costs to bring our products to the finished condition and therefore record such distribution costs as sales, general and administrative expense rather than in cost of revenue.

Product Development Costs

Product development costs are generally expensed as incurred. Product development costs consist primarily of the costs associated with the design and testing of new products and improvements to existing products. These costs relate primarily to compensation of personnel and consultants involved with product design, definition, compatibility testing and qualification. To date, almost all of the software development costs have been expensed as incurred because the period between achieving technological feasibility and the release of the software has been short and development costs qualifying for capitalization have been insignificant.

Advertising Costs

Advertising costs are expensed as incurred and are included as a component of sales, general and administrative expense in the consolidated statements of operations. Advertising and promotion expenses were \$19.8 million, \$19.1 million, and \$11.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Stock-Based Compensation

We measure and recognize compensation for all stock-based compensation awards, including stock options, stock purchase rights and restricted stock units (“RSU”), based upon the grant-date fair value of those awards. The grant-date fair value of our stock options and stock purchase rights is estimated using a Black-Scholes-Merton option-pricing model. The fair value of our RSUs is calculated based on the market value of our stock at the grant date. Stock-based compensation is recognized on a straight-line basis over the requisite service period and we have elected to recognize actual forfeitures by reducing the stock-based compensation in the same period as the forfeitures occur.

Segments

Operating segments are based on components of a company that engage in business activity that earn revenue and incur expenses and (a) whose operating results are regularly reviewed by its chief operating decision maker (“CODM”) to make decisions about resource allocation and performance and (b) for which discrete financial information is available.

We have two reportable segments:

- **Gamer and Creator Peripherals**, which includes high-performance gaming keyboards, mice, headsets, controllers, and our gaming gear including capture cards, Stream Decks, USB microphones, our Facecam streaming camera, studio accessories and EpocCam software, as well as coaching and training services, among others.
- **Gaming Components and Systems**, which includes high performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others.

Our CODM is determined to be Corsair’s Chief Executive Officer. The results of the reportable segments are derived directly from our reporting system and are based on the methods of internal reporting which are not necessarily in conformity with GAAP. The segmental net revenue and gross profit are used to evaluate the performance of, and allocate resources to, each of the segments.

Cash and Restricted Cash

Total restricted cash as of December 31, 2021 and 2020 was \$3.0 million and \$4.0 million, respectively. The restricted cash serves as collateral for certain bank guarantees, customer deposits and security deposits.

Accounts Receivable, net

Accounts receivable from contracts with customers are recorded at the invoiced amount when we have an unconditional right to consideration, net of allowance for credit losses. We maintain trade credit insurance to mitigate credit risks on certain of our accounts receivable that reimburse us for up to 90% of collection losses. We estimate an allowance for credit losses by using a combination of

relevant information including historical loss information, adjusted to take into account current market conditions and our customers' financial condition, the amount of any receivables in dispute, the current receivables aging, and the current payment terms.

Concentration of Credit Risk

Our financial instruments that are exposed to concentrations of credit risk consist principally of cash, restricted cash and accounts receivable. We maintain our cash and restricted cash with various high-quality financial institutions with investment-grade ratings and we have not experienced any losses.

One customer accounted for more than 10% of our consolidated net revenue for the years ended December 31, 2021, 2020 and 2019.

As of December 31, 2021, and 2020, two customers each represented more than 10% of our accounts receivable, net.

Inventories

Inventories primarily consist of finished goods and to a lesser extent component parts, which are purchased from contract manufacturers and component suppliers. Inventories are stated at lower of cost and net realizable value using the weighted average cost method of accounting. We assess the valuation of inventory balances including an assessment to determine potential excess and/or obsolete inventory. We may be required to write down the value of inventory if estimates of future demand and market conditions indicate estimated excess or obsolete inventory. For the periods presented, we have not experienced significant write-downs.

Property and Equipment, net

Property and equipment are stated at cost, less accumulated depreciation. Major improvements that extend the life, capacity or improve the safety of an asset are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, determined to be two to seven years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Leases

Our lease portfolio consists primarily of real estate facilities for manufacturing, distribution, warehousing and office use purposes under operating leases.

We determine if an arrangement is or contains a lease at inception. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement based on the present value of the lease consideration in the contracts over the lease term. We do not record leases with an initial term of 12 months or less on our consolidated balance sheet but continue to record rent expense on a straight-line basis over the lease term. Certain of our lease agreements include options to extend or renew the lease terms. Such options are excluded from the ROU assets and lease liabilities unless they are reasonably certain to be exercised. We account for the lease and non-lease components as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease term.

We apply the incremental borrowing rate, in determining the present value of the lease consideration, as our leases do not provide an implicit rate. Our incremental borrowing rate is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because we do not frequently borrow on a collateralized basis, we consider a combination of factors to determine our incremental borrowing rate, including our credit worthiness, adjusted to approximate a collateralized rating, observable market yield curves, and the U.S. and foreign currency risk-free rates.

Our variable lease expense consists primarily of warehousing and distribution services related to our outsourced distribution hubs, and to a lesser extent, variable costs related to office common area maintenance charges. Our service contracts with third-party logistic service providers include both fixed payments for the use of a fixed warehouse space and variable payments based on the usage of their services for distribution and warehouse management. The fixed payments are included in the calculation of the ROU asset and lease liability, but the variable payments are expensed as incurred. In addition, our real estate leases typically contain variable payments for office common area maintenance and these costs are also expensed as incurred.

Fair Value of Financial Instruments

U.S. GAAP establishes 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 hierarchy is broken down into the following three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2—Pricing inputs are other than quoted prices in active market, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3—Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Fair value accounting is applied to all financial assets and liabilities that are recognized or disclosed at fair value in our consolidated financial statements on a recurring basis. Our financial instruments, including cash, restricted cash, accounts receivable, accounts payable, borrowings from credit lines and other liabilities and accrued expenses approximate fair value due to their short-term maturities.

Business Combinations

We account for business combinations using the acquisition method of accounting, which requires that the assets acquired, liabilities assumed, contractual contingencies and contingent consideration are recorded at the date of acquisition at their respective fair values. Goodwill is recorded when consideration paid in a purchase acquisition exceeds the fair value of the net assets acquired. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available. We include the results of operations of the acquired business in the consolidated financial statements prospectively from the date of acquisition. Acquisition-related charges, including primarily third-party professional fees, accounting fees and legal fees are recognized separately from the business combination and are expensed as incurred.

Goodwill and Indefinite-lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized and are tested for impairment on an annual basis at October 1 or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit or asset below its carrying value. We perform our annual goodwill impairment assessment at the reporting unit level and our indefinite-lived intangible assets at the individual asset level. In reviewing impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether we choose to perform the qualitative assessment or proceed directly to the quantitative impairment test.

A qualitative assessment requires that we consider events or circumstances including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in management or key personnel, changes in strategy, changes in customers, changes in the composition or carrying amount of a reporting segment’s net assets and changes in our stock price. If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair values of our reporting units are greater than the carrying amounts, then the quantitative goodwill impairment test is not performed.

For the year ended December 31, 2021, we elected to perform the qualitative assessment for both goodwill and indefinite-lived intangible assets and determined that an impairment was not more likely than not for both assets and no further analysis was required.

Intangible Assets with finite-lives and Long-Lived Assets

Our intangible assets with finite lives principally include acquired technology, patents, tradenames, customer relationships and non-compete agreements. The assets are carried at cost and amortized using a straight-line method over the estimated economic lives of the assets. Amortization expense related to patents is included in cost of revenues. Amortization expense related to developed technology is included in product development costs. Amortization expense related to customer relationships, trade name and non-compete agreements is included in sales, general and administrative costs.

Our long-lived assets are primarily comprised of operating lease ROU assets and property and equipment.

We evaluate the recoverability of intangible assets with finite lives and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For ROU assets such circumstances would include a decision to abandon the use of all or part of an asset, or subleases that do not fully recover the costs of the associated lease. Recoverability is measured by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If it is determined that an asset may not be recoverable, an impairment loss equal to the excess of the asset’s carrying value over its fair value is recorded. Fair value is determined based on an asset’s projected discounted future cash flow or appraised value, depending on the nature of the asset. Such impairment charges recorded in the periods presented were not material.

Warranty Reserve

All of our products are covered by warranty to be free from defects in material and workmanship for periods ranging from six months to ten years, and for life for memory products. Our warranty does not provide a service beyond assuring that the product complies with agreed-upon specifications. At the time of sale, an estimate of future warranty costs is recorded as a component of cost of revenue and a warranty liability is recorded for estimated costs to satisfy the warranty obligation. The estimate of the costs to fulfill our warranty obligations is based on historical experience and expectations of future costs to repair or replace.

Deferred Issuance Costs and Debt Discounts

Costs incurred in obtaining long-term financing paid to parties other than creditors are considered a debt issuance cost. Amounts paid to creditors are recorded as a reduction in the proceeds received by the creditor and are considered a discount on the issuance of debt. Deferred issuance costs and debt discounts are amortized over the terms of the long-term financing agreements using the effective-interest method and recorded as a deduction of the carrying amount of the debt in the consolidated balance sheets. Deferred issuance costs of our revolving line of credit are recorded in prepaid expenses and other current assets and other assets, according to the timing of amortization.

Nonmonetary Transactions

The sales and purchases of inventory with our manufacturers are accounted for as nonmonetary transactions. Upon sale of raw materials to the manufacturer, for the inventories on-hand with the manufacturer where there is an anticipated reciprocal purchase by us, we will record this nonmonetary transaction as prepaid inventories and accrued liabilities. When we transact the reciprocal purchase of inventory from the manufacturer, we will record a payable to the manufacturer at the repurchase price, which replaces the initial nonmonetary transaction and inventory will be reflected at carrying value, which includes the costs for the raw materials and the incremental costs charged by the manufacturer for additional work performed on the inventory. In connection with such nonmonetary transactions with our manufacturers, as of December 31, 2021, we recognized \$5.0 million prepaid inventory and \$5.4 million accrued liabilities, and as of December 31, 2020, we recognized \$5.9 million prepaid inventory and accrued liabilities.

Because the transactions are nonmonetary, they have not been included in the consolidated statements of cash flows pursuant to ASC 230, Statement of Cash Flows.

Foreign Currency

For subsidiaries that have non-U.S. dollar functional currencies, the assets and liabilities of these subsidiaries are translated using period-end exchange rates. Revenues and expenses are translated using average exchange rates in effect during the reporting period. Cumulative translation gains and losses are included as a component of stockholders' equity in accumulated other comprehensive income (loss).

Monetary assets or liabilities denominated in currencies other than the functional currency are remeasured using exchange rates prevailing on the balance sheet date. Foreign currency remeasurement gains and (losses), net is included in other (expense) income, net in the consolidated statements of operations and the amounts were \$(6.3) million, \$1.6 million and \$1.4 million for the years ended December 31, 2021, 2020 and 2019, respectively. These amounts do not include the change in fair value of our foreign currency forward contracts. Refer to Note 4, Derivative Financial Instruments for more information on our hedging instruments.

Gains and losses on long-term intercompany loans not intended to be repaid in the foreseeable future are recorded as a component of accumulated other comprehensive income (loss).

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the tax and financial reporting bases of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced through the establishment of a valuation allowance, if, based upon available evidence, it is determined that it is more likely than not that the deferred tax assets will not be realized. We are subject to foreign income taxes on our foreign operations. All deferred tax assets and liabilities are classified as non-current in the consolidated financial statements.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained on examination based on the technical merit of the position. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments. Interest charges and penalties related to unrecognized tax benefits are recognized as a component of the income tax (expense) benefit.

Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares outstanding during the period, without consideration of potential dilutive securities. Diluted net income per share is computed based on the weighted-average number of shares outstanding during the period, adjusted to include the incremental shares expected to be issued for assumed exercise of options under the treasury stock method.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740), to simplify various aspects related to the accounting for income taxes. We adopted this standard effective January 1, 2021. The adoption of this new standard did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements, Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848), to provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The new guidance is effective, at our election, beginning March 12, 2020 through December 31, 2022. We plan to adopt ASU 2019-12 effective January 1, 2022, and we do not expect the adoption will have a material impact on our consolidated financial statements.

3. Fair Value Measurement

The balances of our financial assets that were measured at fair value on a recurring basis as of December 31, 2021 and 2020 were not material. The following tables summarize our financial liabilities that were measured at fair value on a recurring basis, and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

	December 31, 2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Liabilities:				
Contingent cash consideration in connection with a business acquisition—SCUF(2)	\$ —	\$ —	\$ 1,250	\$ 1,250
Foreign currency forward contracts(1)	—	427	—	427
Other	—	—	224	224
Total liabilities	\$ —	\$ 427	\$ 1,474	\$ 1,901

	December 31, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total
Liabilities:				
Contingent cash consideration in connection with a business acquisition—Origin(3)	\$ —	\$ —	\$ 2,887	\$ 2,887
Contingent consideration in connection with a business acquisition—SCUF(2)	—	—	1,250	1,250
Deferred cash consideration in connection with a business acquisition—Origin(3)	—	—	1,505	1,505
Foreign currency forward contracts(1)	—	819	—	819
Total liabilities	\$ —	\$ 819	\$ 5,642	\$ 6,461

- (1) The fair values of the forward contracts and interest rate cap contract are based on similar exchange traded derivatives and the related asset or liability is, therefore, included within Level 2 of the fair value hierarchy.
- (2) The fair value of the contingent consideration from our SCUF acquisition in 2019 was determined based on the estimates of acquired tax benefits owed to SCUF's sellers according to the merger agreement, and these estimates represent a level 3 fair value measurement. The \$1.3 million liability as of December 31, 2020 consisted of \$0.1 million based on a contractual amount and the remaining \$1.2 million is subject to update upon filing our tax returns for tax years 2020 and 2021. In September 2021, we filed the tax return for the 2020 tax year, and as a result, the \$1.3 million liability as of December 31, 2021 was updated to consist of \$0.3 million based on a contractual amount and the remaining \$1.0 million is subject to update upon filing our tax return for tax year 2021.

(3) Total earn-out liability of \$2.9 million and deferred cash consideration of \$1.5 million from our Origin acquisition in 2019 were fully paid and settled in 2021.

4. Derivative Financial Instruments

From time to time, we enter into derivative instruments such as foreign currency forward contracts, to minimize the short-term impact of foreign currency exchange rate fluctuations on certain foreign currency denominated assets and liabilities, and interest rate cap contracts, to minimize our exposure to interest rate movements on our variable rate debts. The derivative instruments are recorded at fair value in prepaid expenses and other current assets or other liabilities and accrued expenses on the consolidated balance sheets. We do not designate such instruments as hedges for accounting purposes; accordingly, changes in the value of these contracts are recognized in each reporting period in other (expense) income, net in the consolidated statements of operations. We do not enter into derivative instruments for trading purposes.

The foreign currency forward contracts generally mature within three to four months. The notional principal amount of outstanding foreign exchange forward contracts was \$48.6 million and \$41.6 million as of December 31, 2021 and December 31, 2020, respectively. The net fair value gain (loss) recognized in other (expense) income, net in relation to these derivative instruments was \$0.5 million, \$(3.0) million, and \$(0.2) million for the year ended December 31, 2021, 2020, and 2019, respectively.

5. Business Combinations

We completed four acquisitions in the last two years, namely, Visual by Impulse and BoxFX Ltd in 2021, and EpocCam and Gamer Sensei in 2020, none of which were material, both individually and in the aggregate, to our consolidated financial statements. They were accounted for using the acquisition method of accounting.

6. Goodwill and Intangible Assets

Goodwill

We have four reporting units: Gaming Peripherals, Gaming Components, Gaming Memory and Gaming Systems. The Gamer and Creator Peripherals segment includes the Gaming Peripherals reporting unit, and the Gaming Components and Systems segment includes the Gaming Components, Gaming Memory and Gaming Systems reporting units.

The following table summarizes the changes in the carrying amount of goodwill by reportable segment (in thousands):

	Gaming Components and Systems	Gamer and Creator Peripherals	Total
December 31, 2019	\$ 145,375	\$ 167,375	\$ 312,750
Addition from business acquisitions	—	690	690
Measurement period adjustments	(47)	(1,326)	(1,373)
Effect of foreign currency exchange rates	316	377	693
December 31, 2020	145,644	167,116	312,760
Addition from business acquisitions	—	4,481	4,481
Measurement period adjustments	—	50	50
Effect of foreign currency exchange rates	(334)	97	(237)
December 31, 2021	\$ 145,310	\$ 171,744	\$ 317,054

Intangible assets, net

The following table is a summary of intangible assets, net (in thousands):

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 32,086	\$ 14,922	\$ 17,164	\$ 31,016	\$ 8,892	\$ 22,124
Trade name	30,665	4,942	25,723	30,632	2,873	27,759
Customer relationships	218,566	94,910	123,656	218,469	72,892	145,577
Patent	31,481	8,196	23,285	31,802	4,207	27,595
Non-competition agreements	2,521	2,193	328	2,521	1,689	832
Total finite-life intangibles	315,319	125,163	190,156	314,440	90,553	223,887
Indefinite life trade name	35,430	—	35,430	35,430	—	35,430
Other	123	—	123	—	—	—
Total intangible assets	<u>\$ 350,872</u>	<u>\$ 125,163</u>	<u>\$ 225,709</u>	<u>\$ 349,870</u>	<u>\$ 90,553</u>	<u>\$ 259,317</u>

In the year after an identified intangible asset becomes fully amortized, we remove the fully amortized balances from the gross asset and accumulated amortization amounts from the table above.

Amortization expense of intangible assets is recognized in our consolidated statements of operations as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of revenue	\$ 4,860	\$ 3,898	\$ 130
Sales, general and administrative	24,611	24,535	23,035
Product development	5,323	5,483	6,958
Total amortization of intangible assets	<u>\$ 34,794</u>	<u>\$ 33,916</u>	<u>\$ 30,123</u>

The estimated future amortization expense of intangible assets as of December 31, 2021 is as follows (in thousands):

	Amounts
2022	\$ 34,419
2023	32,813
2024	31,362
2025	31,058
2026	27,684
Thereafter	32,820
Total	<u>\$ 190,156</u>

7. Balance Sheet Components

The following tables present the components of certain balance sheet amounts (in thousands):

	December 31,	
	2021	2020
Cash	\$ 62,415	\$ 129,543
Restricted cash—short term	2,734	3,795
Restricted cash—noncurrent	231	230
Total cash and restricted cash	<u>\$ 65,380</u>	<u>\$ 133,568</u>
Accounts receivable	\$ 291,816	\$ 293,975
Allowance for credit losses	(529)	(346)
Accounts receivable, net	<u>\$ 291,287</u>	<u>\$ 293,629</u>

Raw materials	\$	62,110	\$	52,165
Work in progress		4,931		9,654
Finished goods		231,274		164,188
Inventories	\$	<u>298,315</u>	\$	<u>226,007</u>
Manufacturing equipment	\$	26,094	\$	22,035
Computer equipment, software and office equipment		9,407		9,407
Leasehold improvements		5,154		4,521
Furniture and fixtures		4,709		3,675
Total property and equipment	\$	<u>45,364</u>	\$	<u>39,638</u>
Less: Accumulated depreciation and amortization		(28,545)		(23,163)
Property and equipment, net	\$	<u>16,819</u>	\$	<u>16,475</u>
Right-of-use assets	\$	51,387	\$	25,998
Deferred tax asset		12,737		4,792
Other		7,684		3,572
Other assets	\$	<u>71,808</u>	\$	<u>34,362</u>
Accrued reserves for customer incentive programs	\$	66,733	\$	49,619
Accrued reserves for sales returns		37,166		35,673
Accrued payroll and related expenses		20,526		26,877
Accrued freight expenses		18,296		7,523
Income tax payable		6,316		22,445
Other		56,837		63,608
Other liabilities and accrued expenses	\$	<u>205,874</u>	\$	<u>205,745</u>
Operating lease liabilities, noncurrent	\$	51,153	\$	17,571
Other		2,718		2,628
Other liabilities, noncurrent	\$	<u>53,871</u>	\$	<u>20,199</u>

8. Debt

Our debt consisted of the following (in thousands):

	December 31,			
	2021	2020		
Term Loan (variable rate) due September 2026	\$	248,750	\$	—
First Lien Term Loan (variable rate) extinguished in September 2021		—		326,938
Debt discount and issuance cost, net of amortization		(1,099)		(5,545)
Total debt		247,651		321,393
Less: debt maturing within one year		4,753		—
Long-term debt	\$	<u>242,898</u>	\$	<u>321,393</u>

First Lien Credit and Guaranty Agreement (Extinguished in September 2021)

In August 2017, we entered into a syndicated First Lien Credit and Guaranty Agreement (“*First Lien*”) with various financial institutions. The First Lien originally provided a \$235 million term loan (“*First Lien Term Loan*”) for a business acquisition and to repay existing indebtedness of the acquired company and a \$50 million revolving line-of-credit (“*Revolver*”). The First Lien and the Revolver mature on August 28, 2024 and August 28, 2022, respectively. Subsequently, we entered into several amendments to the

First Lien and the principal amount of the First Lien Term Loan was increased by \$10 million in 2017 and increased by \$115 million in each of 2018 and 2019, primarily to fund various business acquisitions and operational needs.

The First Lien Term Loan initially carried interest at a rate equal to, at our election, either the (a) greatest of (i) the prime rate, (ii) sum of the Federal Funds Effective Rate plus 0.5%, (iii) one month LIBOR plus 1.0% and (iv) 2%, plus a margin of 3.5%, or (b) the greater of (i) LIBOR and (ii) 1.0%, plus a margin of 4.5%. The Revolver initially bore interest at a rate equal to, at our election, either the (a) greatest of (i) the prime rate, (ii) sum of the Federal Funds Effective Rate plus 0.5%, (iii) one month LIBOR plus 1.0% and (iv) 2%, plus 3.5%, or (b) the greater of (i) LIBOR and (ii) 1.0%, plus a margin of 4.5%. As a result of the First Lien amendment in October 2018, the First Lien term loan and Revolver margin were both changed to range from 2.75% to 3.25% for base rate loans and to range from 3.75% to 4.25% for Eurodollar loans, based on our net leverage ratio.

According to the repayment schedule, the Consolidated Excess Cash Flow (as defined in the First Lien) and the IPO repayment provisions as set forth in the First Lien, we made required repayments of the First Lien Term Loan of \$59.6 million, in aggregate, in 2020 using the net proceeds from our IPO and excess cash on hand. Further, we may prepay the First Lien Term Loan and the Revolver at any time without premium or penalty other than customary LIBOR breakage. In 2020, we began to prepay the First Lien Term loan using our excess cash on hand, resulting in voluntary prepayments of \$80.8 million in 2020 and \$78.3 million in 2021 through September 2021. The remainder of First Lien Term Loan of \$248.5 million was fully prepaid with the proceeds from the Term Loan (defined below) on September 3, 2021, and as a result, all obligations and covenants thereunder were terminated.

In connection with the progressive prepayments of the First Lien Term Loan throughout 2020 and 2021, we have recorded losses on extinguishment of debt of \$4.9 million and \$2.5 million for the years ended December 31, 2021 and 2020, respectively.

Second Lien Credit and Guaranty Agreement (Extinguished in September 2020)

In August 2017, we also entered into a syndicated Second Lien Credit and Guaranty Agreement (“*Second Lien*”) with various financial institutions. The Second Lien initially provided a \$65 million term loan (“*Second Lien Term Loan*”), with a maturity date of August 28, 2025, for a business acquisition and for general corporate operations purposes. The Second Lien Term Loan initially carried interest at a base rate equal to that of the First Lien loan, plus a margin of 7.25% for base rate loans and 8.25% for Eurodollar loans. In October 2017, we entered into an amendment to the Second Lien and the principal amount of the Second Lien Term Loan was reduced to \$50 million and the applicable interest rate margins for both the base rate loans and Eurodollar loans were increased by 0.25%.

In 2020, with excess cash on hand, we prepaid the entire outstanding balance of \$50 million on the Second Lien Term Loan without paying any premium or penalty, and as a result, all obligations and covenants thereunder were terminated. In connection with the prepayments of the Second Lien Term Loan in 2020, we have recorded losses on extinguishment of debt of \$1.6 million for the year ended December 31, 2020.

The weighted average effective interest rate inclusive of the debt discount and debt issuance costs for the First Lien and Second Lien, in aggregate, was approximately 5.4% and 6.4% for years ended December 31, 2021 and 2020, respectively.

Credit Agreement

On September 3, 2021, we entered into a new Credit Agreement (“*Credit Agreement*”) which provides for a \$100.0 million five-year revolving credit facility (“*Revolving Facility*”) and a \$250.0 million five-year term loan facility (“*Term Loan*”), with each maturing in September 2026. The Credit Agreement also permits, subject to conditions stated therein, additional incremental facilities in a maximum aggregate principal amount not to exceed \$250.0 million. We may prepay the Term Loan and the Revolving Facility at any time without premium or penalty.

The credit facilities under the Credit Agreement replaced our senior credit facilities under the First Lien Credit and Guaranty Agreement. The net proceeds from borrowings under the Credit Agreement of \$248.5 million (net of \$1.5 million of debt discount) were used to repay all amounts outstanding under the First Lien Term Loan on September 3, 2021.

The Term Loan and Revolving Facility under the Credit Agreement will each bear interest at the Company’s election, either (a) LIBOR plus a percentage spread (ranging from 1.25% to 2.0%) based on our total net leverage ratio, or (b) the base rate (described in the Credit Agreement as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%) plus a percentage spread (ranging from 0.25% to 1.0%) based on our net leverage ratio.

Our obligations under the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries and secured by a security interest in substantially all assets of the Company and the guarantor subsidiaries, subject to certain exceptions detailed in the Credit Agreement and related ancillary documentation.

The Credit Agreement contains covenants with which we must comply during the term of the agreement, which we believe are ordinary and standard for agreements of this nature, including the maintenance of a maximum Consolidated Total Net Leverage Ratio

of 3.0 to 1.0 and a minimum Consolidated Interest Coverage Ratio of 3.0 to 1.0 (as defined in our credit facilities). The Credit Agreement also includes events of default customary for facilities of this nature and upon the occurrence of such events of default, among other things, all outstanding amounts under the Credit Agreement may be accelerated and/or the lenders' commitments terminated. In addition, upon the occurrence of certain events of default, the interest rate on the Term loan and Revolving Facility can be increased by 2.0%. As of December 31, 2021, we were not in default under the Credit Agreement and our Consolidated Total Net Leverage Ratio and Consolidated Interest Coverage Ratio were 1.1 to 1.0 and 11.5 to 1.0 as of December 31, 2021, respectively.

As of December 31, 2021, we had no outstanding balance under the Revolving Facility.

As of December 31, 2021, the carrying value of our Term Loan was \$247.7 million. The estimated fair value of our Term Loan as of December 31, 2021, which we have classified as a Level 2 financial instrument, was approximately \$261.7 million.

The effective interest rate inclusive of the debt discount and debt issuance costs for the Term Loan was approximately 1.4% for the year ended December 31, 2021.

The following table summarizes the interest expense recognized for all periods presented (in thousands):

	Year Ended December 31,		
	2021	2020	2019
First and Second Lien Guaranty Agreement:			
Contractual interest expense for term loan	\$ 9,818	\$ 27,387	\$ 29,757
Contractual interest expense for revolving facility	—	16	2,758
Amortization of debt discount and issuance cost	1,343	2,632	2,989
Loss on debt extinguishment	4,904	4,114	—
Credit Agreement:			
Contractual interest expense for term loan	1,113	—	—
Contractual interest expense for revolving facility	53	—	—
Amortization of debt discount and issuance cost	115	—	—
Other	327	988	44
Total interest expense recognized	\$ 17,673	\$ 35,137	\$ 35,548

The estimated future principal payments under our total long-term debt as of December 31, 2021 are as follows (in thousands):

	Amounts
2022	\$ 5,000
2023	6,875
2024	12,500
2025	12,500
2026	211,875
Total debt	\$ 248,750

9. Commitments and Contingencies

Product Warranties

Changes in our assurance-type warranty obligations were as follows (in thousands):

	December 31,	
	2021	2020
Beginning of the period	\$ 5,865	\$ 3,991
Warranty provision related to products shipped	6,549	7,201
Deductions for warranty claims processed	(6,758)	(5,327)
End of period	\$ 5,656	\$ 5,865

Unconditional Purchase Obligations

In the normal course of business, we enter into various purchase commitments for goods or services. Our long-term non-cancelable purchase commitments consist primarily of multi-year contractual arrangements relating to subscriptions for cloud computing hosting arrangements for our enterprise resource planning ("ERP") system and the related support services as well as

marketing sponsorship. The total long-term non-cancelable purchase commitments as of December 31, 2021 was as follows (in thousands):

	<u>Amounts</u>
2022	\$ 2,614
2023	2,524
2024	1,699
2025	308
2026	—
Total	<u>\$ 7,145</u>

Our total non-cancelable long-term purchase commitments outstanding as of December 31, 2020 was \$6.8 million.

Letters of Credit

The letters of credit outstanding, in aggregate, was \$0.5 million and \$2.0 million as of December 31, 2021 and 2020, respectively. No amounts have been drawn upon the letters of credit for all periods presented.

Indemnification

In the ordinary course of business, we may provide indemnifications of varying scope and terms with respect to certain transactions. We have entered into indemnification agreements with directors and certain officers and employees that will require Corsair, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon Corsair to provide indemnification under such agreements, and thus, there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, statements of operations, or statements of cash flows. We currently have directors' and officers' insurance.

10. Stockholders' Equity

On September 25, 2020, in connection with the closing of the IPO, we filed an Amended and Restated Certificate of Incorporation which increased the authorized shares of common stock for issuance to 300,000,000 and authorized 5,000,000 shares of preferred stock, with a par value of \$0.0001 per share, for issuance. There were no shares of preferred stock outstanding as of December 31, 2021 and 2020.

11. Equity Incentive Plans and Stock-Based Compensation

Equity Incentive Plans

In 2017, we adopted the 2017 Equity Incentive Program (*the "2017 Plan"*). In September 2020, we adopted the 2020 Incentive Award Plan (*the "2020 Plan"*). The 2020 Plan is the successor and continuation to the 2017 Plan. The 2020 Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, RSUs, performance awards and other forms of awards. Incentive stock options may be granted only to employees. All other awards may be granted to eligible employees, non-employee directors and consultants, at the discretion of our board of directors (*the "Board"*).

Under the 2020 Plan, 5,125,000 shares of our common stock were initially reserved for issuance. The 2020 Plan reserve also includes any shares under the 2017 Plan and the 2020 Plan that may become available for issuance if the award terminates without the delivery of shares or if shares are tendered to satisfy the exercise price or tax withholding obligation with respect of the award. According to the provisions in the 2020 Plan, in March 2021, our Board approved an annual increase in the shares of common stock reserved for issuance by 3,677,385 shares. As of December 31, 2021, there were 7,626,827 shares reserved for future issuance the 2020 Plan.

All stock options under the 2017 Plan and the 2020 Plan are issued at exercise prices not less than the fair market value on the date of grant. RSUs have no exercise price. Both stock options and RSUs vest over a period of time as determined by the Board, generally four to five years, and expire ten years from date of grant.

Employee Stock Purchase Plan

In September 2020, we adopted the 2020 Employee Stock Purchase Plan (*the "ESPP"*). The ESPP is designed to allow eligible employees to purchase shares of our common stock, at semi-annual intervals, with their accumulated payroll deductions. The ESPP initially reserved 1,025,000 shares of our common stock for issuance. According to the provisions in the ESPP, in March 2021, our Board approved an annual increase in the shares of common stock reserved for issuance by 919,346 shares. The first ESPP offering

period began on January 1, 2021. For the year ended December 31, 2021, 205,464 shares of common stock were sold to our employees under the ESPP. As of December 31, 2021, there were 1,738,882 shares reserved for future issuance under the ESPP.

Stock Options Activities

The following table summarizes the stock option activities and related information for the year ended December 31, 2021:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding as of December 31, 2020	10,211,737	\$ 5.68	7.7	\$ 311,869
Granted	695,122	40.16		
Exercised	(2,335,250)	4.37		
Forfeited/cancelled	(408,000)	6.64		
Outstanding as of December 31, 2021	<u>8,163,609</u>	\$ 8.94	6.9	\$ 112,411
Vested and exercisable as of December 31, 2021	<u>4,173,467</u>	\$ 5.33	6.4	\$ 65,617

The weighted-average grant date fair value per share for stock options granted in years ended December 31, 2021, 2020 and 2019 was \$16.77, \$3.68 and \$2.89, respectively. The total intrinsic value of options exercised for the years ended December 31, 2021, 2020 and 2019 was \$66.0 million, \$1.5 million, and \$0.1 million, respectively.

RSU Activities

The following table summarizes the RSU activities and related information for the year ended December 31, 2021:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding as of December 31, 2020	153,488	\$ 29.35
Granted	572,785	34.78
Vested	(50,327)	28.02
Forfeited/cancelled	(34,086)	33.82
Outstanding as of December 31, 2021	<u>641,860</u>	\$ 34.06

The weighted-average grant date fair value per share for RSUs granted in years ended December 31, 2021 and 2020 was \$34.78 and \$28.66, respectively. The total fair value of RSUs vested in the years ended December 31, 2021 and 2020 was \$1.4 million and \$0.1 million, respectively.

Stock-based Compensation

The following table summarizes stock-based compensation expense by line item in our consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of revenue	\$ 1,006	\$ 268	\$ 197
Sales, general and administrative	13,772	4,883	3,084
Product development	2,457	645	567
Stock-based compensation expense, net of amounts capitalized (1)	<u>\$ 17,235</u>	<u>\$ 5,796</u>	<u>\$ 3,848</u>
Income tax benefits (expense) related to stock-based compensation expense	<u>\$ 6,796</u>	<u>\$ (476)</u>	<u>\$ —</u>

(1) Total stock-based compensation expense capitalized in inventory was not material for each of the periods presented.

The following table summarizes by type of grant, the total unrecognized stock-based compensation expense and the remaining period over which such expense is expected to be recognized (in thousands, except number of years):

	December 31, 2021	
	Unrecognized Expense	Remaining weighted average period (In years)
RSUs	\$ 17,542	3.1
Stock Options	16,591	2.2
ESPP	—	—
Total unrecognized stock-based compensation expense	\$ 34,133	

Valuation Assumptions

We estimate the fair value of the stock options at the date of grant using the Black-Scholes-Merton pricing model, with the following valuation assumptions and values:

	Year Ended December 31,		
	2021	2020	2019
Expected term (years)	6.01	6.37	6.48
Expected volatility	43.1% - 47.0%	35.8% - 44.0%	34.3% - 36.1%
Dividend yield	—	—	—
Risk-free interest rate	0.05% - 1.34%	0.3% - 1.8%	1.4 - 2.6%

We estimate the fair value of the shares under the ESPP at the date of grant using the Black-Scholes-Merton pricing model, with the following valuation assumptions and inputs:

	Year Ended December 31,
	2021
Expected term (years)	0.50
Expected volatility	43.2% - 45.1%
Dividend yield	—
Risk-free interest rate	0.05% - 0.09%

Each of the inputs to the Black-Scholes-Merton pricing model, as discussed below, is subjective and generally requires significant judgment and estimation by management.

Expected Term—The expected term represents the period that stock options are expected to be outstanding. Since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time our common stock has been publicly traded, the simplified method is used to estimate the expected term of our stock options. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the stock option.

Expected Volatility—Since we do not have a trading history for our common stock, the expected volatility was derived from the historical stock volatilities of comparable peer public companies within our industry that are considered to be comparable to our business over a period equivalent to the expected term of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the stock-based awards.

Expected Dividend Rate—The expected dividend is zero as we do not anticipate paying any dividends on our common stock in the foreseeable future.

The expense is recognized over the requisite service period.

12. Net Income (Loss) Per Share

The following table summarizes the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2021	2020	2019
Numerator			
Net income (loss)	\$ 100,960	\$ 103,217	\$ (8,394)
Denominator			
Weighted-average shares used to compute net income (loss) per share, basic	93,260	86,256	76,223
Effect of dilutive securities	6,744	4,321	—
Weighted-average shares used to compute net income (loss) per share, diluted	100,004	90,577	76,223
Net income (loss) per share:			
Basic	\$ 1.08	\$ 1.20	\$ (0.11)
Diluted	\$ 1.01	\$ 1.14	\$ (0.11)
Anti-dilutive potential common shares (1)	927	1,605	8,091

(1) Potential common share equivalents were not included in the calculation of diluted net income per share as the effect would have been anti-dilutive.

13. Income Taxes

Income (loss) before income tax consists of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Domestic	\$ 26,889	\$ (1,190)	\$ (18,407)
Foreign	87,671	123,232	5,008
Income (loss) before income tax	\$ 114,560	\$ 122,042	\$ (13,399)

Income tax (expense) benefit consists of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
United States federal taxes:			
Current	\$ (3,723)	\$ (363)	\$ (2,177)
Deferred	4,805	4,801	5,948
State taxes:			
Current	(968)	(1,313)	(529)
Deferred	3,855	813	1,421
Foreign taxes:			
Current	(20,871)	(24,625)	(3,824)
Deferred	3,302	1,862	4,166
Income tax (expense) benefit	\$ (13,600)	\$ (18,825)	\$ 5,005

The income tax (expense) benefit differs from the amount which would result by applying the applicable statutory deferral rate to income before income taxes as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Provision at federal statutory rate	\$ (24,058)	\$ (25,629)	\$ 2,814
State taxes	(3,033)	(5,363)	911
Foreign rate differential	3,149	10,185	300
Taxes on foreign operations	8,595	(1,776)	(1,520)
Research and development credits	2,586	1,534	—
Net operating loss	—	—	2,557
Change in valuation allowance	4,171	4,407	719
Change in tax rate on deferred tax assets	(1,507)	(743)	(469)
Other	(3,503)	(1,440)	(307)
Income tax (expense) benefit	<u>\$ (13,600)</u>	<u>\$ (18,825)</u>	<u>\$ 5,005</u>

The major drivers for the change in tax (expense) benefit in 2021 were the excess tax benefits from stock-based compensation and a decrease in valuation allowance in 2021 as a result of the release of our California valuation allowance due to increased U.S. profitability. The disclosure for foreign rate differential reflects the impact of the effective tax rate benefit from operations in jurisdictions where the applicable foreign tax rate is lower than the U.S. statutory rate. We were not subject to any tax holidays or tax holiday terminations subject to disclosure during these periods that impacted loss per share.

Deferred tax assets and liabilities comprise the following:

	December 31,	
	2021	2020
Deferred tax assets:		
Accrued expenses and reserves	\$ 17,903	\$ 14,387
Stock-based compensation	2,379	1,794
NOL and capital losses	7,608	10,708
Capitalized research expenditures	2,846	575
Tax credits	2,287	2,686
Other	790	692
Total deferred tax assets	33,813	30,842
Less valuation allowance	(4,038)	(8,209)
Deferred tax liabilities:		
Intangible assets	(42,738)	(47,589)
Net deferred tax liabilities	<u>\$ (12,963)</u>	<u>\$ (24,956)</u>

We have established a valuation allowance of \$4.0 million and \$8.2 million as of December 31, 2021 and 2020, respectively, against our net deferred tax assets. We determine valuation allowance on deferred tax assets by considering both positive and negative evidence in order to ascertain whether it is more likely than not that deferred tax assets will be realized. Realization of deferred tax assets is dependent upon the generation of future taxable income, if any, the timing and amount of which are uncertain. Due to the anticipated future taxable income under the GILTI regime, we have released most of our valuation allowance except on \$1.2 million of foreign tax credit carryovers for U.S. federal purposes and maintained a valuation allowance on our Luxemburg deferred tax assets.

As of December 31, 2021, we had net operating loss carry forwards for federal, state and foreign tax purposes of \$9.6 million, \$26.4 million, and \$13.6 million, respectively. The federal, state and foreign net operating losses will begin to expire starting in 2037, 2030, and 2034, respectively. As defined under Internal Revenue Code Section 382, certain tax attributes are subject to an annual limitation as a result of our change in ownership in August 2017. In August 2017, we acquired the interests of the operating subsidiaries from Corsair Components (Cayman) Ltd. We do not expect our tax attributes to be materially affected by the annual limitation.

Change in gross unrecognized tax benefits, excluding interest and penalties, as a result of uncertain tax positions are as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Beginning balance	\$ 1,216	\$ 746	\$ 477
Tax position related to current year			
Increase	690	262	24
Decrease	—	—	—
Tax position related to prior year			
Increase	1,851	477	245
Decrease	—	(269)	—
	<u>\$ 3,757</u>	<u>\$ 1,216</u>	<u>\$ 746</u>

All of these unrecognized tax benefits will favorably impact our effective tax rate in future periods to the extent benefits are recognized. There are no provisions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

We did not recognize significant expense for interest and penalties related to uncertain tax positions for the years ended December 31, 2021, 2020 and 2019. We file income tax returns with the U.S. federal government, various U.S. states and foreign jurisdictions including China, France, Germany, Hong Kong, Luxembourg, Netherlands, Slovenia, Taiwan, United Kingdom and Vietnam. Our tax returns in the U.S., various U.S. states and foreign jurisdictions remain open to examination from 2013 to 2020.

14. Accumulated Other Comprehensive Income (Loss)

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

	December 31,	
	2021	2020
Accumulated foreign currency translation gain	\$ 622	\$ 2,104
Unrealized foreign exchange loss from long-term intercompany loans, net of tax	(962)	(577)
Total Accumulated Other Comprehensive Income (Loss)	<u>\$ (340)</u>	<u>\$ 1,527</u>

15. Segment and Geographic Information

The table below summarizes the financial information for each reportable segment (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net revenue			
Gamer and Creator Peripherals	\$ 647,202	\$ 539,366	\$ 294,141
Gaming Components and Systems	1,256,858	1,163,001	803,033
Total net revenue	<u>\$ 1,904,060</u>	<u>\$ 1,702,367</u>	<u>\$ 1,097,174</u>
Gross Profit			
Gamer and Creator Peripherals	\$ 224,920	\$ 189,742	\$ 81,363
Gaming Components and Systems	288,934	275,687	142,924
Total gross profit	<u>\$ 513,854</u>	<u>\$ 465,429</u>	<u>\$ 224,287</u>

The CODM manages assets on a total company basis, not by operating segments; therefore, asset information and capital expenditures by operating segments are not presented.

Geographic Information

The following table summarizes our net revenue by geographic region based on the location of the customer (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net revenue			
Americas	\$ 841,653	\$ 775,423	\$ 460,256
Europe and Middle East	735,151	624,214	406,435
Asia Pacific	327,256	302,730	230,483
Total net revenue	<u>\$ 1,904,060</u>	<u>\$ 1,702,367</u>	<u>\$ 1,097,174</u>

Revenues from sales to customers in the United States represented 38% , 38% and 35% for the years ended December 31, 2021, 2020 and 2019, respectively. No other single country represented 10% or more of total net revenue during these periods.

Long-lived assets consist primarily of property and equipment, net and right-of-use assets. The following table summarizes long-lived assets by regions that represent 10% of more of our total long-lived assets (in thousands):

	December 31,	
	2021	2020
United States	\$ 44,825	\$ 20,854
China	8,465	7,567
Taiwan	7,387	7,742
Other	7,529	6,310
Total long-lived assets	<u>\$ 68,206</u>	<u>\$ 42,473</u>

16. Leases

Our lease portfolio consists primarily of real estate facilities for manufacturing, distribution, warehousing and office use purposes under operating leases.

The components of lease expenses were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Operating lease expense	\$ 13,048	\$ 9,406
Variable lease expense	9,636	7,305
Total lease expense	<u>\$ 22,684</u>	<u>\$ 16,711</u>

Supplemental cash flow information related to operating leases was as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 10,466	\$ 8,949
Right-of-use assets recognized in exchange for operating lease obligations	36,689	15,976

Supplemental balance sheet information related to operating leases was as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Right-of-use assets (included in other assets)	\$ 51,387	\$ 25,998
Lease incentive receivable (included in prepaid expenses and other current assets)	6,505	—
Operating lease liabilities (included in other liabilities and accrued expenses)	9,457	9,070
Operating lease liabilities, noncurrent (included in other liabilities, noncurrent)	51,153	17,571
Weighted-average remaining lease term (in years)	7.6	3.9
Weighted-average discount rate	3.8%	3.9%

The following table summarizes the maturity of operating lease liabilities as of December 31, 2021 (in thousands):

	Amounts
2022	\$ 10,164
2023	11,266
2024	9,959
2025	6,078
2026	5,988
Thereafter	29,413
Total future lease payments	72,868
Less: Imputed interest	(12,258)
Present value of operating lease liabilities	\$ 60,610

17. Subsequent event

On January 1, 2022, we acquired a 51% stake in iDisplay Technology (“iDisplay”), a leader in electronic development and design specializing in display technology. Pursuant to the Share Purchase Agreement, and in consideration for its 51% interest in iDisplay, the Company paid \$25.3 million in cash and issued 690,333 shares of its Common Stock, having an aggregate value of \$14.5 million, for total purchase consideration of \$39.8 million. The purchase consideration is subject to adjustment for certain working capital adjustments and post-closing indemnities.

Due to the proximity of the acquisition date to the filing of our annual report on Form 10-K for the year ended December 31, 2021, the initial accounting for the iDisplay business combination is incomplete, and therefore we are unable to disclose certain information required by ASC 805, Business Combinations, including the provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and goodwill. We are currently in the process of finalizing the accounting for this transaction and expect to complete our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the first quarter of 2022.

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

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at a reasonable assurance level.

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) and 15d-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective, at the reasonable assurance level, as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but there can be no assurance that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item that is found in our Definitive Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for our 2022 Annual Meeting of Stockholders, or the Proxy Statement, is incorporated herein by reference to our Proxy Statement. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference to our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference to our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated herein by reference to our Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this Item is incorporated herein by reference to our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

1. Financial Statements

See the “Index to Consolidated Financial Statements” under Part II, Item 8 of this report.

2. Financial Statement Schedules

All financial schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required information is included in the consolidated financial statements and notes thereto included in this report.

3. Exhibits

Exhibit Number	Description	Incorporated by Reference			File Herewith
		Form	Date	Number	
3.1	Second Amended and Restated Certificate of Incorporation.	8-K	September 25, 2020	3.1	
3.2	Amended and Restated Bylaws.	8-K	September 25, 2020	3.2	
4.1	Form of Stock Certificate.	S-1/A	September 18, 2020	4.2	
4.2	Description of Corsair’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	March 11, 2021	4.3	
4.3	Investor Rights Agreement, by and between Corsair Gaming, Inc. and Corsair Group (Cayman), LP.	S-1/A	September 18, 2020	4.3	
4.4	Registration Rights Agreement, by and between Corsair Gaming, Inc. and Corsair Group (Cayman), LP.	S-1/A	September 14, 2020	4.4	
10.1#	Form of Indemnification Agreement to be entered into between Corsair Gaming, Inc. and each of its directors and executive officers.	S-1	August 21, 2020	10.1	
10.2#	Corsair Gaming, Inc. Equity Incentive Program	S-1/A	September 18, 2020	10.2	
10.2(a)#	Form of Unit Award Agreement (U.S. Form) under EagleTree-Carbide Holdings (Cayman), LP Equity Incentive Program	S-1	August 21, 2020	10.2(a)	
10.2(b)#	Form of Unit Award Agreement (Non-U.S. Form) under EagleTree-Carbide Holdings (Cayman), LP Equity Incentive Program	S-1	August 21, 2020	10.2(b)	
10.3#	2020 Incentive Award Plan	S-1/A	September 14, 2020	10.3	
10.3(a)#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2020 Incentive Award Plan.	S-1/A	September 14, 2020	10.3(a)	

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10.3(b)#	<u>Form of Restricted Stock Award Grant Notice under the 2020 Incentive Award Plan.</u>	S-1/A	September 14, 2020	10.3(b)
10.3(c)#	<u>Form of Restricted Stock Unit Award Grant Notice under the 2020 Incentive Award Plan.</u>	S-1/A	September 14, 2020	10.3(c)
10.4#	<u>2020 Employee Stock Purchase Plan.</u>	S-1/A	September 14, 2020	10.4
10.5(a)	<u>First Lien Credit and Guaranty Agreement, dated as of August 28, 2017, by and among Corsair Group (Cayman), LP and certain of its subsidiaries including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1	August 21, 2020	10.5(a)
10.5(b)	<u>Amendment No. 1 to First Lien Credit and Guaranty Agreement, dated as of October 3, 2017, by and among Corsair Group (Cayman), LP and certain of its subsidiaries including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1	August 21, 2020	10.5(b)
10.5(c)	<u>Amendment No. 2 to First Lien Credit and Guaranty Agreement, dated as of March 29, 2018, by and among Corsair Group (Cayman), LP and certain of its subsidiaries including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1	August 21, 2020	10.5(c)
10.6(a)	<u>Second Lien Credit and Guaranty Agreement, dated as of August 28, 2017, by and among Corsair Group (Cayman), LP and certain of its subsidiaries including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1	August 21, 2020	10.6(a)
10.6(b)	<u>Amendment No. 1 to Second Lien Credit and Guaranty, dated as of October 3, 2017, by and among Corsair Group (Cayman), LP, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1	August 21, 2020	10.6(b)
10.7	<u>Industrial Space Lease, dated as of August 18, 2014, by and among Corsair Memory, Inc. and Osprey Capital Building 50, LLC.</u>	S-1	August 21, 2020	10.7
10.8(a)#	<u>Severance Letter Agreement, dated as July 1, 2010, by and among Corsair Memory, Inc. and Andy Paul.</u>	S-1	August 21, 2020	10.8(a)
10.8(b)#	<u>Severance Letter Agreement, dated as July 1, 2010, by and among Corsair Memory, Inc. and Nick Hawkins.</u>	S-1	August 21, 2020	10.8(b)
10.9#	<u>Separation Agreement, dated April 30, 2019, by and among Corsair Memory, Inc. and Nick Hawkins.</u>	S-1	August 21, 2020	10.9
10.10#	<u>Offer Letter Agreement, dated October 17, 2019, by and among Corsair Gaming Inc., and Michael Potter.</u>	S-1	August 21, 2020	10.10
10.11#	<u>Second Separation Agreement, dated November 7, 2019, by and among Corsair Memory, Inc. and Nick Hawkins.</u>	S-1	August 21, 2020	10.11
10.12	<u>Amendment No. 3 to First Lien Credit and Guarantee Agreement, dated as of April 27, 2018, by and among Corsair Group (Cayman), LP and certain of its subsidiaries, including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.</u>	S-1/A	September 21, 2020	10.12

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10.13	Amendment No. 4 to First Lien Credit and Guarantee Agreement, dated as of October 11, 2018, by and among Corsair Group (Cayman), LP and certain of its subsidiaries, including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.	S-1/A	September 21, 2020	10.13
10.14	Amendment No. 5 to First Lien Credit and Guarantee Agreement, dated as of December 19, 2019, by and among Corsair Group (Cayman), LP and certain of its subsidiaries, including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.	S-1/A	September 21, 2020	10.14
10.15	Amendment No. 6 to First Lien Credit and Guarantee Agreement, dated as of September 25, 2020, by and among Corsair Group (Cayman), LP and certain of its subsidiaries, including the Registrant, Macquarie Capital Funding LLC, as administrative agent, and the other parties thereto.	8-K	October 1, 2020	10.1
10.16	Credit Agreement, dated as of September 3, 2021, by and among Corsair Gaming, Inc. and certain of its subsidiaries, Bank of America, N.A. as administrative agent, swingline lender and L/C issuer, and the other parties thereto.	10-Q	November 2, 2021	10.1
10.17	Lease Agreement, dated as of April 27, 2021, by and among Corsair Gaming, Inc. and Campus 237 Owner LLC.			X
10.18	First Amendment to Industrial Space Lease, dated as of August 16, 2017, by and among Corsair Memory, Inc. and Osprey Capital Building 50, LLC.			X
10.19	Second Amendment to Industrial Space Lease, dated as of February 2, 2022, by and among Corsair Memory, Inc. and 47100 Bayside Parkway Owner, LLC.			X
10.20#	Form of Change in Control and Severance Agreement.			X
10.21#	Non-Employee Director Compensation Policy.			X
21.1	List of the Registrant’s Significant Subsidiaries.			X
23.1	Consent of Independent Registered Public Accounting Firm.			X
24.1	Power of Attorney (included on signature page to this Annual Report on Form 10-K).			X
31.1	Certification of Principal Executive Officer Required under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).			X
31.2	Certification of Principal Financial Officer Required under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).			X
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).			X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.			X
101.SCH	Inline XBRL Taxonomy Extension Schema Document			X

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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	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X

* The certification attached as Exhibit 32.1 that accompanies this Annual Report on Form 10-K is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Corsair Gaming, Inc. 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 Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Indicates management contract or compensatory plan.

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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

Corsair Gaming, Inc.

Date: March 1, 2022

By: /s/ Andrew J. Paul
 Andrew J. Paul
 Chief Executive Officer and Director
 (Principal Executive Officer)

Date: March 1, 2022

By: /s/ Michael G. Potter
 Michael G. Potter
 Chief Financial Officer
 (Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew J. Paul and Michael G. Potter, and each or any one of them, his or her lawful attorneys-in-fact and agents, for such person in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact and agent, or 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 in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Andrew J. Paul</u> Andrew J. Paul	Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2022
<u>/s/ Thi L. La</u> Thi L. La	President and Chief Operating Officer and Director	March 1, 2022
<u>/s/ Michael G. Potter</u> Michael G. Potter	Chief Financial Officer (Principal Financial Officer)	March 1, 2022
<u>/s/ Gregg A. Lakritz</u> Gregg A. Lakritz	Vice President, Corporate Controller (Principal Accounting Officer)	March 1, 2022
<u>/s/ Anup Bagaria</u> Anup Bagaria	Director	March 1, 2022
<u>/s/ Diana Bell</u> Diana Bell	Director	March 1, 2022
<u>/s/ Jason Cahilly</u> Jason Cahilly	Director	March 1, 2022
<u>/s/ George L. Majoros, Jr.</u> George L. Majoros, Jr.	Director	March 1, 2022
<u>/s/ Sarah M. Kim</u> Sarah M. Kim	Director	March 1, 2022
<u>/s/ Stuart A. Martin</u> Stuart A. Martin	Director	March 1, 2022
<u>/s/ Samuel R. Szeinbaum</u> Samuel R. Szeinbaum	Director	March 1, 2022
<u>/s/ Randall J. Weisenburger</u> Randall J. Weisenburger	Director	March 1, 2022

LEASE AGREEMENT

between

CAMPUS 237 OWNER LLC,
as "**Landlord**"

and

CORSAIR GAMING, INC.,
as "**Tenant**"

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BASIC LEASE INFORMATION

Lease Date: April 27, 2021.

Landlord: CAMPUS 237 OWNER LLC, a Delaware limited liability company

Tenant: CORSAIR GAMING, INC., a Delaware corporation

Project: Park Point

Building Address: 115 N McCarthy Boulevard, Milpitas CA 95035

Rentable Area of Project: Approximately 471,877 rentable square feet

Rentable Area of Building: 115 N McCarthy Boulevard – 118,127 SF

Premises: Floor:Entire Building
Rentable Area: Approximately 118,127 rentable square feet

Term: One hundred twenty-six (126) full calendar months (plus any partial month at the beginning of the Term)

Commencement Date: March 1, 2022

Expiration Date: The last day of the one hundred twenty-sixth (126th) full calendar month in the Term

Base Rent:

Months During Term	Monthly Base Rent	Annual Base Rent
1 – 12	\$313,036.55	\$3,756,438.60*
13 – 24	\$322,427.65	\$3,869,131.76
25 – 36	\$332,100.48	\$3,985,205.71
37 – 48	\$342,063.49	\$4,104,761.88
49 – 60	\$352,325.40	\$4,227,904.74
61 – 72	\$362,895.16	\$4,354,741.88
73 – 84	\$373,782.01	\$4,485,384.14
85 – 96	\$384,995.47	\$4,619,945.66
97 – 108	\$396,545.34	\$4,758,544.03
109 – 120	\$408,441.70	\$4,901,300.35
121 – 126	\$420,694.95	\$2,524,169.68

*Base Rent for the first twelve (12) full calendar months of the Term is subject to abatement pursuant to Section 3.1 of the Lease.

Maintenance, Operating Costs and Taxes: This is a “triple net lease” where Tenant is responsible (a) for maintenance and for payment of certain expenses directly to providers, and (b) to reimburse Landlord for Tenant’s Share of “Operating Costs” and “Taxes”, all in accordance with the applicable provisions of the Lease.

Tenant’s Share: Of Building: 100%
Of Project: 25.03%

Security Deposit: \$472,669.50

Landlord’s Address for Payment of Rent: Campus 237 Owner LLC
c/o Embarcadero Realty Services LP
1301 Shoreway Road, Suite 250
Belmont, CA 94002

Business Hours: 8:00 a.m. – 6:00 p.m., Monday through Friday,
excluding holidays

Landlord’s Address for Notices: Campus 237 Owner LLC
c/o Embarcadero Realty Services LP
1301 Shoreway Road, #250
Belmont, California 94002
with a copy to:
Campus 237 Owner LLC
c/o Embarcadero Realty Services LP
1290 Oakmead Parkway, Suite 310
Sunnyvale, California 94085
and
Mr. Gregory B. Shean
Farella Braun + Martel LLP
The Russ Building, 30th Floor
235 Montgomery Street
San Francisco, CA 94104
and
Campus 237 Owner LLC
c/o PCCP LLC
10100 Santa Monica Boulevard, Suite 1000
Los Angeles, California 90067
Attn: Legal Notices

Tenant's Address for Notices: Prior to the Commencement Date:

47100 Bayside Parkway
Fremont, CA 94538

After the Commencement Date:

115 N McCarthy Boulevard
Milpitas, California 95035

Broker(s): Newmark, Knight Frank representing Landlord and Newmark, Knight Frank and CBRE representing Tenant

Guarantor(s): None

Property Manager: Embarcadero Realty Services LP

Additional Provisions: 37.Parking
38.Electric Vehicle Charging Stations
39.Rooftop Communication Equipment
40.Generator
41.Extension Options
42.Monument Sign
43.Building Signs
44.Outdoor Area

Exhibits:

Exhibit A: The Premises
Exhibit B: Construction Rider
Exhibit C: Project Rules
Exhibit D: Additional Provisions
Exhibit E: Location of Monument Sign
Exhibit F: Form of Subordination, Non Disturbance and Attornment Agreement

The Basic Lease Information set forth above is part of the Lease. In the event of any conflict between any provision in the Basic Lease Information and the Lease, the Lease shall control.

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THIS LEASE (the “**Lease**”) is made as of the Lease Date set forth in the Basic Lease Information, by and between the Landlord identified in the Basic Lease Information (“**Landlord**”), and the Tenant identified in the Basic Lease Information (“**Tenant**”). Landlord and Tenant hereby agree as follows:

1. PREMISES.

1.1 Leasing of the Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon the terms and subject to the conditions of this Lease, the space identified in the Basic Lease Information as the Premises (the “**Premises**”), in the Building located at the address specified in the Basic Lease Information (the “**Building**”), in the Project as described in the Basic Lease Information (the “**Project**”). The approximate configuration and location of the Premises is shown on Exhibit A. Landlord and Tenant agree that the rentable area of the Premises, the Building and the Project for all purposes under this Lease shall be the Rentable Areas specified in the Basic Lease Information. Pursuant to Civil Code section 1938, Landlord states that, as of April 27, 2021, the Premises has not undergone inspection by a “Certified Access Specialist” (“**CASp**”) to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code section 55.53. Landlord hereby discloses pursuant to California Civil Code Section 1938 as follows: “A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” Landlord and Tenant hereby acknowledge and agree that in the event that Tenant elects to perform a CASp inspection of the Premises hereunder, such CASp inspection shall be performed at Tenant's sole cost and expense and Tenant shall be solely responsible for the cost of any repairs, upgrades, alterations and/or modifications to the Premises or the Building necessary to correct any such violations of construction-related accessibility standards identified by such CASp inspection as required by Laws, which repairs, upgrades, alterations and/or modifications may, at Landlord's option, be performed by Landlord at Tenant's expense, payable as Additional Rent within thirty (30) days following Landlord's demand.

1.2 The Land and Common Areas. The land (the “**Land**”) includes the parcel(s) of land on which the Project is situated. This Lease is or shall be subject and subordinate in all respects to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions and Grant of Easements for the Campus Property, recorded on April 24, 2020, as Document No. 24463180 in the Official Records of Santa Clara County, California. Tenant shall have the non-exclusive right to use in common with other tenants in the Project, subject to this Lease, those portions of the Project, including one loading dock and the parking facilities serving the Project (the “**Parking Facility**”), which are provided, from time-to-time, for use in common by Landlord, Tenant and any other tenants in the Project (such areas are referred to herein as the “**Common Areas**”). The Project includes the Amenity Area and the Fitness Center, subject to and as defined in Sections 5.3 and 5.4 below. The manner in which the Common Areas, Amenity Area and the Fitness Center are maintained and operated shall be at the sole discretion of Landlord and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to

close temporarily, make alterations or additions to, eliminate or change the location of elements of the Project and the Common Areas.

2. **TERM; POSSESSION.** The term of this Lease (the “**Term**”) shall commence on the Commencement Date set forth in the Basic Lease Information (the “**Commencement Date**”) and, unless sooner terminated, shall expire on the Expiration Date set forth in the Basic Lease Information (the “**Expiration Date**”) unless extended as set forth herein. Landlord shall not be liable for any claims, damages or liabilities if the Premises are not ready for occupancy by the Commencement Date. Provided that Tenant has delivered the insurance certificates called for in Section 11.1(e) – *Certificates of Insurance*, the Security Deposit, and the prepaid Base Rent required under Section 3.1 – *Base Rent*, Landlord shall deliver possession of the Premises to Tenant as of the date of mutual execution and delivery of this Lease (the “**Delivery Date**”). Landlord shall install an exclusive Outdoor Area (defined in Section 44 below) demarcated by a vegetation hedge (as depicted in the attached **Exhibit A**). Commencing as of the Delivery Date, Tenant shall have access to the Premises during normal Business Hours to perform the Tenant Improvements described in **Exhibit B - Construction Rider**, to install Tenant’s furniture, fixtures and equipment, data information systems, security systems, computer and telephone cabling, computers and related office equipment, but only if during such period, Tenant and Tenant’s employees, contractors and vendors do not materially or adversely interfere with Landlord’s contractor completing work and renovations at the Project. Tenant shall not be obligated to pay Base Rent or Additional Rent prior to the Commencement Date, provided, however, commencing as of the Delivery Date, Tenant shall establish direct accounts with the all utility providers such that effective as of the Delivery Date, Tenant shall pay for and be liable for the cost of any utilities, trash disposal or services provided to Tenant at the Premises. Notwithstanding the foregoing, if Tenant takes possession of the Premises before the Commencement Date for any purpose other than as expressly provided in this Section, such possession shall be subject to the terms and conditions of this Lease and Tenant shall pay Base Rent and Additional Rent, and any other charges payable hereunder to Landlord for each day of possession before the Commencement Date.

3. **RENT.**

3.1 **Base Rent.** Tenant agrees to pay to Landlord the Base Rent set forth in the Basic Lease Information, without prior notice or demand, on the first day of each and every calendar month during the Term, except that Base Rent for the first full calendar month in which Base Rent is payable shall be paid upon Tenant’s execution of this Lease and Base Rent for any partial month at the beginning of the Term shall be paid on the Commencement Date. Base Rent for any partial month at the beginning or end of the Term shall be prorated based on the actual number of days in the month.

If the Basic Lease Information provides for any change in Base Rent by reference to years or months (without specifying particular dates), the change will take effect on the applicable annual or monthly anniversary of the Commencement Date (which might not be the first day of a calendar month).

Notwithstanding anything in this Lease to the contrary, so long as Tenant is not in default beyond applicable cure periods under this Lease, (a) during the first (1st) through sixth (6th) full months of the initial Term, Tenant shall be entitled to an abatement of (i) Base Rent with respect to

the Premises in the amount of \$313,036.55 per month, and (ii) Tenant's Share of Operating Costs and Taxes, and (b) during the seventh (7th) through twelfth (12th) full months of the initial Term, an abatement of (i) Base Rent with respect to the Premises in the amount of \$156,518.30 per month, and (ii) fifty percent (50%) of Tenant's Share of Operating Costs and Taxes ((a) and (b) above, collectively, the "Abated Rent"). If Tenant defaults under this Lease at any time during the Term and fails to cure such default within any applicable cure period under this Lease, then all Abated Rent shall immediately become due and payable. The payment by Tenant of the Abated Rent in the event of a default shall not limit or affect any of Landlord's other rights, pursuant to this Lease or at law or in equity. Only Base Rent and Tenant's Share of Operating Costs and Taxes shall be abated pursuant to this Section, as more particularly described herein, and all other Rent and other costs and charges specified in this Lease shall remain as due and payable pursuant to the provisions of this Lease.

3.2 Additional Rent: Operating Costs and Taxes.

(a) Definitions.

(1) "Operating Costs" means all costs of managing, operating, maintaining and repairing the Building, including all costs, expenditures, fees and charges for: (A) operation, maintenance and repair of the Building (including maintenance, repair and replacement of glass, washing of exterior glass, the roof covering or membrane, and landscaping); (B) Common Area repairs and maintenance, utilities, pest control, landscaping and services (including non-dedicated telecommunications facilities and equipment, irrigation, recycling programs and trash removal), and associated supplies and materials; (C) compensation (including employment taxes and fringe benefits) for persons (up to the level of senior property manager or equivalent) who perform duties in connection with the operation, management, maintenance and repair of the Building, such compensation to be appropriately allocated for persons who also perform duties unrelated to the Building; (D) property (including coverage for earthquake and flood if carried by Landlord), liability, rental income and other insurance relating to the Building, and expenditures for commercially reasonable deductible amounts under such insurance; (E) licenses, permits and inspections; (F) complying with the requirements of any law, statute, ordinance or governmental rule or regulation or any orders pursuant thereto (collectively "Laws"); (G) amortization of the cost of "Non-Structural Components" (as defined below) and amortization of the cost of capital improvements which are required to comply with Laws, or which are intended to reduce Operating Costs or improve the utility, efficiency or capacity of any Building System, or otherwise for the safety or comfort of tenants, with interest on the unamortized balance at the rate paid by Landlord on funds borrowed to finance such capital improvements (or, if Landlord finances such improvements out of Landlord's funds without borrowing, the rate that Landlord would have paid to borrow such funds, as reasonably determined by Landlord), over such useful life as Landlord shall reasonably determine substantially in accordance with generally accepted accounting principles consistently applied; (H) property management fees (provided that such fees shall not exceed three percent (3%) of the aggregate amount of Base Rent at the Building); (I) any other cost, expenditure, fee or charge, whether or not hereinbefore described, which in accordance with generally accepted property management practices would be considered an expense of managing, operating, maintaining and repairing the Building; (J) accounting, legal and other professional fees incurred in connection with the operation of the Project; (K) intentionally deleted; (L) the costs to contest the validity or applicability of any Laws that may affect the Project; (M) any reasonable costs incurred

for any voluntary certification as “green” or sustainable, or other similar certifications, but excluding the cost to make any alterations or improvements to the Building or Project necessary to achieve such certification; (N) any fee, cost, charge, assessment or imposition now or hereinafter assessed or imposed on Landlord or the Project by any federal, state, or local authority, including without limitation, by any Air-Quality Management District having jurisdiction or any quasi-governmental entity regulating pollution, air quality, emissions or other environment issues, for any carbon tax, fee, carbon credit, or other so-called carbon offset, or for any emission of nitrogen oxide, carbon dioxide, methane, and other greenhouse gases; (O) costs incurred by Landlord in connection with any environmental initiative and/or operations and maintenance plan implemented by Landlord at the Project whether or not such initiatives are mandated by Laws, including, without limitation, costs to reduce chemical emissions, optimize energy performance and increase efficiencies, and implement sustainable purchasing and waste management policies; and (P) any equitably shared Project costs or Common Area maintenance costs and expenses (including costs and expenses of operating, managing, owning and maintaining the Common Areas, the Amenity Area and the Fitness Center (defined in Sections 5.3 and 5.4 below) including any rental value thereon, and non-building specific costs). Landlord agrees to act in a commercially reasonable manner in incurring Operating Costs, taking into consideration the class and the quality of the Building. Tenant acknowledges that the Premises is a part of a multi-building project and that those costs and expenses that are incurred in connection with the Project (i.e., the Operating Costs and Taxes (defined below)) should be shared between the Premises and the tenants of the other buildings in the Project. Accordingly, as set forth in this Section 3.2(a), Operating Costs and Taxes are determined annually for the Project as a whole and shall include all Operating Costs and Taxes attributable solely to the Building and an equitable portion of the Operating Costs and Taxes which are attributable to the Project as a whole which are allocable to the Building as reasonably determined by Landlord in good faith. Furthermore, Landlord shall have the right, from time to time, to equitably allocate some or all of the costs for the Building and the Project among different portions or occupants of the Building and the Project (the “**Cost Pools**”), in Landlord’s discretion. The Cost Pools may include, but shall not be limited to, the tenants and storage space of the Building and the Project. The costs within each Cost Pool shall be allocated and charged to the tenants in the Cost Pool in an equitable manner.

Operating Costs for any calendar year during which average occupancy of the Project is less than one hundred percent (100%) shall be calculated based upon the Operating Costs that would have been incurred if the Project had an occupancy of one hundred percent (100%) during the entire calendar year. Notwithstanding anything to the contrary contained herein, in the event Tenant has received any free or abated rent during the Term of this Lease, or other such concession, the amount of such free or abated rent or any other such concession shall be included in the calculation to determine the amount of any property management fee or other such fee included in Operating Costs.

Operating Costs shall not include (i) capital improvements (except as specifically enumerated above); (ii) costs of special services rendered to individual tenants (including Tenant) for which a separate reimbursement is received; (iii) ground rent, and interest and principal payments on loans or indebtedness secured by the Building; (iv) costs of tenant improvements for Tenant or other tenants of the Building; (v) costs of services or other benefits of a type which are not available to Tenant but which are available to other tenants or occupants, and costs for which Landlord is reimbursed by other tenants of the Building other than through payment of tenants’ shares of Operating Costs and Taxes; (vi) leasing commissions, attorneys’ fees and other expenses incurred in

connection with leasing space in the Building or enforcing such leases; (vii) depreciation or amortization, except in connection with capital improvements as set forth above; (viii) costs, fines or penalties incurred due to Landlord's violation of any Law; and (ix) the costs and expenses for which Tenant pays directly with respect Premises to the extent of the applicable leasable area of the Premises, and (x) reserves of any kind.

(2) "Taxes" means that portion of the following taxes on the Project which are allocable to the Building in Landlord's reasonable judgment: all real property taxes and general, special or district assessments or other governmental impositions, of whatever kind, nature or origin, imposed on or by reason of the ownership or use of the Project; leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant; regulatory environmental taxes, governmental charges, fees or assessments for transit or traffic mitigation (including area-wide traffic improvement assessments and transportation system management fees), housing, police, fire or other governmental service or purported benefits to the Project; personal property taxes assessed on the personal property of Landlord used in the operation of the Project; service payments in lieu of taxes and taxes and assessments of every kind and nature whatsoever levied or assessed in addition to, in lieu of or in substitution for existing or additional real or personal property taxes on the Project or the personal property described above; any increases in the foregoing caused by changes in assessed valuation, tax rate or other factors or circumstances; and the reasonable cost of contesting by appropriate proceedings the amount or validity of any taxes, assessments or charges described above. To the extent paid by Tenant or other tenants as "Tenant's Taxes" (as defined in Section 8 - *Tenant's Taxes*), "Tenant's Taxes" shall be excluded from Taxes.

(3) "Tenant's Share" means the Rentable Area of the Premises divided by the total Rentable Area of the Building or the Project, as the case may be, as set forth in the Basic Lease Information. If the Rentable Area of the Premises is changed by Tenant's leasing of additional space hereunder or for any other reason, Tenant's Share shall be adjusted accordingly.

(b) Additional Rent.

(1) Tenant shall pay Landlord as "Additional Rent" for each calendar year or portion thereof during the Term Tenant's Share of the sum of (x) the amount of Operating Costs, and (y) the amount of Taxes.

(2) Prior to the Commencement Date and each calendar year thereafter, Landlord shall notify Tenant of Landlord's estimate of Operating Costs, Taxes and Tenant's Additional Rent for the following calendar year (or first partial year following the Commencement Date). Commencing on the Commencement Date, and in subsequent calendar years, on the first day of January of each calendar year and continuing on the first day of every month thereafter in such year, Tenant shall pay to Landlord one-twelfth (1/12th) of the Additional Rent, as reasonably estimated by Landlord for such full calendar year. If Landlord thereafter estimates that Operating Costs or Taxes for such year will vary from Landlord's prior estimate, Landlord may, by notice to Tenant, revise the estimate for such year (and Additional Rent shall thereafter be payable based on the revised estimate).

(3) As soon as reasonably practicable after the end of each calendar year, Landlord shall furnish Tenant a statement with respect to such year, showing Operating Costs, Taxes

and Additional Rent for the year, and the total payments made by Tenant with respect thereto. Unless Tenant raises any objections to Landlord's statement within one hundred twenty (120) days after receipt of the same, such statement shall conclusively be deemed correct and Tenant shall have no right thereafter to dispute such statement or any item therein or the computation of Additional Rent based thereon. If Tenant does object to such statement, then Landlord shall provide Tenant with reasonable verification of the figures shown on the statement and the parties shall negotiate in good faith to resolve any disputes. Any objection of Tenant to Landlord's statement and resolution of any dispute shall not postpone the time for payment of any amounts due Tenant or Landlord based on Landlord's statement, nor shall any failure of Landlord to deliver Landlord's statement in a timely manner relieve Tenant of Tenant's obligation to pay any amounts due Landlord based on Landlord's statement.

(4) If Tenant's Additional Rent as finally determined for any calendar year exceeds the total payments made by Tenant on account thereof, Tenant shall pay Landlord the deficiency within thirty (30) days of Tenant's receipt of Landlord's statement. If the total payments made by Tenant on account thereof exceed Tenant's Additional Rent as finally determined for such year, Tenant's excess payment shall be credited toward the rent next due from Tenant under this Lease or, if the Term has expired or this Lease is terminated earlier, then as set forth below. For any partial calendar year at the beginning or end of the Term, Additional Rent shall be prorated on the basis of a 360-day year by computing Tenant's Share of the Operating Costs and Taxes for the entire year and then prorating such amount for the number of days during such year included in the Term. The obligations of Landlord to refund any overpayment of Additional Rent and of Tenant to pay any Additional Rent not previously paid shall survive the expiration or termination of this Lease. Landlord shall pay to Tenant or Tenant shall pay to Landlord, as the case may be, within thirty (30) days after Tenant's receipt of Landlord's final statement for the calendar year in which this Lease terminates, the difference between Tenant's Additional Rent for that year, as finally determined by Landlord, and the total amount previously paid by Tenant on account thereof. However, if Landlord fails to furnish Tenant a statement of the actual Operating Costs for a given calendar year within twenty-four (24) months after expiration of the calendar year during which the Term expires (as the same may be extended) and such failure continues for an additional thirty (30) days after Landlord's receipt of a written request from Tenant that such statement of the actual Operating Costs is furnished, Landlord shall be deemed to have waived any rights to recover any underpayment of Operating Costs from Tenant (except to the extent such underpayment is attributable to a default by Tenant in its obligation to make estimated payments of Operating Costs); provided that such twenty-four (24) month time limit shall in no event apply to Taxes. Further, in no event shall the foregoing provision describing the time period during which Landlord is to deliver the statement of actual costs in any manner limit or otherwise prejudice Landlord's right to modify such statement of actual costs after such time period if new, additional or different information relating to such statement of actual costs is discovered or otherwise determined.

If for any reason Taxes for any year during the Term are reduced, refunded or otherwise changed, Tenant's Additional Rent shall be adjusted accordingly. If Taxes are temporarily reduced as a result of space in the Project being leased to a tenant that is entitled to an exemption from property taxes or other taxes, then for purposes of determining Additional Rent for each year in which Taxes are reduced by any such exemption, Taxes for such year shall be calculated on the basis of the amount the Taxes for the year would have been in the absence of the exemption. As of the date of this Lease, no such exemption is applicable to the Project.

(c) Limitation on Increases in Controllable Costs. For purposes of computing Tenant's Share of Operating Costs, the Controllable Operating Costs (hereinafter defined) shall not increase by more than five percent (5%) per calendar year on a compounding and cumulative basis over the course of the Term. In other words, Controllable Operating Costs for the second Lease year of the Term shall not exceed one hundred five percent (105%) of the Controllable Operating Costs for the first Lease year of the Term. Controllable Operating Costs for the third Lease year of the Term shall not exceed one hundred five percent (105%) of the limit on Controllable Operating Costs for the second Lease year of the Term, etc. By way of illustration, if Controllable Operating Costs were \$10.00 per rentable square foot for the first Lease year of the Term, then Controllable Operating Costs for the second Lease year shall not exceed \$10.50 per rentable square foot, and Controllable Operating Costs for the third Lease year of the term shall not exceed \$11.03 per rentable square foot (whether or not actual Controllable Operating Costs were less than, equaled or exceeded the limit on Controllable Operating Costs the prior year). "**Controllable Operating Costs**" shall mean all Operating Costs exclusive of the cost of insurance, utilities, taxes, capital improvements, refuse removal, lawn maintenance, nonrecurring maintenance, repairs and clean up, and janitorial services.

(d) Tenant's Audit Rights. If Tenant raises objections to Landlord's statement and Landlord and Tenant are unable to resolve any dispute, then Tenant, at its expense, shall have the right upon thirty (30) days prior written notice to Landlord ("**Tenant's Audit Notice**") to be given only within one hundred fifty (150) days after Tenant receives the annual statement of Additional Rent to audit Landlord's books and records relating to such statement for such immediately preceding calendar year, subject to the following terms and conditions: (a) any audit shall be conducted only by certified public accountants practicing for an independent accounting firm, employed by Tenant on an hourly or fixed fee basis, and not on a contingency fee basis; and (b) Tenant shall not audit Landlord's books and records more than one (1) time for any calendar year. In no event shall Tenant be permitted to examine Landlord's records or to dispute any statement of Operating Costs, Taxes and Additional Rent unless Tenant has paid and continues to pay all Rent in accordance with the terms of this Lease. Tenant acknowledges that Tenant's right to inspect Landlord's books and records with respect to Operating Costs and Taxes for the preceding calendar year is for the exclusive purpose of determining whether Landlord has complied with the terms of the Lease with respect to Operating Costs and Taxes. Tenant shall have sixty (60) days after Tenant's Audit Notice to complete Tenant's inspection of Landlord's books and records concerning Operating Costs and Taxes at Landlord's accounting office. During its inspection Tenant agrees to request, in writing, all pertinent documents relating to the inspection (the "**Audit Documents**"). Landlord will provide such Audit Documents to Tenant within ten (10) days from Landlord's receipt of the request, and no later than ten (10) days after the date Tenant tenders to Landlord Tenant's Audit Notice ("**Landlord's Response Period**"). The sixty (60) day period shall be extended on a day for day basis for each day after the expiration of Landlord's Response Period for Landlord to deliver the Audit Documents and Tenant shall not remove such records from Landlord's accounting office, but Tenant shall have the right to make copies of the relevant documents at Tenant's expense. Tenant shall deliver to Landlord a copy of the results of such audit within fifteen (15) days of its receipt by Tenant. The nature and content of any audit are strictly confidential. Tenant, on behalf of its accountant, employees and agents shall not disclose the information obtained from the audit to any other person or entity, including, without limitation, any other tenant in the Project, or any agent, employee, officer, shareholder, partner, accountant or attorney of such tenant in the Project. No assignee shall conduct an audit for any

period during which such assignee was not in possession of the Premises. If Tenant's audit shows that Operating Costs and Taxes are overstated by more than five percent (5%), then Landlord agrees to pay the reasonable costs of such audit, not to exceed Ten Thousand and 00/100 Dollars (\$10,000.00) per audit.

3.3 Payment of Rent. All amounts payable or reimbursable by Tenant to Landlord under this Lease, including late charges and interest (collectively, "**Rent**"), shall constitute rent and shall be payable and recoverable as rent in the manner provided in this Lease. All sums payable to Landlord on demand under the terms of this Lease shall be payable within thirty (30) days after Landlord invoices Tenant therefor or otherwise makes written demand of the amounts due. All Rent shall be paid without offset or deduction (except as expressly permitted under this Lease) in lawful money of the United States of America by ACH or EFT transfer of immediately available federal funds to Landlord at Landlord's Address/Instructions for Payment of Rent as set forth in the Basic Lease Information, or to such other person or at such other place as Landlord may from time to time designate. Notwithstanding anything to the contrary, Landlord may, in its sole discretion, allocate any rent or monies Tenant pays to Landlord to any sums then due and payable hereunder.

4. **SECURITY DEPOSIT**. On execution of this Lease, Tenant shall deposit with Landlord the amount specified in the Basic Lease Information as the Security Deposit, if any (the "**Security Deposit**"), as security for the performance of Tenant's obligations under this Lease. Landlord may (but shall have no obligation to) use the Security Deposit or any portion thereof to cure any breach or default by Tenant under this Lease, to fulfill any of Tenant's obligations under this Lease, or to compensate Landlord for any damage Landlord incurs as a result of Tenant's failure to perform any of Tenant's obligations hereunder. In such event Tenant shall pay to Landlord on demand an amount sufficient to replenish the Security Deposit. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return to Tenant the Security Deposit or the balance thereof then held by Landlord and not applied as provided above. Landlord may commingle the Security Deposit with Landlord's general and other funds. Landlord shall not be required to pay interest on the Security Deposit to Tenant. Tenant waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of Law now in force or that become in force after the date of this Lease, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant, or to clean the Premises. Landlord and Tenant agree that Landlord may, in addition, claim and use those sums necessary to compensate Landlord for any foreseeable or unforeseeable loss or damage caused by the act or omission by Tenant, including, without limitation, any post default damages and such remedies to which Landlord is entitled under the provisions of Section 15.2 of this Lease.

5. **USE AND COMPLIANCE WITH LAWS.**

5.1 Use. The Premises shall be used and occupied for general business office, laboratory, research and development purposes related to the computer gaming peripherals and hardware industry, and incidental related uses including light manufacturing, assembly, storage and warehousing and for no other use or purpose. Tenant shall comply with all present and future Laws relating to Tenant's use or occupancy of the Premises (and make any repairs, alterations or improvements as required to comply with all such Laws to the extent that such Laws are triggered by (a) Tenant's particular use of the Premises (other than general office use in the Premises) or (b) any Alterations and Tenant Improvements (as defined in the attached Exhibit B)), and shall observe

the “**Project Rules**” (as defined in Section 27 - *Rules and Regulations*). Tenant shall not do, bring, keep or sell anything in or about the Premises that is prohibited by, or that will cause a cancellation of or an increase in the existing premium for, any insurance policy covering the Project or any part thereof. Tenant shall not permit the Premises to be occupied or used in any manner that will constitute waste or a nuisance, or disturb the quiet enjoyment of or otherwise annoy other tenants in the Project. Without limiting the foregoing, the Premises shall not be used for educational activities, practice of medicine or any of the healing arts, providing social services, for any governmental use (including embassy or consulate use), or for personnel agency, customer service office, studios for radio, television or other media, travel agency or reservation center operations or uses. Tenant shall not bring upon the Premises or any portion of the Project or use the Premises or permit the Premises or any portion thereof to be used for the growing, manufacturing, administration, distribution (including without limitation, any retail sales), possession, use or consumption of any cannabis, marijuana or cannabinoid product or compound, regardless of the legality or illegality of the same. Tenant shall not, without the prior consent of Landlord, (i) bring into the Building or the Premises anything that may cause vibration or may cause substantial noise, odor that emanates outside the Building, or overload the floors in the Premises or the Building or would have a material or adverse effect on any of the heating, ventilating and air-conditioning system (“**HVAC System**”), mechanical, elevator, plumbing, electrical, fire protection, life safety, security or other systems in the Building (“**Building Systems**”), or jeopardize the structural integrity of the Building or any part thereof; (ii) connect to the utility systems of the Building any apparatus, machinery or other equipment other than typical low power task lighting or office equipment; or (iii) connect to any electrical circuit in the Premises any equipment or other load with aggregate electrical power requirements in excess of 80% of the connected load rated capacity of the circuit. Tenant’s use of electricity shall never exceed the safe capacity of the power feeders to the Building or the transformers, switchgear, panels, subpanels, risers, wiring and other electrical infrastructure of the Building. Tenant agrees to reasonably cooperate with Landlord with respect to any voluntary “green” or sustainable programs with respect to the Premises; provided, however, that notwithstanding anything to the contrary, Tenant shall not be responsible to make any improvements or alterations to the Premises or to replace any equipment or property of Tenant in connection therewith unless Landlord agrees to pay for all costs for such improvements, alterations or replacements. The foregoing sentence shall not apply to Tenant’s construction of the initial Tenant Improvements in the Premises. However, notwithstanding the foregoing, Landlord agrees that the base Building electrical, heating, ventilation and air conditioning, mechanical, sprinklers and plumbing systems located in the Premises shall be in working order as of the Delivery Date. Except to the extent caused by the acts or omissions of Tenant or any of Tenant’s Representatives or Visitors or by any alterations or improvements performed by or on behalf of Tenant, if such systems are not in working order and Tenant provides Landlord with notice of the same within one hundred eighty (180) days following the Commencement Date, Landlord shall be responsible for repairing or restoring the same.

5.2 Hazardous Materials.

(a) Definitions.

(1) “**Hazardous Materials**” shall mean any substance: (A) that now or in the future is regulated or governed by, requires investigation or remediation under, or is defined as a hazardous waste, hazardous substance, pollutant or contaminant under any governmental statute, code, ordinance, regulation, rule or order, and any amendment thereto, including the Comprehensive

Environmental Response Compensation and Liability Act, 42 U.S.C. §9601 et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., or (B) that is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, dangerous or otherwise hazardous, including gasoline, diesel fuel, petroleum hydrocarbons, polychlorinated biphenyls (PCBs), asbestos, radon and urea formaldehyde foam insulation.

(2) “**Environmental Requirements**” shall mean all present and future Laws, orders, permits, licenses, approvals, authorizations and other requirements of any kind applicable to Hazardous Materials.

(3) “**Handled by Tenant**” and “**Handling by Tenant**” shall mean and refer to any installation, handling, generation, storage, use, disposal, discharge, release, abatement, removal, transportation, or any other activity of any type by Tenant or its agents, employees, contractors, licensees, assignees, sublessees, transferees or representatives (collectively, “**Representatives**”) or its guests, customers, invitees, or visitors (collectively, “**Visitors**”), at or about the Premises in connection with or involving Hazardous Materials.

(4) “**Environmental Losses**” shall mean all costs and expenses of any kind, damages, including foreseeable and unforeseeable consequential damages, fines and penalties incurred in connection with any violation of and compliance with Environmental Requirements and all losses of any kind attributable to the diminution of value, loss of use or adverse effects on marketability or use of any portion of the Premises or Project.

(b) Tenant’s Covenants. No Hazardous Materials shall be Handled by Tenant at or about the Premises or Project without Landlord’s prior written consent, which consent may be granted, denied, or conditioned upon compliance with Landlord’s requirements, all in Landlord’s absolute discretion. Notwithstanding the foregoing, normal quantities and use of those Hazardous Materials customarily used in the conduct of general office activities, such as copier fluids and cleaning supplies (“**Permitted Hazardous Materials**”), may be used and stored at the Premises without Landlord’s prior written consent, provided that Tenant’s activities at or about the Premises and Project and the Handling by Tenant of all Hazardous Materials shall comply at all times with all Environmental Requirements. At the expiration or termination of the Lease, Tenant shall promptly remove from the Premises and Project all Hazardous Materials Handled by Tenant at the Premises or the Project. Tenant shall keep Landlord promptly informed of all Handling by Tenant of Hazardous Materials other than Permitted Hazardous Materials. Tenant shall be responsible and liable for the compliance with all of the provisions of this Section by all of Tenant’s Representatives and Visitors, and all of Tenant’s obligations under this Section (including its indemnification obligations under paragraph (e) below) shall survive the expiration or termination of this Lease.

(c) Compliance. Tenant shall at Tenant’s expense promptly take all actions required by any governmental agency or entity in connection with or as a result of the Handling by Tenant of Hazardous Materials at or about the Premises or Project, including inspection and testing, performing all cleanup, removal and remediation work required with respect to those Hazardous Materials, complying with all closure requirements and post-closure monitoring, and filing all required reports or plans. All of the foregoing work and all Handling by Tenant of all Hazardous Materials shall be performed in a good, safe and workmanlike manner by consultants qualified and licensed to undertake such work and in a manner that will not interfere with any other tenant’s quiet

enjoyment of the Project or Landlord's use, operation, leasing and sale of the Project. Tenant shall deliver to Landlord prior to delivery to any governmental agency, or promptly after receipt from any such agency, copies of all permits, manifests, closure or remedial action plans, notices, and all other documents relating to the Handling by Tenant of Hazardous Materials (other than Permitted Hazardous Materials) at or about the Premises or Project. If any lien attaches to the Premises or the Project in connection with or as a result of the Handling by Tenant of Hazardous Materials, and Tenant does not cause the same to be released, by payment, bonding or otherwise, within ten (10) days after the attachment thereof, Landlord shall have the right but not the obligation to cause the same to be released and any sums expended by Landlord (plus Landlord's administrative costs) in connection therewith shall be payable by Tenant on demand. To Landlord's actual knowledge, there are no Hazardous Materials at the Building in violation of Environmental Requirements. For purposes of this Section, "Landlord's actual knowledge" shall be deemed to mean and limited to the current actual knowledge of the property manager for the Building, at the time of execution of this Lease and not any implied, imputed, or constructive knowledge of said individual or of Landlord or any parties related to or comprising Landlord and without any independent investigation or inquiry having been made or any implied duty to investigate or make any inquiries; it being understood and agreed that such individual shall have no personal liability in any manner whatsoever hereunder or otherwise related to the transactions contemplated hereby.

(d) Landlord's Rights. Landlord shall have the right, but not the obligation, to enter the Premises at any reasonable time (i) to confirm Tenant's compliance with the provisions of this Section 5.2, and (ii) to perform Tenant's obligations under this Section if Tenant is in default beyond applicable cure periods in connection with this Section, except in the case of an emergency. Landlord shall also have the right to engage qualified Hazardous Materials consultants to inspect the Premises and review the Handling by Tenant of Hazardous Materials, including review of all permits, reports, plans, and other documents regarding same. Tenant shall pay to Landlord on demand the costs of Landlord's consultants' fees and all costs incurred by Landlord in performing Tenant's obligations under this Section. Landlord shall use reasonable efforts to minimize any interference with Tenant's business caused by Landlord's entry into the Premises, but Landlord shall not be responsible for any interference caused thereby.

(e) Tenant's Indemnification. The term Landlord Parties ("**Landlord Parties**") refers singularly and collectively to Landlord and the shareholders, partners, venturers, and members of Landlord, and the respective officers, directors, employees, managers, owners and any affiliates or agents of such entities and persons. Tenant agrees to indemnify, defend, protect and hold harmless the Landlord Parties from all Environmental Losses and all other claims, actions, losses, damages, liabilities, costs and expenses of every kind, including reasonable attorneys', experts' and consultants' fees and costs, incurred at any time and arising from or in connection with the Handling by Tenant of Hazardous Materials at or about the Project or Tenant's failure to comply with all Environmental Requirements with respect to the Premises. Landlord reserves the right to require Tenant to carry Environmental Insurance commensurate with the risk presented by such Hazardous Materials in the event that Tenant Handles Hazardous Materials at the Premises other than the Permitted Hazardous Materials, so identified as of the date of this Lease.

5.3 Amenity Area. Subject to the provisions of this Section 5.3 and so long as there is no Event of Default hereunder, and provided Tenant's employees execute Landlord's standard waiver of liability form and pay the applicable one time or monthly fee (if any), then Tenant's

employees (the “**Amenity Area Users**”) shall be entitled to use the Fitness Center (defined below), barbeque(s), basketball, volleyball and pickleball courts area located at the Project (collectively, the “**Amenity Area**”) during Business Hours. The use of the Amenity Area shall be subject to the reasonable rules and regulations (including rules regarding hours of use) established from time to time by Landlord for the Amenity Area. Landlord and Tenant acknowledge that the use of the Amenity Area by the Amenity Area Users shall be at their own risk and that the terms and provisions of Section 10 of this Lease shall apply to Tenant and the Amenity Area User’s use of the Amenity Area. The costs of operating, maintaining and repairing the Amenity Area may be included as part of Operating Costs. Tenant acknowledges that the provisions of this Section shall not be deemed to be a representation by Landlord that Landlord shall continuously maintain the Amenity Area (or any other amenity or fitness facility) throughout the Term of this Lease, and Landlord shall have the right, at Landlord’s sole discretion, to expand, contract, eliminate or otherwise modify the Amenity Area or portions thereof. No expansion, contraction, elimination or modification of the Amenity Area, and no termination of Tenant’s or the Amenity Area Users’ rights to the Amenity Area shall entitle Tenant to an abatement or reduction in Rent, or constitute a constructive eviction, or result in an event of default by Landlord under this Lease.

5.4 Fitness Center. In addition to the terms and condition set forth in Section 5.3 above applicable to the Amenity Area which includes the Fitness Center, and further subject to the provisions of this Section 5.4, provided Tenant’s employees execute Landlord’s standard waiver of liability form, then Tenant’s employees (the “**Fitness Center Users**”) shall be entitled to use the fitness center (the “**Fitness Center**”) located at the Project and made available for non-exclusive use by the tenants of the Project during Business Hours. Landlord may charge a one time or monthly fee for the use of the Fitness Center. The equipment and/or services furnished at the Fitness Center shall be selected by Landlord in its sole and exclusive discretion and Fitness Center Users shall not bring equipment into the Fitness Center without Landlord’s express prior approval. In no event shall Tenant permit or suffer any Tenant Representatives or Visitors other than the Fitness Center Users to use the Fitness Center. Tenant acknowledges and agrees that Tenant’s and any Tenant Representatives’ or Visitors’ use of the Fitness Center is voluntary and shall be undertaken by Tenant’s and Tenant’s employees’ sole risk. Neither Landlord nor any Landlord Parties (collectively, the “**Released Parties**”) shall be liable for any claims, demands, injuries, damages, actions or causes of action whatsoever arising out of or connected with any use of the Fitness Center and **TENANT DOES HEREBY EXPRESSLY FOREVER WAIVE, RELEASE AND DISCHARGE THE RELEASED PARTIES FROM ANY AND ALL LIABILITY ARISING FROM ALL SUCH CLAIMS, DEMANDS, INJURIES, DAMAGES, ACTIONS AND/OR CAUSES OF ACTION, INCLUDING LIABILITY FROM ALL ACTS OF ACTIVE OR PASSIVE NEGLIGENCE, INCLUDING SOLE NEGLIGENCE, ON THE PART OF THE RELEASED PARTIES**. The waivers and releases contained in this Section shall survive the expiration or earlier termination of this Lease.

6. TENANT IMPROVEMENTS & ALTERATIONS.

6.1 Landlord and Tenant shall perform their respective obligations with respect to design and construction of any improvements to be constructed and installed in the Premises (the “**Tenant Improvements**”), as provided in the Construction Rider. Except for any Tenant Improvements to be constructed by Tenant as provided in the Construction Rider, Tenant shall not make any alterations, improvements or changes to the Premises, including installation of any security system

or telephone or data communication wiring (“Alterations”), without Landlord’s prior written consent, which consent Landlord shall not unreasonably withhold. Notwithstanding the foregoing, Landlord may, in its sole discretion, withhold consent to any alteration, addition or improvement that may affect the structure of the Building or may adversely or materially affect, or otherwise require modification to, any Building System. Any such Alterations shall be completed by Tenant at Tenant’s sole cost and expense: (i) with due diligence, in a good and workmanlike manner, using new materials; (ii) in compliance with plans and specifications approved by Landlord; (iii) in compliance with the reasonable construction rules and regulations promulgated by Landlord from time to time; (iv) in accordance with all applicable Laws (including all work, whether structural or non-structural, inside or outside the Premises, required to comply fully with all applicable Laws and necessitated by Tenant’s work); and (v) subject to all reasonable industry standards and conditions which Landlord may in Landlord’s reasonable discretion impose. Such conditions may include requirements for Tenant to: (a) provide payment and performance bonds (for any Alterations (but expressly excluding the Tenant Improvements for which Landlord shall not require a performance bond) which will cost more than Five Hundred Thousand Dollars and No Cents (\$500,000.00)) or additional insurance (from Tenant or Tenant’s contractors, subcontractors or design professionals); provided, however, that Landlord shall only be entitled to require Tenant to provide to Landlord payment and performance bonds or additional insurance in connection with any Alterations in the event that following Landlord’s evaluation of Tenant’s then-current financial condition and performance history, Landlord determines in its good faith, prudent business judgment that the same is reasonably and prudently required; (b) use contractors or subcontractors reasonably approved by Landlord; and (c) subject to the remainder of this Section 6.1 below, remove all or part of the Alterations prior to or upon expiration or termination of the Term, as designated by Landlord. If any work outside the Premises, or any work on or adjustment to any of the Building Systems, is required in connection with or as a result of the Tenant Improvements or any Alterations, such work shall be performed at Tenant’s expense by contractors reasonably designated by Landlord. Landlord’s right to review and approve (or withhold approval of) Tenant’s plans, drawings, specifications, contractor(s) and other aspects of construction work proposed by Tenant is intended solely to protect Landlord, the Project and Landlord’s interests. No approval or consent by Landlord shall be deemed or construed to be a representation or warranty by Landlord as to the adequacy, sufficiency, fitness or suitability thereof or compliance thereof with applicable Laws or other requirements. Except as otherwise provided in Landlord’s consent, all Alterations shall upon installation become part of the realty and be the property of Landlord.

Landlord’s consent to any Alterations shall not be required (but Tenant shall provide no less than ten (10) Business Days prior written notice with reasonable detail of such Alterations) with respect to Alterations that (A) do not affect the structure and/or any of the Building Systems, (B) are not visible from the exterior of the Premises, (C) do not affect the water tight character of the Building or its roof, (D) do not require a building permit, (E) do not move any interior walls or otherwise change the layout of the Premises, and (F) cost in the aggregate less than Five Hundred Thousand Dollars (\$200,000.00) during any calendar year which are merely cosmetic changes to the Premises (“Cosmetic Changes”), such as painting, wall or floor coverings.

Notwithstanding anything to the contrary contained herein, so long as Tenant’s written request for consent for a proposed Alteration contains the following statement in large, bold and capped font “**PURSUANT TO SECTION 6.1 OF THE LEASE, IF LANDLORD CONSENTS TO THE SUBJECT ALTERATION, LANDLORD SHALL NOTIFY TENANT IN**

WRITING WHETHER OR NOT LANDLORD WILL REQUIRE SUCH ALTERATION TO BE REMOVED AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE.”, at the time Landlord gives its consent for any Alterations, if it so does, Tenant shall also be notified whether or not Landlord will require that such Alterations be removed upon the expiration or earlier termination of this Lease. Notwithstanding anything to the contrary contained in this Lease, at the expiration or earlier termination of this Lease and otherwise in accordance with Section 19.1 hereof, Tenant shall be required to remove all Alterations made to the Premises except for any such Alterations which Landlord expressly indicates shall not be required to be removed from the Premises by Tenant. If Tenant’s written notice strictly complies with the foregoing and if Landlord fails to notify Tenant within ten (10) Business Days of Landlord’s receipt of such notice, it shall be assumed that Landlord shall require the removal of the subject Alteration at the expiration or earlier termination of this Lease.

6.2 Before making any Alterations, Tenant shall submit to Landlord for Landlord’s prior approval reasonably detailed final plans and specifications prepared by a licensed architect or engineer, a copy of the construction contract, including the name of the contractor and all subcontractors proposed by Tenant to make the Alterations and a copy of the contractor’s license. Tenant shall reimburse Landlord upon demand for any reasonable and actual out of pocket expenses incurred by Landlord in connection with any Alterations made by Tenant, including reasonable fees charged by Landlord’s contractors or consultants to review plans and specifications prepared by Tenant and to update the existing as-built plans and specifications of the Building to reflect the Alterations. Before commencement of any Alterations Tenant shall (i) obtain all applicable permits, authorizations and governmental approvals and deliver copies of the same to Landlord, and (ii) give Landlord at least ten (10) days prior written notice and shall cooperate with Landlord in posting and maintaining notices of non-responsibility in connection with the Alterations. Within forty-five (45) days following the completion of any Alterations Tenant shall deliver to Landlord “as built” plans showing the completed Alterations. The “as built” plans shall be “hard copy” on paper and in digital form (if done on CAD), and show the Alterations in reasonable detail, including (a) the location of walls, partitions and doors, including fire exits and ADA paths of travel, (b) electrical, plumbing and life safety fixtures, and (c) a reflected ceiling plan showing the location of heating, ventilating and air conditioning registers, lighting and life safety systems.

6.3 In connection with all Alterations (other than the Tenant Improvements), Landlord shall be entitled to a construction coordination fee equal to two percent (2%) of the first four hundred thousand dollars (\$400,000) of construction costs and one percent (1%) of any additional construction costs.

6.4 Tenant shall keep the Premises and the Project free and clear of all liens arising out of any work performed, materials furnished or obligations incurred by Tenant. If any such lien attaches to the Premises or the Project, and Tenant does not cause the same to be released by payment, bonding or otherwise within ten (10) days after the attachment thereof, Landlord shall have the right but not the obligation to cause the same to be released, and any sums expended by Landlord (plus Landlord’s administrative costs) in connection therewith shall be payable by Tenant on demand with interest thereon from the date of expenditure by Landlord at the Interest Rate (as defined in Section 16.2 - *Interest*).

6.5 Subject to the provisions of Section 5 - *Use and Compliance with Laws* and the other provisions of this Section 6, Tenant may install and maintain furnishings, equipment, movable partitions, business equipment and other trade fixtures (“**Trade Fixtures**”) in the Premises, provided that the Trade Fixtures do not become an integral part of the Premises or the Building. Tenant shall promptly repair any damage to the Premises or the Building caused by any installation or removal of such Trade Fixtures.

7. MAINTENANCE AND REPAIRS.

7.1 By taking possession of the Premises Tenant agrees that the Premises are then in a good and tenantable condition. During the Term, Tenant, at Tenant’s expense but under the direction of Landlord, shall maintain (including recommended testing and monitoring) and repair the Premises, including, without limitation, that portion of the heating, ventilating and air conditioning system or systems exclusively serving the Premises, the electrical, plumbing and fire/life safety (including fire sprinkler lines, detectors and flow devices) systems within the Premises (including such portion of such systems outside of the Premises, but exclusively serving the Premises, and assuring the free flow of Tenant’s sanitary sewer line to the main line serving the Premises), including the lighting and plumbing fixtures, the restrooms serving the Premises, interior stairways (if any) in the Premises, the interior glass, plate glass skylights, interior walls, floor coverings, ceiling (ceiling tiles and grid), elevators, Tenant Improvements, Alterations, fire extinguishers, outlets and fixtures, and any appliances (including dishwashers, hot water heaters and garbage disposers) in the Premises, in a first class condition, and keep the Premises in a clean, safe, sanitary and orderly condition, and shall at its sole cost and expense, immediately upon notice from Landlord, sanitize the Premises if Landlord reasonably determines the same is necessary utilizing such methods as reasonably determined by Landlord. At all times during the Term, Tenant shall maintain in good condition and repair the HVAC System, the Building Systems, shall ensure that its use of the utility systems of the Building are consistent with typical and customary office use, shall not overload, abuse or over use the foregoing systems in a manner that will accelerate their useful life or contribute to their early deterioration and Tenant shall at all times use such systems in a safe manner consistent with the design capacity for all such systems (collectively, “**Tenant’s Use and Maintenance Standard**”). So long as Tenant is the sole tenant of the Building, Tenant shall, at Tenant’s own cost and expense, enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor approved by Landlord for servicing all heating and air conditioning systems and equipment serving the Building (and a copy thereof and copies of all service/maintenance logs and repair orders shall be furnished to Landlord). Such contract must include all services suggested by the equipment manufacturer in the operation/maintenance manual and must become effective within thirty (30) days of Tenant’s possession of the Premises. Should Tenant fail to secure such maintenance/service contract, Landlord may, upon notice to Tenant, maintain such a maintenance/ service contract on behalf of Tenant or perform the work and in either case, charge Tenant the cost thereof along with an administration fee of five percent (5%) to Landlord.

7.2 Landlord shall maintain or cause to be maintained in reasonably good order, condition and repair, the structural portions of the roof, foundations, floors and exterior walls of the Building, (collectively, the “**Structural Elements**”), the portion of the Building Systems not covered by Tenant’s obligations in Section 7.1 and the Common Areas, such as the Parking Facility and all parking surfaces and related lighting, pest control, landscaping and exterior glass (including washing of perimeter windows); provided, however, subject to Section 11.3 below, Tenant shall pay the cost

of repairs for any damage occasioned by Tenant's use of the Premises or the Building or any act or omission of Tenant or Tenant's Representatives or Visitors, to the extent not covered by the proceeds of Landlord's property insurance. The cost of structural repairs to, and replacements of, Structural Elements shall not be included in Operating Costs. The cost to repair any non-structural component, including the non-structural components of the roof ("**Non-Structural Component**") shall be included in Operating Costs except to the extent excluded therefrom as set forth in this Lease; provided, however, if consistent with normal and customary commercial real estate lease accounting practices in the geographic area in which the Building is located, Landlord may, in its sole discretion, elect to amortize over the useful life of such replacement item, in the same manner capital items included in Operating Costs are amortized pursuant to the terms and conditions of this Lease. The cost to replace any Non-Structural Component, including the HVAC System, shall be included in Operating Costs except to the extent excluded therefrom as set forth in this Lease. Landlord shall be under no obligation to inspect the Premises. Landlord shall be under no obligation to inspect the Premises. Tenant shall promptly report in writing to Landlord any defective condition known to Tenant which Landlord is required to repair. As a material part of the consideration for this Lease, Tenant hereby waives any benefits of any applicable existing or future Law, including the provisions of California Civil Code Sections 1932(1), 1941 and 1942, that allows a tenant to make repairs at its landlord's expense.

Notwithstanding the foregoing, if, during the Term of this Lease, Landlord is made aware and Landlord determines in its sole discretion that the HVAC System serving the Premises that is otherwise Tenant's obligation hereunder to repair and maintain requires full replacement (as opposed to component replacement), so long as (i) Tenant has maintained a regularly scheduled preventive maintenance/service contract in accordance with Section 7.1 above, (ii) Tenant has properly and in good faith consistently maintained and repaired the HVAC System servicing the Premises, (iii) Tenant has consistently maintained Tenant's Use and Maintenance Standard and the need for any such replacement does not arise from acts (other than normal and appropriate use in accordance with the permitted use) or omissions, abuse or misuse by Tenant or any of Tenant's Representatives or Visitors, then Landlord shall perform such replacement at its cost and Tenant shall reimburse Landlord for such cost and expense by payments of monthly Additional Rent in an amount that would fully amortize such cost and expense, with interest at one percent (1%) in excess of the Wall Street Journal prime lending rate announced from time to time, as of the date such expense is incurred, over the projected useful life of the HVAC System being replaced, as reasonably determined by Landlord taking into consideration Tenant's use of the equipment (including the number of hours of operation of such equipment). Such Additional Rent obligation shall continue during the remaining balance of the Term until such cost and expense is fully amortized or until the expiration of the Term, as it may be extended from time to time, whichever comes first. Specifically, if the Tenant has exercised an Extension Option provided in this Lease, Tenant's obligation to make such payments of Additional Rent shall continue during the applicable Extension Period or if the Term has expired or terminated earlier for any reason, Tenant shall make a lump sum payment to Landlord in the amount of the remaining unamortized amount of the cost of the HVAC System replacement. Landlord's obligation to replace the HVAC System shall not apply to any supplemental heating, ventilating and air conditioning unit installed by or for the benefit of Tenant.

7.3 Landlord hereby reserves the right, at any time and from time to time, without liability to Tenant, and without constituting an eviction, constructive or otherwise, or entitling Tenant

to any abatement of rent or to terminate this Lease or otherwise releasing Tenant from any of Tenant's obligations under this Lease:

(a) To make alterations, additions, repairs, improvements to or in or to decrease the size of area of, all or any part of the Project other than the Building, the fixtures and equipment therein, and the Building Systems; provided, however, Landlord shall not have any right under this provision to permanently, materially and adversely affect Tenant's access to and use of the Premises, except only as may be required to comply with Laws or as a result of any fire or other casualty or Condemnation;

(b) To change the Building's name or street address;

(c) To install and maintain any and all signs on the exterior and interior of the Building;

(d) To reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, lay-out and nature of the Common Areas (including the Parking Facility) and the Amenity Area and other tenancies and premises in the Project and to create additional rentable areas through use or enclosure of common areas; and

(e) If any governmental authority promulgates or revises any Law or imposes mandatory or voluntary controls or guidelines on Landlord or the Project relating to the use or conservation of energy or utilities or the reduction of automobile or other emissions or reduction or management of traffic or parking on the Project (collectively "**Controls**"), to comply with such Controls, whether mandatory or voluntary, or make any alterations to the Project related thereto.

(f) In exercising its rights under this Section 7.3, Landlord agrees to use commercially reasonable efforts to minimize any interruption to or disruption of Tenant's use of, and access to, the Premises and the Common Areas.

8. TENANT'S TAXES. "**Tenant's Taxes**" shall mean (a) all taxes, assessments, license fees and other governmental charges or impositions levied or assessed against or with respect to Tenant's personal property or Trade Fixtures in the Premises, whether any such imposition is levied directly against Tenant or levied against Landlord or the Project, (b) all rental, excise, sales or transaction privilege taxes arising out of this Lease (excluding, however, state and federal personal or corporate income taxes measured by the income of Landlord from all sources) imposed by any taxing authority upon Landlord or upon Landlord's receipt of any rent payable by Tenant pursuant to the terms of this Lease ("**Rental Tax**"), and (c) any increase in Taxes attributable to inclusion of a value placed on Tenant's personal property, Trade Fixtures or Alterations. Tenant shall pay any Rental Tax to Landlord in addition to and at the same time as Base Rent is payable under this Lease, and shall pay all other Tenant's Taxes before delinquency (and, at Landlord's request, shall furnish Landlord satisfactory evidence thereof). If Landlord pays Tenant's Taxes or any portion thereof, Tenant shall reimburse Landlord upon demand for the amount of such payment, together with interest at the Interest Rate from the date of Landlord's payment to the date of Tenant's reimbursement.

9. UTILITIES AND SERVICES.

9.1 Description of Services. The Business Hours are specified in the Basic Lease Information (“**Business Hours**”). The business days are weekdays except public holidays (“**Business Days**”). During the Term Landlord shall clean the Common Areas and provide related cleaning supplies during Business Hours.

9.2 Payment for Utilities and Services.

(a) Tenant shall be responsible to pay for the costs of all utilities for the Premises (the “**Premises Utilities**”), including the costs of (i) electricity, (ii) gas, (iii) water and sanitary sewer, (iv) telephone and data systems, and (v) lighting tube and bulb replacement for lighting fixtures. Tenant shall provide janitorial services and waste removal for the Premises and all taxes, levies, fees and surcharges thereon. The cost of Premises Utilities shall be included in Operating Costs (unless and to the extent the same is metered or submetered). If any utility to the Premises is separately metered, Tenant shall pay the costs of such utility for the Premises directly to the public utility company or service provider. If such utility is submetered, Tenant shall pay the costs of such utility to Landlord within thirty (30) days after Landlord invoices Tenant therefor, based upon the metered readings.

(b) If the temperature otherwise maintained in any portion of the Premises by the HVAC systems of the Building is affected, or any portion of the Building Systems are adversely and unreasonably affected, as a result of any lights, machines or equipment used by Tenant in the Premises, or for any other reason, then Tenant shall be responsible, at Tenant’s sole cost and expense, and at Tenant’s option to install any machinery or equipment reasonably necessary to restore the temperature, including modifications to the standard air-conditioning equipment, which modifications or Alterations shall comply with the terms and conditions of Section 6 above.

9.3 Interruption of Services. In the event of an interruption in or failure or inability to provide any services or utilities to the Premises or Building for any reason (a “**Service Failure**”), such Service Failure shall not, regardless of its duration, impose upon Landlord any liability whatsoever, constitute an eviction of Tenant, constructive or otherwise, entitle Tenant to an abatement of rent or to terminate this Lease or otherwise release Tenant from any of Tenant’s obligations under this Lease. Tenant hereby waives any benefits of any applicable existing or future Law, including the provisions of California Civil Code Section 1932(1), permitting the termination of this Lease due to such interruption, failure or inability.

9.4 Sole Electrical Representative. Landlord shall maintain exclusive control over and be the sole representative with respect to reception, utilization and distribution of electric power, regardless of point or means of origin, use or generation. Tenant shall not have the right to contract directly with any provider of electrical power or services.

9.5 Telecommunications. Tenant shall have the right to contract directly with telecommunications and media service providers (each a “**Telecommunications Provider**”) of Tenant’s choice, subject to the provisions of this Section 9.5 and other provisions of this Lease. Upon request from Tenant Landlord agrees to deliver to Tenant a list of Telecommunication Providers then serving the Project. If Tenant desires to (a) obtain service from or enter into a contract with any Telecommunication Provider which at the time of Tenant’s request does not serve the Project, or (b) obtain services which will require installation of new equipment by a Telecommunication Provider then serving the Project, then prior to providing service, any such

Telecommunication Provider must enter into a written agreement with Landlord, acceptable to Landlord in Landlord's sole discretion, setting forth the terms and conditions of the access to be granted to any such Telecommunication Provider. Landlord shall not be obligated to incur any expense, liability or costs in connection with any Telecommunication Provider proposed by Tenant. All installations made by Telecommunication Providers shall be subject to Landlord's prior written approval and shall be made in accordance with the provisions of Section 6 of this Lease.

9.6 Direct Billing. To the extent required by applicable Laws, if Tenant is billed directly by a public utility with respect to Tenant's electrical usage at the Premises, then, upon request, Tenant shall provide monthly electrical utility usage for the Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option, provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity usage with respect to the Premises directly from the applicable utility company.

10. EXCULPATION AND INDEMNIFICATION.

10.1 Landlord's Indemnification of Tenant. Landlord shall indemnify, protect, defend and hold Tenant harmless from and against any claims, actions, liabilities, damages, costs or expenses, including reasonable consultants', expert witnesses' and attorneys' fees and costs incurred in defending against the same ("**Claims**") asserted by any third party against Tenant for loss, injury or damage, to the extent such loss, injury or damage is caused by the willful misconduct or gross negligent acts or omissions of Landlord or its authorized representatives.

10.2 Tenant's Indemnification of Landlord. Tenant shall indemnify, protect, defend and hold the Landlord Parties harmless from and against Claims arising from (a) the acts or omissions of Tenant or Tenant's Representatives or Visitors in or about the Project (including, without limitation, the roof of the Building, Parking Facility or loading dock), or (b) any construction or other work or maintenance undertaken by Tenant on the Premises or elsewhere in the Project (including any design defects), or (c) any breach or default under this Lease by Tenant, or (d) any loss, injury or damage, howsoever and by whomsoever caused, to any person or property, arising out of or relating to Tenant's occupancy or operation and occurring in or about the Premises or elsewhere in the Project (including, without limitation, the roof of the Building, Parking Facility or loading dock).

10.3 Damage to Tenant and Tenant's Property. The Landlord Parties shall not be liable to Tenant for any loss, injury or other damage (including theft) to Tenant or to Tenant's property in or about the Premises or the Project (including, without limitation, the roof of the Building, Parking Facility or loading dock) from any cause (including defects in the Project or in any equipment in the Building; the failure of any security measures, safety-related equipment, fixtures or improvements installed or maintained at the Premises or Project; fire, explosion or other casualty; bursting, rupture, leakage or overflow of any plumbing or other pipes or lines, sprinklers, tanks, drains, drinking fountains or washstands in, above, or about the Premises or the Building; or acts of other tenants in the Project). Tenant hereby waives all claims against Landlord Parties for any such loss, injury or damage and the cost and expense of defending against claims relating thereto, including any loss, injury or damage caused by Landlord's negligence (active or passive) or willful misconduct. Notwithstanding any other provision of this Lease to the contrary, in no event shall Landlord be liable to Tenant for any punitive or consequential damages or damages for loss of business by Tenant.

10.4 Survival. The obligations of the parties under this Section 10 shall survive the expiration or termination of this Lease.

11. INSURANCE.

11.1 Tenant's Insurance.

(a) Liability Insurance. Tenant shall at all times following complete execution of this Lease maintain in full force, commercial general liability insurance providing coverage on an occurrence form basis with limits of not less than Three Million Dollars (\$3,000,000.00) each occurrence for bodily injury and property damage combined, Three Million Dollars (\$3,000,000.00) annual general aggregate, and Two Million Dollars (\$2,000,000.00) products and completed operations annual aggregate. Tenant's liability insurance policy or policies shall: (i) include premises and operations liability coverage, products and completed operations liability coverage, broad form property damage coverage including completed operations, blanket contractual liability coverage including, to the maximum extent possible, coverage for the indemnification obligations of Tenant under this Lease, and personal and advertising injury coverage; (ii) provide that the insurance company has the duty to defend all named and additional insureds under the policy; (iii) provide that defense costs are paid in addition to and do not deplete any of the policy limits; (iv) cover liabilities arising out of or incurred in connection with Tenant's use or occupancy of the Premises or the Project; (v) extend coverage to cover liability for the actions of Tenant's Representatives and Visitors; and (vi) either designate separate limits for the Project acceptable to Landlord, or provide that the entire insured limits are available for occurrences relating to the Project. Each policy of liability insurance required by this Section shall: (i) contain a separation of insureds clause or otherwise provide cross-liability coverage; (ii) provide that it is primary insurance and no insurance carried by Landlord or Landlord Parties shall contribute to any loss arising out of Tenant's occupancy or use of the Premises; (iii) name as additional insureds the Landlord Parties, the Property Manager identified in the Basic Lease Information (the "**Property Manager**"), all Mortgagees (as defined in Section 20.2 of this Lease) and such other parties in interest as Landlord may reasonably designate to Tenant in writing; and (iv) provide that any failure to comply with the reporting provisions under the policies shall not affect coverage provided such additional insureds. Such additional insureds shall be provided at least the same extent of coverage as is provided to Tenant under such policies. All endorsements effecting such additional insured status shall be at least as broad as additional insured endorsement form number CG 20 11 01 96 promulgated by the Insurance Services Office.

(b) Business Auto Liability covering owned (if any), non-owned and hired vehicles with a limit of not less than \$1,000,000 per accident;

(c) Statutory Workers Compensation and Employers Liability with limits of not less than \$1,000,000 per employee, accident and disease pursuant to all applicable state and local statutes and regulations;

(d) Excess/Umbrella Liability with a limit of not less than \$5,000,000 scheduling as primary insurance the Commercial General Liability, Auto Liability and Employers Liability

(e) Property Insurance. Tenant shall at all times (including any construction or installation periods, whether or not included in the Term) maintain in effect with respect to any

Alterations and Tenant's Trade Fixtures and personal property, commercial property insurance providing coverage, on an "all risk" or "special form" basis, in an amount equal to at least 90% of the full replacement cost of the covered property, plus twelve months of rents. Tenant may carry such insurance under a blanket policy, provided that such policy provides coverage equivalent to a separate policy. During the Term, the proceeds from any such policies of insurance shall be used for the repair or replacement of the Alterations, Trade Fixtures and personal property so insured. The Landlord Parties shall be provided coverage under such insurance to the extent of their insurable interest and, if requested by Landlord, both Landlord and Tenant shall sign all documents reasonably necessary or proper in connection with the settlement of any claim or loss under such insurance. Landlord will have no obligation to carry insurance on any Alterations or on Tenant's Trade Fixtures or personal property.

(f) Requirements For All Policies. Each policy of insurance required under this Section 11.1 shall: (i) be in a form, and written by an insurer, reasonably acceptable to Landlord, (ii) be maintained at Tenant's sole cost and expense, (iii) include waiver of subrogation endorsements in favor of Landlord for the CGL, Workers Compensation, and Auto Liability policies, and (iv) require the insurer to give additional insureds at least thirty (30) days' written notice to Landlord prior to any cancellation, nonrenewal or modification of insurance coverage. Insurance companies issuing such policies shall have rating classifications of "A" or better and financial size category ratings of "VIII" or better according to the latest edition of the A.M. Best Key Rating Guide. All insurance companies issuing such policies shall be admitted carriers licensed to do business in the state where the Building is located. Any deductible amount under such insurance shall not exceed \$25,000. Tenant shall provide to Landlord, upon execution of this lease and annually at renewal thereafter as outlined in (h) below, evidence that the insurance required to be carried by Tenant pursuant to this Section, including any endorsement effecting the additional insured status, is in full force and effect and that premiums therefor have been paid.

(g) Updating Coverage. Tenant shall increase the amounts of insurance as required by any Mortgagee, and, not more frequently than once every three (3) years, as reasonably recommended by Landlord, if, in the opinion of either of them, the amount of insurance then required under this Lease is not adequate. Any limits set forth in this Lease on the amount or type of coverage required by Tenant's insurance shall not limit the liability of Tenant under this Lease.

(h) Certificates of Insurance. Prior to any entry into or occupancy of the Premises by Tenant, and not less than thirty (30) days prior to expiration of any policy thereafter, Tenant shall furnish to Landlord a certificate of insurance reflecting that the insurance required by this Section is in force, accompanied by an endorsement showing the required additional insureds satisfactory to Landlord in substance and form.

11.2 Landlord's Insurance. During the Term, to the extent such coverages are available at a commercially reasonable cost, Landlord shall maintain in effect insurance on the Building with responsible insurers, on an "all risk" or "special form" basis, insuring the Building and the Tenant Improvements in an amount equal to at least 90% of the replacement cost thereof, excluding land, foundations, footings and underground installations. Landlord may, but shall not be obligated to, carry insurance against additional perils and/or in greater amounts.

11.3 Mutual Waiver of Right of Recovery & Waiver of Subrogation. Notwithstanding anything in this Lease to the contrary, Landlord and Tenant each hereby waive and release any and all rights of recovery against the other, and agree not to seek to recover from the other or to make any claim against the other, and in the case of Landlord, against all Tenant Parties, and in the case of Tenant, against all Landlord Parties, for any damage or loss incurred by the waiving/releasing party to the extent such loss or damage is insured under any insurance policy required by this Lease or which would have been so insured had the party carried the insurance it was required to carry hereunder. Tenant shall obtain from its subtenants and other occupants of the Premises a similar waiver and release of claims against Tenant and Landlord. All provisions in this Lease that pertain to property damage, or the repair thereof, are expressly subject and subordinate to this section. In addition, the parties hereto (and in the case of Tenant, its subtenants and other occupants of the Premises) shall procure an appropriate clause in, or endorsement on, any insurance policy required by this Lease pursuant to which the insurance company waives subrogation. The insurance policies required by this Lease shall contain no provision that would invalidate or restrict the parties' waiver and release of the rights of recovery in this section. The parties hereto covenant that no insurer shall hold any right of subrogation against the parties hereto by virtue of such insurance policy.

12. DAMAGE OR DESTRUCTION.

12.1 Landlord's Duty to Repair.

(a) If all or a substantial part of the Premises are rendered untenable or inaccessible by damage to all or any part of the Building from fire or other casualty during the Term, then, unless either party is entitled to and elects to terminate this Lease pursuant to Sections 12.2 - *Landlord's Right to Terminate* and 12.3 - *Tenant's Right to Terminate*, Landlord shall, at its expense, use reasonable efforts to repair and restore the Premises and/or the Building, as the case may be, to substantially their former condition to the extent permitted by then applicable Laws; provided, however, that in no event shall Landlord have any obligation for repair or restoration beyond the extent of insurance proceeds received by Landlord for such repair or restoration, or for any of Tenant's personal property, Trade Fixtures or Alterations.

(b) If Landlord is required or elects to repair damage to the Premises and/or the Building, this Lease shall continue in effect, but Tenant's Base Rent and Additional Rent shall be abated with regard to any portion of the Premises that Tenant is prevented from using by reason of such damage or its repair from the date of the casualty until substantial completion of Landlord's repair of the affected portion of the Premises as required under this Lease. In no event shall Landlord be liable to Tenant by reason of any injury to or interference with Tenant's business or property arising from fire or other casualty or by reason of any repairs to any part of the Building necessitated by such casualty.

12.2 Landlord's Right to Terminate. Landlord may elect to terminate this Lease following damage by fire or other casualty under the following circumstances:

(a) If, in the reasonable judgment of Landlord, the Premises and the Building cannot be substantially repaired and restored under applicable Laws within one (1) year from the date of the casualty;

(b) If, in the reasonable judgment of Landlord, adequate proceeds are not, for any reason, made available to Landlord from Landlord's insurance policies (and/or from Landlord's funds made available for such purpose, at Landlord's sole option) to make the required repairs;

(c) If the Building is damaged or destroyed to the extent that, in the reasonable judgment of Landlord, the cost to repair and restore the Building would exceed fifteen percent (15%) of the full replacement cost of the Building, whether or not the Premises are at all damaged or destroyed; or

(d) If the fire or other casualty occurs during the last year of the Term or if upon completion of repair and restoration there would be less than one (1) year remaining in the Term.

If any of the circumstances described in subparagraphs (a), (b), (c) or (d) of this Section 12.2 occur or arise, Landlord shall give Tenant notice within one hundred and twenty (120) days after the date of the casualty, specifying whether Landlord elects to terminate this Lease as provided above and, if not, Landlord's estimate of the time required to complete Landlord's repair obligations under this Lease.

12.3 Tenant's Right to Terminate. If all or a substantial part of the Premises are rendered untenable or inaccessible by damage to all or any part of the Building from fire or other casualty, and Landlord does not elect to terminate as provided above, then Tenant may elect to terminate this Lease if Landlord's estimate of the time required to complete Landlord's repair obligations under this Lease is greater than one (1) year, in which event Tenant may elect to terminate this Lease by giving Landlord notice of such election to terminate within thirty (30) days after Landlord's notice to Tenant pursuant to Section 12.2 - *Landlord's Right to Terminate*.

12.4 Waiver. Landlord and Tenant each hereby waive the provisions of California Civil Code Sections 1932(2), 1933(4) and any other applicable existing or future Law permitting the termination of a lease agreement in the event of damage or destruction under any circumstances other than as provided in Sections 12.2 - *Landlord's Right to Terminate* and 12.3 - *Tenant's Right to Terminate*.

13. CONDEMNATION.

13.1 Definitions.

(a) "**Award**" shall mean all compensation, sums, or anything of value awarded, paid or received on a total or partial Condemnation.

(b) "**Condemnation**" shall mean (i) a permanent taking (or a temporary taking for a period extending beyond the end of the Term) pursuant to the exercise of the power of condemnation or eminent domain by any public or quasi-public authority, private corporation or individual having such power ("**Condemnor**"), whether by legal proceedings or otherwise, or (ii) a voluntary sale or transfer by Landlord to any such authority, either under threat of condemnation or while legal proceedings for condemnation are pending.

(c) “**Date of Condemnation**” shall mean the earlier of the date that title to the property taken is vested in the Condemnor or the date the Condemnor has the right to possession of the property being condemned.

13.2 Effect on Lease.

(a) If the Premises are totally taken by Condemnation, this Lease shall terminate as of the Date of Condemnation. If a portion but not all of the Premises is taken by Condemnation, this Lease shall remain in effect; provided, however, that if the portion of the Premises remaining after the Condemnation will be unsuitable for Tenant’s continued use, then upon notice to Landlord within thirty (30) days after Landlord notifies Tenant of the Condemnation, Tenant may terminate this Lease effective as of the Date of Condemnation; provided, however, that a regulatory action, ordinance or Law limiting or temporarily prohibiting Tenant’s right to enter or use the Premises or the Building shall not be construed as a taking or appropriation hereunder and Tenant shall have no right to rent abatement or termination right as a result thereof.

(b) If fifteen percent (15%) or more of the Project or of the parcel(s) of land on which the Building is situated or of the Parking Facility or of the floor area in the Building is taken by Condemnation, or if as a result of any Condemnation the Building is no longer reasonably suitable for use as an office building, whether or not any portion of the Premises is taken, Landlord may elect to terminate this Lease, effective as of the Date of Condemnation, by notice to Tenant within thirty (30) days after the Date of Condemnation.

(c) If all or a portion of the Premises is temporarily taken by a Condemnor for a period not extending beyond the end of the Term, this Lease shall remain in full force and effect.

13.3 Restoration. If this Lease is not terminated as provided in Section 13.2 - *Effect on Lease*, Landlord, at its expense, shall diligently proceed to repair and restore the Premises to substantially its former condition (to the extent permitted by then applicable Laws) and/or repair and restore the Building to an architecturally complete office building; provided, however, that Landlord’s obligations to so repair and restore shall be limited to the amount of any Award received by Landlord and not required to be paid to any Mortgagee (as defined in Section 20.2 below). In no event shall Landlord have any obligation to repair or replace any improvements in the Premises beyond the amount of any Award received by Landlord for such repair or to repair or replace any of Tenant’s personal property, Trade Fixtures, or Alterations.

13.4 Abatement and Reduction of Rent. If any portion of the Premises is taken in a Condemnation or is rendered permanently untenable by repairs necessitated by the Condemnation, and this Lease is not terminated, the Base Rent and Additional Rent payable under this Lease shall be proportionally reduced as of the Date of Condemnation based upon the percentage of rentable square feet in the Premises so taken or rendered permanently untenable. In addition, if this Lease remains in effect following a Condemnation and Landlord proceeds to repair and restore the Premises, the Base Rent and Additional Rent payable under this Lease shall be abated during the period of such repair or restoration to the extent such repairs prevent Tenant’s use of the Premises.

13.5 Awards. Any Award made shall be paid to Landlord, and Tenant hereby assigns to Landlord, and waives all interest in or claim to, any such Award, including any claim for the value of the unexpired Term; provided, however, that Tenant shall be entitled to receive, or to prosecute a

separate claim for, an Award for a temporary taking of the Premises or a portion thereof by a Condemnor where this Lease is not terminated (to the extent such Award relates to the unexpired Term), or an Award or portion thereof separately designated for relocation expenses or the interruption of or damage to Tenant's business or as compensation for Tenant's personal property, Trade Fixtures or Alterations, provided that in no event will any Award to Tenant reduce any Award to which Landlord would otherwise be entitled.

13.6 Waiver. Landlord and Tenant each hereby waive the provisions of California Code of Civil Procedure Section 1265.130 and any other applicable existing or future Law allowing either party to petition for a termination of this Lease upon a partial taking of the Premises and/or the Project.

14. ASSIGNMENT AND SUBLETTING.

14.1 Landlord's Consent Required. Tenant shall not assign this Lease or any interest therein, or sublet or license or permit the use or occupancy of the Premises or any part thereof by or for the benefit of anyone other than Tenant, or in any other manner transfer all or any part of Tenant's interest under this Lease (each and all a "**Transfer**"), without the prior written consent of Landlord, which consent (subject to the other provisions of this Section 14) shall not be unreasonably withheld or delayed. If Tenant is a business entity, any direct or indirect transfer of fifty percent (50%) or more of the ownership interest of the entity (whether in a single transaction or in the aggregate through more than one transaction), including a merger or consolidation, shall be deemed a Transfer. Notwithstanding any provision in this Lease to the contrary, Tenant shall not mortgage, pledge, hypothecate or otherwise encumber this Lease or all or any part of Tenant's interest under this Lease. Any assignee, subtenant, user or other transferee under any proposed Transfer is herein called a "**Proposed Transferee**". Any assignee, subtenant, user or other transferee is herein called a "**Transferee**".

14.2 Reasonable Consent.

(a) At least thirty (30) days prior to any proposed Transfer, Tenant shall submit in writing to Landlord (i) the name and legal composition of the Proposed Transferee; (ii) the nature of the business proposed to be carried on in the Premises; (iii) a current balance sheet, and income and cash flow statements for the last three (3) years and such other reasonable financial and other information concerning the Proposed Transferee as Landlord may request; and (iv) a copy of the proposed assignment, sublease or other agreement governing the proposed Transfer in final form. Within thirty (30) days after Landlord receives all such information it shall notify Tenant whether it approves or disapproves such Transfer or if it elects to proceed under Section 14.7 - *Landlord's Right to Space*.

(b) Tenant acknowledges and agrees that, among other circumstances for which Landlord could reasonably withhold consent to a proposed Transfer, it shall be reasonable for Landlord to withhold consent where (i) the Proposed Transferee does not intend itself to occupy the entire portion of the Premises assigned or sublet, (ii) Landlord reasonably disapproves of the Proposed Transferee's business operating ability or history, reputation or creditworthiness or the character of the business to be conducted by the Proposed Transferee at the Premises, (iii) the Proposed Transferee is a governmental agency or unit or an existing tenant or an affiliate of an existing tenant in the Project (provided, however, Landlord will not withhold its consent solely

because the proposed subtenant or assignee is an existing tenant of the Project or affiliate of an existing tenant of the Project if Landlord does not have space available for lease in the Project that is comparable to the space Tenant desires to sublet or assign. Landlord shall be deemed to have comparable space if it has, or will have, space available in the Project that is approximately the same size as the space Tenant desires to sublet or assign within 4 months of the proposed commencement of the proposed sublease or assignment), (iv) the proposed Transfer would violate any “exclusive” rights of any tenants in the Project, (v) Landlord or Landlord’s agent has shown space in the Project to the Proposed Transferee or responded to any inquiries from the Proposed Transferee or the Proposed Transferee’s agent concerning availability of space in the Project, at any time within the preceding nine months, (vi) a proposed Transfer would violate any Encumbrance, (vii) any Mortgagee objects to the proposed Transfer, (viii) the proposed agreement governing the Transfer purports to expand the Tenant’s rights under the Lease, or modify or constrain any of Landlord’s rights under the Lease, (ix) Landlord otherwise reasonably determines that the proposed Transfer would have the effect of decreasing the value of the Project or increasing the expenses associated with operating, maintaining and repairing the Project, (x) the Proposed Transferee is a tenant in the Project, or (xi) the financial strength of the Proposed Transferee at the time of the proposed Transfer is not at least equal to that of Tenant at the time of execution of this Lease. In no event may Tenant publicly offer or advertise all or any portion of the Premises for assignment or sublease at a rental less than that then sought by Landlord for a direct lease (non-sublease) of comparable space in the Project.

14.3 Excess Consideration. If Landlord consents to a Transfer, Tenant shall pay to Landlord, as Additional Rent, within ten (10) days after receipt by Tenant, fifty percent (50%) of all “**Transfer Consideration**”, which shall mean any consideration paid or payable by the Transferee for the Transfer. In the case of a sublease, Transfer Consideration includes any “key money” or other non-rent consideration payable in connection with the sublease, plus the excess of the rent payable by the subtenant over the amount of Base Rent and Additional Rent payable hereunder applicable to the subleased space, less the direct, out-of-pocket expenses and costs for necessary Alterations and brokerage commission costs paid by Tenant to procure the subtenant. Any such costs for Alterations and brokerage commissions shall be amortized on a straight basis over the term of the sublease. In the case of an assignment (including any Transfer resulting from a change in ownership, merger or consolidation), Transfer Consideration includes the value of the Lease (whether or not expressly allocated or otherwise provided for in such transaction) and any other consideration paid or payable by the Transferee for the assignment of the Lease.

14.4 No Release Of Tenant. No consent by Landlord to any Transfer shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether occurring before or after such consent, assignment, subletting or other Transfer. Each Transferee shall be jointly and severally liable with Tenant (and Tenant shall be jointly and severally liable with each Transferee) for the payment of rent (or, in the case of a sublease, rent in the amount set forth in the sublease) and for the performance of all other terms and provisions of this Lease. The consent by Landlord to any Transfer shall not relieve Tenant or any such Transferee from the obligation to obtain Landlord’s express prior written consent to any subsequent Transfer by Tenant or any Transferee. The acceptance of rent by Landlord from any other person (whether or not such person is an occupant of the Premises) shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Transfer.

14.5 Expenses and Attorneys' Fees. Tenant shall pay to Landlord on demand all costs and expenses (including reasonable attorneys' fees) incurred by Landlord in connection with reviewing or consenting to any proposed Transfer (including any request for consent to, or any waiver of Landlord's rights in connection with, any security interest in any of Tenant's property at the Premises). Notwithstanding the foregoing, provided that neither the Tenant nor the Proposed Transferee requests any material changes to this Lease or Landlord's standard form of consent in connection with the proposed Transfer, the attorney's fees payable by Tenant pursuant to this Section 14.5 shall not exceed \$5,000.00 for such proposed Transfer.

14.6 Effectiveness of Transfer. Prior to the date on which any Transfer (whether or not requiring Landlord's consent) becomes effective, Tenant shall deliver to Landlord a counterpart of the fully executed Transfer document and Landlord's standard form of Consent to Assignment or Consent to Sublease executed by Tenant and the Transferee in which each of Tenant and the Transferee confirms its obligations pursuant to this Lease. Failure or refusal of a Transferee to execute any such instrument shall not release or discharge the Transferee from liability as provided herein. The voluntary, involuntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and any such surrender or cancellation shall, at the option of Landlord, either terminate all or any existing subleases or operate as an assignment to Landlord of any or all of such subleases.

14.7 Landlord's Right to Space. Notwithstanding any of the above provisions of this Section to the contrary, if Tenant notifies Landlord that it desires to enter into a Transfer, Landlord, in lieu of consenting to such Transfer, may elect by written notice to Tenant within thirty (30) days following submission to Landlord by Tenant of the information specified in Section 14.2, (a) in the case of an assignment or a sublease of the entire Premises, to terminate this Lease, or (b) in the case of a sublease of less than the entire Premises, to terminate this Lease as it relates to the space proposed to be subleased by Tenant. In such event, this Lease will terminate (or the space proposed to be subleased will be removed from the Premises subject to this Lease and the Base Rent and Tenant's Share under this Lease shall be proportionately reduced) as of the termination date specified in such, and Landlord may lease such space to any party, including the prospective Transferee identified by Tenant.

14.8 Assignment of Sublease Rents. Tenant hereby absolutely and irrevocably assigns to Landlord any and all rights to receive rent and other consideration from any sublease and agrees that Landlord, as assignee or as attorney-in-fact for Tenant for purposes hereof, or a receiver for Tenant appointed on Landlord's application may (but shall not be obligated to) collect such rents and other consideration and apply the same toward Tenant's obligations to Landlord under this Lease; provided, however, that Landlord grants to Tenant at all times prior to occurrence of any breach or default by Tenant a revocable license to collect such rents (which license shall automatically and without notice be and be deemed to have been revoked and terminated immediately upon any Event of Default).

14.9 Permitted Transfers. Notwithstanding any provision contained in this Section 14 to the contrary, Tenant shall have the right, without the consent of Landlord, upon ten (10) days prior written notice to Landlord, to Transfer this Lease to any of the following entities (each a "**Permitted Transferee**", a Transfer to a Permitted Transferee being a "**Permitted Transfer**"), so long as the Permitted Transferee has a tangible net worth sufficient to fulfill the obligations of the original

Tenant under this Lease being assumed by the Permitted Transferee and no less than the tangible net worth of Tenant immediately prior to such Transfer, and so long as such Transfer is not objectionable to Landlord under any of Subsections 14.2(b)(iii), (iv), (vi), (viii) or (ix) of this Lease: (i) a successor corporation related to Tenant by merger, consolidation, or non-bankruptcy reorganization, (ii) a purchaser of at least ninety percent (90%) of Tenant's assets as an ongoing concern, or (iii) an "Affiliate" of Tenant. The provisions of Sections 14.3 and 14.7 shall not apply with respect to a Permitted Transfer, but any Permitted Transfer pursuant to the provisions of this Section 14.9 shall be subject to all of the other provisions of this Lease. Tenant shall remain liable under this Lease after any such transfer. For the purposes of this Section 14, the term "**Affiliate**" of Tenant shall mean and refer to any entity controlling, controlled by or under common control with Tenant or Tenant's parent or subsidiary, as the case may be. "**Control**" as used herein shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such controlled entity; and the ownership, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty percent (50%) of the voting interest in any entity. Notwithstanding Tenant's right to make a Permitted Transfer pursuant to the provisions of this Section 14.9, Tenant may not, through use of its rights under this Section 14 in two or more transactions (whether separate transactions or steps or phases of a single transaction), at one time or over time, whether by first assigning this Lease to a subsidiary and then merging the subsidiary into another entity or selling the stock of the subsidiary or by other means, assign or sublease the Premises, or transfer control of Tenant, to any person or entity which is not a subsidiary, affiliate or controlling corporation of the original Tenant, as then constituted, existing prior to the commencement of such transactions, without first obtaining Landlord's prior written consent and complying with all other applicable provisions of this Section 14.

14.10 Permitted Users. Provided that Tenant is not in default under this Lease beyond applicable notice and cure periods, Tenant shall have the right to permit the Premises to be used by one or more of Tenant's service providers only for the provision of services to Tenant and its Representatives without the prior consent of Landlord, provided that in no event shall the total space used by such party (referred to herein as the "**Permitted User**") exceed ten percent (10%) of the Premises and further provided that Tenant does not separately demise such space. Tenant shall provide Landlord with the name of each Permitted User at least ten (10) days prior to the date on which such Permitted User occupies a portion of the Premises. In no event shall Tenant allow any Permitted User to use the Premises for a purpose other than the use expressly permitted in this Lease or to otherwise use the Premises in violation of any of the terms and conditions of this Lease, any applicable Laws or any of the rule and regulations applicable to the Premises of Project. All notices required of Landlord under this Lease shall be forwarded only to Tenant in accordance with the terms of this Lease and in no event shall Landlord be required to send any notices to any Permitted User. A violation of any of the foregoing by any Permitted User which is not cured within the applicable cure period shall be considered to be an Event of Default by Tenant hereunder. In addition, Tenant's indemnification obligations pursuant to Section 10 shall apply to the acts and omissions of any Permitted User and to any use of the Premises or the Project by the Permitted User. Tenant hereby agrees to cause any insurance to be maintained by Tenant under the Lease to be extended to cover the acts and omissions of the Permitted User (including such Permitted User's agent, employees, contractors, customers and invitees) while in the Premises and/or the Project. In no event shall the occupancy of any portion of the Premises by a Permitted User be deemed to create a landlord/tenant relationship between Landlord and such Permitted User, and, in all instances, Tenant shall be considered the sole tenant under the Lease notwithstanding the occupancy of any portion of the

Premises by the Permitted User. Tenant shall not identify any party as a Permitted User solely in an effort to contravene the requirement for Landlord's consent and other applicable sections of this Lease respecting assignments of this Lease and subleases of all or any portion of the Premises as the same are set forth in this Lease.

15. DEFAULT AND REMEDIES.

15.1 Events of Default. The occurrence of any of the following shall constitute an "Event of Default" by Tenant:

(a) Tenant fails to make any payment of Rent when due, or any amount required to replenish the Security Deposit as provided in Section 4 above, if payment in full is not received by Landlord within three (3) Business Days after written notice that it is due. If Landlord accepts any past due Rent, such acceptance shall not be a waiver of any other prior breach by Tenant under this Lease, other than the failure of Tenant to pay the particular past due Rent which Landlord has accepted.

(b) Tenant abandons the Premises.

(c) Tenant fails timely to deliver any subordination document, estoppel certificate or financial statement requested by Landlord within the applicable time period specified in Sections 20 - *Encumbrances* - and 21 - *Estoppel Certificates and Financial Statements* - below.

(d) Tenant violates the restrictions on Transfer set forth in Section 14 - *Assignment and Subletting*.

(e) Tenant ceases doing business as a going concern; makes an assignment for the benefit of creditors; is adjudicated an insolvent, files a petition (or files an answer admitting the material allegations of a petition) seeking relief under any state or federal bankruptcy or other statute, law or regulation affecting creditors' rights; all or substantially all of Tenant's assets are subject to judicial seizure or attachment and are not released within 30 days, or Tenant consents to or acquiesces in the appointment of a trustee, receiver or liquidator for Tenant or for all or any substantial part of Tenant's assets.

(f) Tenant fails, within ninety (90) days after the commencement of any proceedings against Tenant seeking relief under any state or federal bankruptcy or other statute, law or regulation affecting creditors' rights, to have such proceedings dismissed, or Tenant fails, within ninety (90) days after an appointment, without Tenant's consent or acquiescence, of any trustee, receiver or liquidator for Tenant or for all or any substantial part of Tenant's assets, to have such appointment vacated.

(g) Tenant fails to perform or comply with any provision of this Lease other than those described in (a) through (f) above, and does not fully cure such failure within thirty (30) days after notice to Tenant or, if such failure cannot be cured within such thirty (30)-day period, Tenant fails within such thirty (30)-day period to commence, and thereafter diligently proceed with, all actions necessary to cure such failure as soon as reasonably possible but in all events within one hundred twenty (120) days of such notice; provided, however, that if Landlord in Landlord's reasonable judgment determines that such failure cannot or will not be cured by Tenant within such

one hundred twenty (120) days, then such failure shall constitute an Event of Default immediately upon such notice to Tenant.

15.2 Remedies. Upon the occurrence of an Event of Default, Landlord shall have the following remedies, which shall not be exclusive but shall be cumulative and shall be in addition to any other remedies now or hereafter allowed by law:

(a) Landlord may terminate Tenant's right to possession of the Premises at any time by written notice to Tenant. Tenant expressly acknowledges that in the absence of such written notice from Landlord, no other act of Landlord, including re-entry into the Premises, efforts to relet the Premises, reletting of the Premises for Tenant's account, storage of Tenant's personal property and Trade Fixtures, acceptance of keys to the Premises from Tenant or exercise of any other rights and remedies under this Section, shall constitute an acceptance of Tenant's surrender of the Premises or constitute a termination of this Lease or of Tenant's right to possession of the Premises. Upon such termination in writing of Tenant's right to possession of the Premises, as herein provided, this Lease shall terminate and Landlord shall be entitled to recover damages from Tenant as provided in California Civil Code Section 1951.2 and any other applicable existing or future Law providing for recovery of damages for such breach, including the worth at the time of award of the amount by which the rent which would be payable by Tenant hereunder for the remainder of the Term after the date of the award of damages, including Additional Rent as reasonably estimated by Landlord, exceeds the amount of such rental loss as Tenant proves could have been reasonably avoided, discounted at the discount rate published by the Federal Reserve Bank of San Francisco for member banks at the time of the award plus one percent (1%).

(b) Landlord shall have the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations).

(c) Landlord may cure the Event of Default at Tenant's expense. If Landlord pays any sum or incurs any expense in curing the Event of Default, Tenant shall reimburse Landlord upon demand for the amount of such payment or expense with interest at the Interest Rate from the date the sum is paid or the expense is incurred until Landlord is reimbursed by Tenant.

(d) Landlord may remove all of Tenant's property from the Premises, and such property may be stored by Landlord in a public warehouse or elsewhere at the sole cost and for the account of Tenant. If Landlord does not elect to store any or all of Tenant's property left in the Premises, Landlord may consider such property to be abandoned by Tenant, and Landlord may thereupon dispose of such property in any manner deemed appropriate by Landlord. Any proceeds realized by Landlord on the disposal of any such property shall be applied first to offset all expenses of storage and sale, then credited against Tenant's outstanding obligations to Landlord under this Lease, and any balance remaining after satisfaction of all obligations of Tenant under this Lease shall be delivered to Tenant.

16. LATE CHARGE AND INTEREST.

16.1 Late Charge. If any payment of Rent is not received by Landlord when due, Tenant shall pay to Landlord on demand as a late charge an additional amount equal to four percent (4%) of the overdue payment.

16.2 Interest. In addition to the late charges referred to above, which are intended to defray Landlord's costs resulting from late payments, any payment from Tenant to Landlord not paid when due shall at Landlord's option bear interest from the date due until paid to Landlord by Tenant at the rate of twelve percent (12%) per annum or the maximum lawful rate that Landlord may charge to Tenant under applicable laws, whichever is less (the "**Interest Rate**").

17. **WAIVER**. No provisions of this Lease shall be deemed waived unless such waiver is in a writing signed by the waiving party. The waiver by Landlord of any breach of any provision of this Lease shall not be deemed a waiver of such provision or of any subsequent breach of the same or any other provision of this Lease. No delay or omission in the exercise of any right or remedy upon any default shall impair such right or remedy or be construed as a waiver. Acceptance of any payments of rent due under this Lease shall not be deemed a waiver of any default under this Lease (including Tenant's recurrent failure to timely pay rent) other than the nonpayment of the accepted sums, and no endorsement or statement on any check or payment or in any letter or document accompanying any check or payment shall be deemed an accord and satisfaction. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

18. **ENTRY, INSPECTION AND CLOSURE**. Upon reasonable oral or written notice to Tenant (and without notice in emergencies), Landlord and its authorized representatives may enter the Premises at reasonable times to: (a) determine whether the Premises are in good condition, (b) determine whether Tenant is complying with its obligations under this Lease, (c) perform any maintenance or repair of the Premises or the Building that Landlord has the right or obligation to perform, (d) install or repair improvements for other tenants where access to the Premises is required for such installation or repair, (e) serve, post or keep posted any notices required or allowed under the provisions of this Lease, (f) show the Premises to prospective brokers, agents, buyers, transferees, Mortgagees or tenants (during the last year of the Term), or (g) do any other act or thing necessary for the safety or preservation of the Premises or the Building. Except in the case of an emergency, Tenant shall be entitled to have an employee of Tenant accompany the person(s) entering the Premises, provided Tenant makes such employee available at the time Landlord or such other party desires to enter the Premises. When reasonably necessary Landlord may temporarily close entrances, doors, corridors, elevators or other facilities in the Building without liability to Tenant by reason of such closure. Landlord shall use commercially reasonable efforts to conduct its activities under this Section in a manner that will minimize inconvenience to Tenant without incurring additional expense to Landlord. In no event shall Tenant be entitled to an abatement of rent on account of any entry by Landlord, and Landlord shall not be liable in any manner for any inconvenience, loss of business or other damage to Tenant or other persons arising out of Landlord's entry on the Premises in accordance with this Section. No action by Landlord pursuant to this paragraph shall constitute an eviction of Tenant, constructive or otherwise, entitle Tenant to an abatement of rent or to terminate this Lease or otherwise release Tenant from any of Tenant's obligations under this Lease.

19. **SURRENDER AND HOLDING OVER**.

19.1 Surrender. Upon the expiration or termination of this Lease, Tenant shall surrender the Premises and all Tenant Improvements and Alterations to Landlord broom-clean in good working order and repair, except for reasonable wear and tear, damage from casualty or condemnation and any changes resulting from approved Alterations; provided, however, that prior to the expiration or termination of this Lease Tenant shall, at Landlord's request, remove all telephone and other cabling installed in the Building by Tenant and remove from the Premises all Tenant's personal property and any Trade Fixtures and all Alterations that Landlord has elected to require Tenant to remove as provided in Section 6.1 - *Tenant Improvements & Alterations* above, and repair any damage caused by such removal. If such removal is not completed before the expiration or termination of the Term, subject to compliance with applicable Laws, Landlord shall have the right (but no obligation) to remove the same, and Tenant shall pay Landlord on demand for all costs of removal and storage thereof and for the rental value of the Premises for the period from the end of the Term through the end of the time reasonably required for such removal (provided the foregoing shall not apply to minor items left in the Premises, the removal and disposal thereof requiring no more than de minimus costs and effort). Landlord shall also have the right to retain or dispose of all or any portion of such property if Tenant does not pay all such costs and retrieve the property within ten (10) days after notice from Landlord (in which event title to all such property described in Landlord's notice shall be transferred to and vest in Landlord). Tenant waives all Claims against Landlord for any damage or loss to Tenant resulting from Landlord's removal, storage, retention, or disposition of any such property. Upon expiration or termination of this Lease or of Tenant's possession, whichever is earliest, Tenant shall surrender all keys to the Premises or any other part of the Building and shall deliver to Landlord all keys for or make known to Landlord the combination of locks on all safes, cabinets and vaults that may be located in the Premises. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

19.2 Holding Over. If Tenant (directly or through any Transferee or other successor-in-interest of Tenant) remains in possession of the Premises after the expiration or termination of this Lease, Tenant's continued possession shall be on the basis of a tenancy at the sufferance of Landlord. No act or omission by Landlord, other than its specific written consent, shall constitute permission for Tenant to continue in possession of the Premises, and if such consent is given or declared to have been given by a court judgment, Landlord may terminate Tenant's holdover tenancy at any time upon seven (7) days written notice. In such event, Tenant shall continue to comply with or perform all the terms and obligations of Tenant under this Lease, except that the monthly Base Rent shall be one hundred fifty percent (150%) of the Base Rent payable in the last full month prior to the termination hereof on a per diem basis for each day Tenant remains in possession for the first sixty (60) days of any such holdover period. Commencing on the sixty first (61st) day, such rate shall be increased to two hundred percent (200%) of the Base Rent payable in the last full month prior to the termination hereof. Acceptance by Landlord of rent after such termination shall not constitute a renewal or extension of this Lease; and nothing contained in this provision shall be deemed to waive Landlord's right of re-entry or any other right hereunder or at law. Tenant shall indemnify, defend and hold Landlord harmless from and against all Claims arising or resulting directly or indirectly from Tenant's failure to timely surrender the Premises, including (i) any rent payable by or any loss, cost, or damages claimed by any prospective tenant of the Premises, and (ii) Landlord's damages as a result of such prospective tenant rescinding or refusing to enter into the prospective lease of the Premises by reason of such failure to timely surrender the Premises.

20. ENCUMBRANCES.

20.1 Subordination. This Lease is expressly made subject and subordinate to any mortgage, deed of trust, ground lease, underlying lease or like encumbrance affecting any part of the Project or any interest of Landlord therein which is now existing or hereafter executed or recorded ("**Encumbrance**"); provided, however, that such subordination shall only be effective, as to future Encumbrances, if the holder of the Encumbrance agrees in writing that this Lease shall survive the termination of the Encumbrance by lapse of time, foreclosure or otherwise so long as Tenant is not in default under this Lease. Provided the conditions of the preceding sentence are satisfied, Tenant shall execute and deliver to Landlord, within ten (10) Business Days after written request therefor by Landlord and in a form reasonably requested by Landlord, and the holder of any Encumbrance, any additional reasonable documents evidencing the subordination of this Lease with respect to any such Encumbrance and the nondisturbance agreement of the holder of any such Encumbrance, which documents may include customary commercially reasonable terms, such as the agreement of Tenant to provide such holder notice and opportunity to cure any Landlord default under the Lease (including the opportunity to take possession of the Building as provided in the Encumbrance). If the interest of Landlord in the Building is transferred pursuant to or in lieu of proceedings for enforcement of any Encumbrance (including, without limitation, any judicial foreclosure or foreclosure by a power of sale in a deed of trust), Tenant shall, at the request of the new owner, immediately attorn to, and become the tenant of, the new owner, and this Lease shall continue in full force and effect as a direct lease between the transferee and Tenant on the terms and conditions set forth in this Lease and, at such new owner's request, shall execute a new lease confirming the lease terms of this Lease. In furtherance of the foregoing, any such successor to the Landlord shall not be liable for any offsets, defenses, claims, counterclaims, liabilities or obligations of the "landlord" under the Lease accruing prior to the date that such new owner exercises its rights pursuant to the preceding sentence. Landlord shall use commercially reasonable, good faith efforts to obtain from the current holder of any Encumbrance within thirty (30) days after complete execution of this Lease, a Subordination, Non-Disturbance and Attornment Agreement ("**SNDA**") in a commercially reasonable form, evidencing the subordination of this Lease to the Encumbrance, the agreement of the holder of any such Encumbrance to not disturb Tenant upon termination of such Encumbrance so long as no Event of Default exists under the Lease, and the agreement of Tenant to attorn to the holder of such Encumbrance. "Commercially reasonable efforts" of Landlord shall not require Landlord to incur any cost, expense or liability to obtain such agreement, it being agreed that Tenant shall be responsible for any fee or review costs charged by the holder of the subject Encumbrance. The SNDA may include customary commercially reasonable terms, such as the agreement of Tenant to provide the holder of such Encumbrance notice and opportunity to cure any Landlord default under the Lease (including the opportunity to take possession of the Property as provided in the Encumbrance). Within five (5) Business Days after receipt of the SNDA, Tenant shall execute and deliver the SNDA to Landlord, or provide commercially reasonable written comments to any such SNDA.

20.2 Mortgagee Protection. Tenant agrees to give any holder of any Encumbrance covering any part of the Project ("**Mortgagee**"), by registered mail, a copy of any notice of default served upon Landlord, provided that prior to such notice Tenant has been notified in writing (by way of notice of assignment of rents and leases, or otherwise) of the address of such Mortgagee. If Landlord shall have failed to cure such default within thirty (30) days from the effective date of such notice of default, then the Mortgagee shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default (including the time necessary to foreclose or otherwise terminate its

Encumbrance, if necessary to effect such cure), and this Lease shall not be terminated so long as such remedies are being diligently pursued.

21. ESTOPPEL CERTIFICATES AND FINANCIAL STATEMENTS.

21.1 Estoppel Certificates. Within ten (10) Business Days after receipt of a written request therefor, Tenant shall execute and deliver to Landlord, in a form provided by or satisfactory to Landlord, a commercially reasonable statement stating that this Lease is in full force and effect, describing this Lease and any amendments or modifications hereto, acknowledging that this Lease is subordinate or prior, as the case may be, to any Encumbrance and stating any other information Landlord may reasonably request, including the commencement and expiration dates of the Term, the monthly Base Rent, the date to which Rent has been paid, the amount of any security deposit or prepaid rent, whether either party hereto is in default under the terms of the Lease, whether Landlord has completed its construction obligations hereunder (if any), and whether Tenant has accepted the Premises. Any person or entity purchasing, acquiring an interest in or extending financing with respect to the Building shall be entitled to rely upon any such certificate. If Tenant fails to deliver such certificate within five (5) Business Days after Landlord's second written request therefor, Tenant shall be in default of the Lease without further notice and cure period available to Tenant and Tenant shall pay to Landlord, in addition to all other amounts required from Tenant pursuant to this Lease, Ten Thousand Dollars (\$10,000.00) for each calendar day that Tenant fails to deliver the required estoppel certificate beginning with the first calendar day immediately following the five (5) Business Days after Landlord's second written request; provided, however, that if Tenant fails to deliver the required estoppel certificate within ten (10) Business Days after Landlord's second written request, the amount that Tenant shall be required to pay to Landlord for such failure, beginning on the first calendar day immediately following the foregoing ten (10) Business Day period, shall increase at the rate of Five Hundred Dollars (\$500.00) per calendar day until the required estoppel certificate is delivered to Landlord.

21.2 Financial Statements. If requested by a current or prospective lender or mortgagee of Landlord, or a prospective purchaser of, or investor in, all or part of the Building, or if Tenant in in default under the terms and conditions of this Lease or Landlord reasonably and in good faith believes there has been a material adverse change in Tenant's financial condition, then within thirty (30) days after receipt of a written request from Landlord (but in no event more than once in any consecutive 12-month period during the Term), Tenant shall furnish Landlord with Tenant's most recent audited financial statements. If Tenant's financial statements are accessible on line through filings with the United States Securities and Exchange Commission, or any other governmental authority of which Tenant notifies Landlord and Landlord is readily able to access the website of the other governmental authority, Tenant shall not be required to provide the requested financial information. At Tenant's request, Landlord shall enter into Landlord's then-standard commercially reasonable confidentiality agreement covering the financial information provided by Tenant pursuant to this Section 21.2.

22. NOTICES. Any notice, demand, request, consent or approval that either party desires or is required to give to the other party under this Lease shall be in writing and shall be served personally, delivered by messenger or courier service, or sent by U.S. certified mail, return receipt requested, postage prepaid, addressed to the other party at the party's address for notices set forth in the Basic Lease Information. Any notice required pursuant to any Laws may be incorporated into, given

concurrently with or given separately from any notice required under this Lease. Notices shall be deemed to have been given and be effective on the earlier of (a) receipt (or refusal of delivery or receipt); or (b) one (1) day after acceptance by the independent service for delivery, if sent by independent messenger or courier service, or three (3) days after mailing if sent by mail in accordance with this Section. Either party may change its address for notices hereunder, effective fifteen (15) days after notice to the other party complying with this Section. If Tenant sublets the Premises, notices from Landlord shall be effective on the subtenant when given to Tenant pursuant to this Section.

23. **ATTORNEYS' FEES.** In the event of any dispute between Landlord and Tenant in any way related to this Lease, and whether involving contract and/or tort claims, the non-prevailing party shall pay to the prevailing party all reasonable attorneys' fees and costs and expenses of any type, without restriction by statute, court rule or otherwise, incurred by the prevailing party in connection with any action or proceeding (including any appeal and the enforcement of any judgment or award), whether or not the dispute is litigated or prosecuted to final judgment (collectively, "**Fees**"). The "prevailing party" shall be determined based upon an assessment of which party's major arguments or positions taken in the action or proceeding could fairly be said to have prevailed (whether by compromise, settlement, abandonment by the other party of its claim or defense, final decision, after any appeals, or otherwise) over the other party's major arguments or positions on major disputed issues. Any Fees incurred in enforcing a judgment shall be recoverable separately from any other amount included in the judgment and shall survive and not be merged in the judgment. The Fees shall be deemed an "actual pecuniary loss" within the meaning of Bankruptcy Code Section 365(b)(1)(B), and notwithstanding the foregoing, all Fees incurred by either party in any bankruptcy case filed by or against the other party, from and after the order for relief until this Lease is rejected or assumed in such bankruptcy case, will be "obligations of the debtor" as that phrase is used in Bankruptcy Code Section 365(d)(3).

24. **QUIET POSSESSION.** Subject to the terms of this Lease, Tenant shall have the quiet possession of the Premises throughout the Term as against any persons or entities lawfully claiming by, through or under Landlord.

25. **SECURITY MEASURES.** Landlord may, but shall be under no obligation to, implement security measures for the Building and/or the Project, such as the registration or search of all persons entering or leaving the Project, evacuation of the Project for cause, suspected cause, or for drill purposes and other actions that Landlord deems necessary or appropriate to prevent any threat of property loss or damage, bodily injury or business interruption; provided, however, that such measures shall be implemented in a way as not to materially inconvenience tenants of the Project unreasonably. If Landlord uses an access card system, Landlord may require Tenant to pay Landlord a deposit for each access card issued to Tenant. Tenant shall be responsible for any loss, theft or breakage of any such cards, which must be returned by Tenant to Landlord upon expiration or earlier termination of the Lease. Landlord may retain the deposit for any card not so returned. Landlord shall at all times have the right to change, alter or reduce any such security services or measures. Tenant shall cooperate and comply with, and cause Tenant's Representatives and Visitors to cooperate and comply with, such security measures. Landlord, its agents and employees shall have no liability to Tenant or its Representatives or Visitors for the implementation or exercise of, or the failure to implement or exercise, any such security measures or for any resulting disturbance of Tenant's use or enjoyment of the Premises.

Subject to any applicable Laws, inspection requirements, and the terms and conditions of this Lease, Tenant shall have the right to install an internal security system (“**Security System**”) within the Premises so long as such Security System is appropriately integrated into any Building security systems, in no event affects or otherwise impacts the functionality, structural integrity or operability of any Building System, any existing Building security systems or the structure of the Building. In addition to the content of this paragraph, the terms and conditions of Section 6 of this Lease shall govern such installation and removal by Tenant of the Security System (the “**Security System Installation**”). The Security System Installation shall be performed by contractors reasonably approved by Landlord, at Tenant’s sole cost and expense. The size and design of such Security System shall be subject to Landlord’s prior written approval which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall be responsible, at its sole cost and expense, for maintaining and repairing Tenant’s Security System in first class condition and repair. Tenant shall remove the Security System from the Premises, repair any damage caused by the installation, use and/or removal of the Security System from the Premises, and restore any affected areas of the Building to a good condition, at the expiration or earlier termination of this Lease unless Landlord, no less than sixty (60) days prior to the expiration of the Lease (or such shorter reasonable time in the event of an earlier Lease termination) notifies Tenant in writing to surrender the Security System at the time of Tenant’s surrender of the Premises to Landlord hereunder. If Landlord requires Tenant to so surrender the Security System to Landlord, upon expiration or earlier termination of this Lease, title to the Security System shall pass to Landlord. Notwithstanding anything to the contrary, Landlord shall not directly or indirectly be liable to Tenant or any other person and Tenant hereby waives any and all claims against and releases Landlord and the Landlord Indemnities from any and all claims arising as a consequence of or related to Tenant’s Security System, or the failure thereof. The terms of this paragraph are personal to Tenant initially named in this Lease and to an assignee pursuant to an approved Transfer or to a Permitted Transferee in connection with an assignment of this Lease.

26. **FORCE MAJEURE.** If either Landlord or Tenant is delayed, interrupted or prevented from performing any of its obligations under this Lease (other than, with respect to Tenant the payment of monetary obligations including Base Rent, Additional Rent, Security Deposit, if any, or any other charge payable by Tenant to Landlord under this Lease), including any non-monetary obligations under the Construction Rider (if any), and such delay, interruption or prevention is due to fire, act of God, governmental act or failure to act, pandemic, health emergency, terrorist act, labor dispute, unavailability of labor or materials or any other cause outside the reasonable control of Landlord or Tenant, then the time for performance of the affected obligations of Landlord or Tenant, as the case may be, shall be extended for a period equivalent to the period of such delay, interruption or prevention. The inability to pay money shall in no event constitute force majeure.

27. **RULES AND REGULATIONS.** Tenant shall be bound by and shall comply with the rules and regulations attached to and made a part of this Lease as Exhibit C to the extent those rules and regulations are not in conflict with the terms of this Lease, as well as any reasonable rules and regulations hereafter adopted by Landlord for all tenants of the Project, upon notice to Tenant thereof (collectively, the “**Project Rules**”). Landlord shall not be responsible to Tenant or to any other person for any violation of, or failure to observe, the Project Rules by any other tenant or other person.

28. **LANDLORD’S LIABILITY.** The term “Landlord,” as used in this Lease, shall mean only the owner or owners of the Building at the time in question. In the event of any conveyance of title

to the Building, then from and after the date of such conveyance, the transferor Landlord shall be relieved of all liability with respect to Landlord's obligations to be performed under this Lease after the date of such conveyance. Notwithstanding any other term or provision of this Lease, the liability of Landlord for its obligations under this Lease is limited solely to Landlord's interest in the Building as the same may from time to time be encumbered, and no personal liability shall at any time be asserted or enforceable against any other assets of Landlord or against Landlord's partners or members or its or their respective partners, shareholders, members, directors, officers or managers on account of any of Landlord's obligations or actions under this Lease.

29. CONSENTS AND APPROVALS.

29.1 INTENTIONALLY OMITTED.

29.2 No Liability Imposed on Landlord. The review and/or approval by Landlord of any item or matter to be reviewed or approved by Landlord under the terms of this Lease or any Exhibits or Addenda hereto shall not impose upon Landlord any liability for the accuracy or sufficiency of any such item or matter or the quality or suitability of such item for its intended use. Any such review or approval is for the sole purpose of protecting Landlord's interest in the Project, and no third parties, including Tenant or the Representatives and Visitors of Tenant or any person or entity claiming by, through or under Tenant, shall have any rights as a consequence thereof.

30. WAIVERS To the extent permitted by applicable Laws, Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance. Notwithstanding anything to the contrary contained herein, to the extent permitted by Laws, Tenant hereby waives any defense, claim or cause of action based in whole or in part on economic necessity, impracticability, impossibility, changed economic circumstances, frustration of purpose, or similar theories.

31. BROKERS. Landlord shall pay the fee or commission of the broker or brokers identified in the Basic Lease Information (the "**Broker**") in accordance with Landlord's separate written agreement with the Broker, if any. Tenant warrants and represents to Landlord that in the negotiating or making of this Lease neither Tenant nor anyone acting on Tenant's behalf has dealt with any broker or finder who might be entitled to a fee or commission for this Lease other than the Broker. Tenant shall indemnify and hold Landlord harmless from any claim or claims, including costs, expenses and attorney's fees incurred by Landlord asserted by any other broker or finder for a fee or commission based upon any dealings with or statements made by Tenant or Tenant's Representatives. Landlord shall indemnify and hold Tenant harmless from any claim any claim or claims, including costs, expenses and attorney's fees incurred by Tenant asserted by any other broker or finder for a fee or commission based upon any dealings with or statements made by Landlord or Landlord's Representatives.

32. [RESERVED] .

33. OFAC Tenant hereby represents and warrants that neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions

program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury (“OFAC”); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: “List of Specially Designated Nationals and Blocked Persons.” If the foregoing representation is untrue at any time during the Term, an Event of Default will be deemed to have occurred, without the necessity of notice to Tenant.

34. ENTIRE AGREEMENT. This Lease, including the Exhibits and any Addenda attached hereto, and the documents referred to herein, if any, constitute the entire agreement between Landlord and Tenant with respect to the leasing of space by Tenant in the Building, and supersede all prior or contemporaneous agreements, understandings, proposals and other representations by or between Landlord and Tenant, whether written or oral, all of which are merged herein. Neither Landlord nor Landlord’s agents have made any representations or warranties with respect to the Premises, the Building, the Project or this Lease except as expressly set forth herein, and no rights, easements or licenses shall be acquired by Tenant by implication or otherwise unless expressly set forth herein. The submission of this Lease for examination does not constitute an option for the Premises and this Lease shall become effective as a binding agreement only upon execution and delivery thereof by and to each party.

35. MISCELLANEOUS. This Lease may not be amended or modified except by a writing signed by Landlord and Tenant. Subject to Section 14 - *Assignment and Subletting* and Section 28 - *Landlord’s Liability*, this Lease shall be binding on and shall inure to the benefit of the parties and their respective successors, assigns and legal representatives. The determination that any provisions hereof may be void, invalid, illegal or unenforceable shall not impair any other provisions hereof and all such other provisions of this Lease shall remain in full force and effect. The unenforceability, invalidity or illegality of any provision of this Lease under particular circumstances shall not render unenforceable, invalid or illegal other provisions of this Lease, or the same provisions under other circumstances. This Lease shall be construed and interpreted in accordance with the laws (excluding conflict of laws principles) of the State in which the Building is located. The provisions of this Lease shall be construed in accordance with the fair meaning of the language used and shall not be strictly construed against either party, even if such party drafted the provision in question. When required by the context of this Lease, the singular includes the plural. Wherever the term “including” is used in this Lease, it shall be interpreted as meaning “including, but not limited to” the matter or matters thereafter enumerated. The captions contained in this Lease are for purposes of convenience only and are not to be used to interpret or construe this Lease. If more than one person or entity is identified as Tenant hereunder, the obligations of each and all of them under this Lease shall be joint and several. Time is of the essence with respect to this Lease, except as to the conditions relating to the delivery of possession of the Premises to Tenant. Neither Landlord nor Tenant shall record this Lease. This Lease may be executed and delivered by facsimile in one or more counterparts, each of which shall constitute one and the same Lease. If this Lease is signed and delivered in such manner, Landlord and Tenant shall promptly deliver an original signed version to the other. Any digital image copy of this Lease (to the extent fully executed and delivered) shall be treated by the parties as a true and correct original of the same and admissible as best evidence to the extent permitted by a court of proper jurisdiction. This Lease may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

THE PARTIES HERETO CONSENT AND AGREE THAT THIS AMENDMENT MAY BE SIGNED AND/OR TRANSMITTED BY FACSIMILE, E-MAIL OF A .PDF DOCUMENT OR USING ELECTRONIC SIGNATURE TECHNOLOGY (E.G., VIA DOCUSIGN OR SIMILAR ELECTRONIC SIGNATURE TECHNOLOGY), AND THAT SUCH SIGNED ELECTRONIC RECORD SHALL BE VALID AND AS EFFECTIVE TO BIND THE PARTY SO SIGNING AS A PAPER COPY BEARING SUCH PARTY'S HAND-WRITTEN SIGNATURE. THE PARTIES FURTHER CONSENT AND AGREE THAT (1) TO THE EXTENT A PARTY SIGNS THIS AMENDMENT USING ELECTRONIC SIGNATURE TECHNOLOGY, BY CLICKING "SIGN", SUCH PARTY IS SIGNING THIS AMENDMENT ELECTRONICALLY, AND (2) THE ELECTRONIC SIGNATURES APPEARING ON THIS AMENDMENT SHALL BE TREATED, FOR PURPOSES OF VALIDITY, ENFORCEABILITY AND ADMISSIBILITY, THE SAME AS HAND-WRITTEN SIGNATURES.

36. AUTHORITY. Tenant represents that Tenant is a duly organized and validly existing entity, that Tenant has full right and authority to enter into this Lease and that the persons signing on behalf of Tenant are authorized to do so and have the power to bind Tenant to this Lease. Tenant shall provide Landlord upon request with a board resolution or other evidence reasonably satisfactory to Landlord confirming the foregoing representations.

IN WITNESS WHEREOF, Landlord and Tenant have entered into this Lease as of the date first above written.

TENANT:

**CORSAIR GAMING, INC.,
a Delaware corporation**

By: /s/ Andy Paul
Name: Andy Paul
Title: CEO

By: /s/ Michael G. Potter
Name: Michael G. Potter
Title: CFO

LANDLORD:

**CAMPUS 237 OWNER LLC,
a Delaware limited liability company**

By: /s/ John Hamilton
John Hamilton
Authorized Signatory.

(For corporate entities, signature by TWO corporate officers is required: one by (x) the chairman of the board, the president, or any vice president; and the other by (y) the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer.

**CORSAIR FIRST AMENDMENT TO
LEASE**

THIS FIRST AMENDMENT TO LEASE ("Amendment") dated for reference purposes as of August 16, 2017, is made to that Industrial Space Lease dated as of August 18, 2014, (the "Lease") by and between **Osprey Capital Building 50, LLC** a California limited liability company ("Landlord"), and **Corsair Memory, Inc.**, a Delaware corporation ("Tenant") for the lease of space located at 47100 Bayside Parkway, Fremont, California (the "Leased Premises"). The parties hereto agree that the Lease is amended, changed and modified by the following provisions, which are hereby added to the Lease:

Unless otherwise expressly provided herein, all terms which are given a special definition by the Lease that are used herein are intended to be used with the definition given to them by the Lease. The provisions of the Lease shall remain in full force and effect except as specifically amended hereby. In the event of any inconsistency between the Lease and this Amendment, the terms of this Amendment shall prevail.

I.P. Base Monthly Rent: The Base Monthly Rent shall be increased from and after June 1, 2017, to partially reimburse Landlord for installation of certain HVAC equipment as follows:

January 1, 2015	through	March 31, 2015	No Base Monthly Rent (unchanged)
April 1, 2015	through	December 31, 2015	\$61,454.00 (unchanged)
January 1, 2016	through	December 31, 2016	\$61,454.00 (unchanged)
January 1, 2017	through	May 31, 2017	\$63,300.00 (unchanged)
June 1, 2017	through	December 31, 2017	\$67,453.00
January 1, 2018	through	December 31, 2018	\$69,353.00
January 1, 2019	through	December 31, 2019	\$71,353.00
January 1, 2020	through	December 31, 2020	\$73,353.00
January 1, 2021	through	December 31, 2021	\$75,403.00
January 1, 2022	through	March 31, 2022	\$77,533.00

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment To Lease with the intent to be legally bound thereby, to be effective as of the date the second party signs this Amendment To Lease.

AS LANDLORD:

Osprey Capital Building 50, LLC
a California limited liability company

By: Riverside Interests, Inc.
Managing Member.

By: /s/William N. Neidig
William N. Neidig
President

Dated: August 28, 2017

AS TENANT:

Corsair Memory, Inc.
a Delaware corporation

By: /s/Carina M. Tan

Title: VP & General Counsel

By: _____

Title: _____

Dated: August 28, 2017

LEASE GUARANTY
CONSENT

As a material inducement to and in consideration of **Osprey Capital Building 50, LLC, a California limited liability company** ("Landlord") entering into a lease (the "Lease") dated for reference purposes as of August 18, 2014, with **Corsair Memory, Inc., a Delaware corporation** ("Tenant") for the lease of those certain premises commonly described as 47100 Bayside Parkway, Fremont, California (the "Leased Premises"), the undersigned, **Corsair Components (Cayman) LTD.**, a Cayman Islands exempt company with limited liability ("Guarantor") hereby covenants and agrees with Landlord as follows:

Attached hereto is the First Amendment To Lease dated for reference purposes as of August 16, 2017. The Base Monthly Rent under the terms of the Lease has been increased to partially compensate Landlord for installation of certain HVAC equipment. Guarantor acknowledges and approves the Amendment and agrees that its guaranty includes the terms of the Amendment.

As Guarantor:
Corsair Components (Cayman) Ltd.
A Cayman Islands corporation

By: /s/ Carina M. Tan

Title: VP & General Counsel

By: _____

Title: _____

Date: August 28, 2017

**SECOND AMENDMENT TO
INDUSTRIAL SPACE LEASE**

This SECOND AMENDMENT TO INDUSTRIAL SPACE LEASE (“**Amendment**”) dated for reference purposes only as of February 2, 2022 (“**Effective Date**”), is entered into by and between 47100 BAYSIDE PARKWAY OWNER, LLC, a Delaware limited liability company (“**Landlord**”) and CORSAIR MEMORY, INC., a Delaware corporation (“**Tenant**”).

RECITALS:

- A. Landlord and Tenant are parties to that certain Industrial Space Lease dated August 18, 2014 (the “**Original Lease**”), by and between Osprey Capital Building 50, LLC, a California limited liability company (predecessor-in-interest to Landlord), as landlord, and Tenant, as tenant, as amended by that certain Corsair First Amendment to Lease dated as of August 16, 2017 (the “**First Amendment**”). The Original Lease, as amended by the First Amendment, is hereafter collectively referred to as the “**Lease**”. Pursuant to the Lease, Tenant currently leases from Landlord those certain premises (the “**Premises**”) containing an aggregate total of approximately 61,454 rentable square feet, within the building located at 47100 Bayside Parkway, Fremont, California (the “**Building**”), as more particularly described in the Lease.
- B. Tenant and Landlord have agreed to extend the Lease Term and modify the surrender obligations of Tenant, on the terms and conditions set forth in this Amendment.
- C. Defined terms which are used in this Amendment without definition have the meanings given to them in the Lease.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing Recitals, the mutual covenants and agreements contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Extension of Lease Term. Landlord and Tenant hereby agree to extend the Lease Term for two (2) months (April 2022 and May 2022) (the “**Extension Term**”), and the term “Lease Term” as used in the Lease shall include the Extension Term. Tenant shall pay Base Rent during the Extension Term in the amount of Seventy-Seven Thousand Five Hundred Thirty-Three Dollars (\$77,533) per month in accordance with the terms of the Lease. Tenant acknowledges and agrees that it failed to timely exercise any option to renew the Lease Term under Article 15 of the Lease, that the Lease Term will expire at the end of the Extension Term, and that Tenant has no rights to extend the Lease Term under Article 15 of the Lease beyond the Extension Term.
2. Extension of Letter of Credit. Tenant hereby agrees to deliver to Landlord, no later than ten (10) business days after the Effective Date, an extension to the expiration date of the current letter of credit issued by Bank of America in favor of Landlord (“**Letter of Credit**”) or a replacement letter of credit meeting the requirements of Section 3.7 of the Lease, such that

the expiration date of the Letter of Credit or its replacement is no earlier than the end of the Extension Term. Should Tenant fail to timely comply with the foregoing requirement, Landlord shall have the right to draw the full amount of the Letter of Credit prior to its expiration in accordance with Section 3.7 of the Lease.

3. Repair and Surrender Obligations. Notwithstanding anything to the contrary contained in the Lease, but subject to receipt by Landlord of the Surrender Payment pursuant to Section 4 below and subject to Tenant's surrender obligations set forth below, Landlord hereby agrees as follows: (i) Tenant shall not be required to reimburse Landlord for repainting of the Building and roof repairs made to the Building by Landlord; and (ii) upon the expiration of the Extension Term, Tenant shall not be required to remove any improvements to the Premises made by Tenant or make any repairs or replacements to the Leased Premises, except as follows:

Tenant shall remove all of Tenant's equipment, trade fixtures, furniture, supplies, wall decorations and other personal property from the Premises, and shall vacate and surrender the Premises to Landlord by the end of the Extension Term in broom clean condition, free of debris. Tenant shall repair all damage to the Premises caused by Tenant's removal of Tenant's property.

Except as set forth in this Section 3, Tenant shall otherwise continue to comply with all provisions of the Lease. Tenant agrees that Section 13.9 of the Lease (Force Majeure) shall not apply to Tenant's obligation to surrender the Premises upon expiration of the Extension Term.

4. Surrender Payment. No later than two (2) business days prior to the expiration of the Extension Term, Tenant shall deliver to Landlord the amount of Four Hundred Ninety-Two Thousand Five Hundred Dollars (\$492,500) in cash or by wire transfer (the "**Surrender Payment**"). Tenant acknowledges and agrees that the Surrender Payment is intended to compensate Landlord for waiving certain repair obligations and Tenant's surrender obligations set forth in the Lease as described in Section 3 of this Amendment, and that in no event shall the Surrender Payment constitute, or be applied to, rent, a security deposit, or any other payment due from Tenant under the Lease. In no event is the Surrender Payment refundable to Tenant. If Tenant fails to timely deliver the Surrender Payment, Landlord shall be entitled to draw on the Letter of Credit in full and apply the amount drawn towards Tenant's obligation to make the Surrender Payment hereunder.

5. Landlord Work. Notwithstanding anything to the contrary contained in the lease, from and after April 1, 2022, Landlord may, with the consent of Tenant, modify, alter, construct and make other improvements to the entry of the Building, provided that such work does not impede egress and ingress of the Building by Tenant's employees and Tenant's invitees. From or after April 1, 2022, Landlord may, without the consent of or notice to Tenant, modify, alter, construct and make other improvements to the Outside Areas to the northeast of the Building. Tenant shall have no claim against Landlord as a result of any such work, as more particularly set forth in Section 4.9 of the Lease.

6. Broker. Landlord and Tenant each represent and warrant to the other that it is not aware of any brokers or finders who may claim a fee or commission in connection with the consummation of the transactions contemplated by this Amendment. If any other claims for brokers' or finders' fees in connection with the transaction contemplated by this Amendment

arise, then Tenant agrees to indemnify, protect, hold harmless and defend Landlord (with counsel reasonably satisfactory to Landlord) from and against any such claims if they shall be based upon any statement, representation or agreement made by Tenant, and Landlord agrees to indemnify, protect, hold harmless and defend Tenant (with counsel reasonably satisfactory to Tenant) if such claims are based upon any statement, representation or agreement made by Landlord.

7. Authority. Each signatory of this Amendment on behalf of Tenant represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

8. No Other Modifications. Except as modified in this Amendment, all other terms and conditions of the Lease shall remain unchanged and in full force and effect. If there is any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control.

9. Counterparts; Electronic Signatures. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument. In order to expedite the transaction contemplated herein, facsimile or .pdf signatures may be used in place of original signatures on this Amendment. Landlord and Tenant intend to be bound by the signatures on the facsimile or .pdf document, are aware that the other party will rely on the facsimile or .pdf signatures, and hereby waive any defenses to the enforcement of the terms of this Amendment based on the form of signature.

10. Successors. The provisions of this Amendment shall bind and inure to the benefit of the heirs, representatives, successors and assigns of the parties hereto as permitted pursuant to the Lease.

11. Ratification. Except as hereby amended, the Lease shall remain unmodified and, as hereby amended, is ratified and confirmed.

[Signatures on the next page.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date set forth above.

LANDLORD:

47100 BAYSIDE PARKWAY OWNER, LLC, a Delaware limited liability company

By: /s/ Jamin Seid
Name: Jamin Seid
Its: Authorized Signatory

TENANT:

CORSAIR MEMORY, INC., a Delaware corporation

By: /s/ Andrew Paul
Name: Andrew Paul
Title: CEO

REAFFIRMATION OF GUARANTY

The undersigned Guarantor hereby renews, reaffirms, ratifies and confirms that certain Lease Guaranty dated August 25, 2014, and acknowledges and agrees that the Guaranty remains in full force and effect as to the Lease, as amended by the foregoing Amendment, without modification or impairment. Guarantor hereby acknowledges and agrees that it presently has no claims, defenses or offsets against Landlord or against the enforcement of the Guaranty. Guarantor acknowledge that Landlord would not enter into the foregoing Amendment without the execution and delivery of this Reaffirmation of Guaranty by the Guarantor.

GAUARANTOR:

CORSAIR COMPONENTS (CAYMAN LTD.), a Cayman Islands Exempted Company with Limited Liability

By: /s/ Andrew Paul
Name: Andrew Paul
Title: CEO

CORSAIR GAMING, INC.

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the “**Agreement**”) is made and entered into by and between [_____] (“**Executive**”) and Corsair Gaming, Inc. (the “**Company**”), effective as of [the latest date set forth by the signatures of the parties hereto below]/[the date Executive commences employment with the Company] (the “**Effective Date**”).

Background

A. The Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Board believes that it is in the best interests of the Company and its stockholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its stockholders.

C. The Board believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with the Company notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

Agreement

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment is and shall continue to be “at-will,” as defined under applicable law. Except as provided in Section 4 below, if Executive’s employment terminates for any reason, Executive shall not be entitled to any severance payments, benefits or compensation other than as provided in this Agreement.

3. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, then, subject to (i) Executive delivering to the Company an executed general release of all claims against the Company and its affiliates in a form approved by the Company (a “**Release of Claims**”) that becomes effective and irrevocable in accordance with Section 13(a)(v) below, or such shorter period of time specified by the Company, following such Covered Termination and (ii) Executive’s continued compliance with Section 11 below, then in addition to any accrued but unpaid salary, benefits, vacation and expense reimbursements through the Termination Date payable in accordance with applicable law, the Company shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive an amount equal to (i) [___] ([___]) months of Executive’s base salary and (ii) [___] percent ([___]%) of Executive’s target annual bonus, assuming achievement of performance goals at one hundred percent (100%) of target, in each case, at the rate in effect immediately prior to the Termination Date payable in a cash lump sum, less applicable withholdings, on the first payroll date following the date the Release of Claims becomes effective and irrevocable becomes effective and irrevocable in accordance with Section 13(a)(v) below.

(b) Continued Healthcare. If Executive timely elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents through the earlier of (i) the [___] ([___]) month anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments. After the Company ceases to pay premiums pursuant to this Section 3(b), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance with the provisions of COBRA. Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer.

(c) Equity Awards. Each outstanding and unvested equity award (excluding any such awards that vest in whole or in part based on the attainment of performance-vesting conditions), including, without limitation, each restricted stock, stock option, restricted stock unit and stock appreciation right, held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions or rights of repurchase thereon shall immediately lapse (excluding any such awards that vest in whole or in part based on the attainment of performance-vesting conditions, which shall be governed by the terms of the applicable award agreement), as of immediately prior to the Termination Date.

4. Certain Reductions. Notwithstanding anything herein to the contrary, the Company shall reduce Executive’s severance benefits under this Agreement, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to Executive by the Company

in connection with Executive's termination, including but not limited to payments or benefits pursuant to (a) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act, or (b) any other Company agreement, arrangement, policy or practice relating to Executive's termination of employment with the Company. The benefits provided under this Agreement are intended to satisfy, to the greatest extent possible, any and all statutory obligations that may arise out of Executive's termination of employment. Such reductions shall be applied on a retroactive basis, with severance benefits paid first in time being recharacterized as payments pursuant to the Company's statutory obligation.

5. Deemed Resignation. Upon termination of Executive's service for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

6. Other Terminations. If Executive's employment with the Company terminates for any reason other than due to a Covered Termination, then, during a Change in Control Period, Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, vacation and expense reimbursements through the Termination Date in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The Company will select an adviser with experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax, *provided*, that the adviser's determination shall be made based upon "substantial authority" within the meaning of Section 6662 of the Code to perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such adviser required to be made hereunder. The adviser shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company. Any good faith determinations of the adviser made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

8. Definitions. The following terms used in this Agreement shall have the following meanings:

(a) **“Cause”** means: (i) Executive’s willful failure substantially to perform Executive’s duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Executive’s commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Executive of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of Executive’s relationship with the Company; or (iv) Executive’s willful and material breach of any of Executive’s obligations under this Agreement or any other written agreement or covenant with the Company.

(b) **“Change in Control”** has the meaning ascribed to such term under the Company’s 2020 Incentive Award Plan; *provided*, that such transaction must also constitute a “change in control event” within the meaning of Treasury Regulation Section 1.409A-3(i)(5); *provided further* that a Change in Control for the purpose of this Agreement shall not be deemed to have occurred if a sale of Common Stock results in EagleTree beneficially owning and controlling, directly or indirectly, less than 50% of the Common Stock outstanding on a fully diluted basis (for the avoidance of doubt, this proviso shall not apply to a transaction where substantially all of the Common Stock held by EagleTree and other Common Stock holders are sold pursuant to a definitive agreement of merger or a similar instrument).

(c) **“Change in Control Period”** means the period of time commencing with the consummation of a Change in Control and ending on the twelve (12) month anniversary of such Change in Control.

(d) **“Common Stock”** means the Company’s common stock, par value \$0.0001.

(e) **“Covered Termination”** means the termination of Executive’s employment by the Company other than for Cause or by Executive for Good Reason, in each case that, to the extent necessary, constitutes a Separation from Service.

(f) **“EagleTree”** means Corsair Group (Cayman) LP.

(g) **“Good Reason”** means the occurrence of any of the following conditions without Executive’s express written consent:

(i) a material reduction (defined as greater than a 10% reduction) in Executive’s base salary or target bonus, but excluding reductions in connection with an across-the-board reduction of all similarly situated employees’ base salaries and/or bonuses by a percentage at least equal to the percentage by which Executive’s base salary is reduced;

(ii) a material diminution in Executive’s authority, duties or responsibilities; or

(iii) a relocation of Executive’s principal place of employment of more than thirty-five (35) miles from Executive’s principal place of employment immediately prior to such change, except for required travel on the Company’s business to an extent substantially consistent with Executive’s business travel obligations immediately prior to such change.

For a termination to qualify as a termination for Good Reason, Executive must notify the Company in writing of termination for Good Reason, specifying the event constituting Good Reason, within 90 days after Executive first becomes aware of the event that Executive believes constitutes Good Reason. Failure for any reason to give written notice of termination of employment for Good Reason in accordance with the foregoing will be deemed a waiver of the right to terminate Executive's employment for that Good Reason event. The Company will have a period of 30 days after receipt of Executive's notice in which to cure the Good Reason. If the Good Reason event is cured within this period, Executive will not be entitled to terminate Executive's employment for Good Reason. If the Company waives its right to cure or does not, within the 30-day period, cure the Good Reason event, Executive may terminate Executive's employment for Good Reason within 60 days following the earlier of the date on which the Company waives its right to cure or the end of the cure period. If Executive does not terminate Executive's employment within such 60 day period, Executive will waive Executive's right to terminate Executive's employment for that Good Reason event.

(h) **"Separation from Service"** means a "separation from service" with the Company within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder.

(i) **"Termination Date"** means the date on which Executive experiences a Covered Termination.

9. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile), delivery by email or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed in the Company's books and records.

11. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to the Company pursuant to Executive's [Proprietary Information and Inventions Agreement] with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that Executive shall not disparage or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, stockholders or employees, either publicly or privately. Nothing in this Section 11(b) shall apply to any evidence or testimony required by any court, arbitrator or government agency.

(c) Whistleblower Protections and Trade Secrets. Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (A) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

12. Dispute Resolution. Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or to Executive's employment or the termination thereof (each, a "**Claim**") shall be resolved solely and exclusively by final and binding arbitration held in Alameda County, California through JAMS under its Employment Arbitration Rules and Procedures, which are available at www.jamsadr.com/rules-employment-arbitration. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. Except to the extent of filing fees Executive would incur were the matter to be litigated in court, the Company shall be responsible for the JAMS administrative fees and the arbitrator's fees and costs. The arbitrator shall award the prevailing party attorneys' fees and expert fees, if any, only as provided for under applicable California Law. The parties agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; *provided, however*, that nothing in this subsection shall be construed as precluding the bringing of an action for injunctive relief or specific performance as provided in this Agreement or the Confidential Information Agreement. This dispute resolution process and any arbitration hereunder shall be confidential and neither any party nor the neutral arbitrator shall disclose the existence, contents or results of such process without the prior written consent of all parties, except where necessary or compelled in a court to enforce this arbitration provision or an award from such arbitration or otherwise in a legal proceeding. Executive and the Company understand that by agreeing to arbitrate any claim pursuant to this Section 12, they will not have the right to have any claim decided by a jury or a court, but shall instead have any claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims

covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or representative proceeding. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

(i) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount constituting deferred compensation subject to Section 409A of the Code shall be payable pursuant to Section 3 above unless Executive's termination of employment constitutes a Separation from Service.

(ii) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of Executive's Separation from Service or (B) the date of Executive's death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 13(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(iii) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(iv) Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(v) Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive's termination of employment are subject to Executive's execution and delivery of a Release of Claims, (A) the Company shall deliver the Release of Claims to Executive within ten business days following Executive's Termination Date, and the Company's failure to deliver a Release of Claims prior to the expiration of such ten business day period shall constitute a waiver of any requirement to execute a

Release of Claims, (B) if Executive fails to execute the Release of Claims on or prior to the Release Expiration Date (as defined below) or timely revokes Executive's acceptance of the Release of Claims thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release of Claims, and (C) in any case where Executive's Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release of Claims and are treated as nonqualified deferred compensation for purposes of Section 409A of the Code shall be made in the later taxable year. For purposes hereof, "**Release Expiration Date**" shall mean (1) if Executive is under 40 years old as of the Termination Date, the date that is 14 days following the date upon which the Company timely delivers the Release of Claims to Executive, or such shorter time prescribed by the Company, and (2) if Executive is 40 years or older as of the Termination Date, the date that is 21 days following the date upon which the Company timely delivers the Release of Claims to Executive, or, if Executive's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of Executive's termination of employment are delayed pursuant to this Section 13(a)(v), such amounts shall be paid in a lump sum on the first payroll date following the date that Executive executes and does not revoke the Release of Claims (and the applicable revocation period has expired) or, in the case of any payments subject to Section 13(a)(v)(C), on the first payroll date to occur in the subsequent taxable year, if later.

(b) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, or foreign withholding or other taxes or charges which the Company is required to withhold.

(c) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized member of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(d) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior promises, arrangements and understandings regarding the same, whether written or unwritten, including, without limitation, any severance or change in control benefits in Executive's offer letter agreement, employment agreement and/or equity award agreement or previously approved by the Board.

(e) Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of [California] without regard to its conflicts of law provisions.

(f) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity or unenforceability will not affect any other provision or any other

jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid or unenforceable provisions had never been contained herein.

(g) Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

(h) Executive Acknowledgement. Executive acknowledges that (i) Executive has consulted with or has had the opportunity to consult with independent counsel of Executive's own choice concerning this Agreement, and has been advised to do so by the Company, and (ii) that Executive has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on Executive's own judgment.

(Signature page follows)

The parties have executed this Agreement, in the case of the Company by its duly authorized officer, as of the dates set forth below.

CORSAIR GAMING, INC.

By: _____

Title: _____

Date: _____

EXECUTIVE

[NAME]

Date: _____

CORSAIR GAMING, INC.
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Non-employee members of the board of directors (the “**Board**”) of Corsair Gaming, Inc. (the “**Company**”) shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Policy (this “**Policy**”). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board, other than any individual who is (1) an employee of the Company or any parent or subsidiary of the Company or (2) serving on the Board as a stockholder representative (each, a “**Non-Employee Director**”), unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall become effective after the effectiveness of the Company’s initial public offering (the “**IPO**”) and shall remain in effect until it is revised or rescinded by further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Policy shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors and between any subsidiary of the Company and any of its non-employee directors.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of \$65,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of \$30,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of \$15,000 for such service.

(ii) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of \$20,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of \$10,000 for such service.

(iii) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of \$12,500 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of \$7,500 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1 and 1(a) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth (15th) day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(a), for an entire calendar quarter, such Non-Employee Director

shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Sections 1 and 1(a), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number of days during which the Non-Employee Director serves as a Non-Employee Director or in the applicable positions described in Section 1(a) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.

2. Reimbursement. The Company shall reimburse each Non-Employee Director for all reasonable, documented, out-of-pocket travel and other business expenses incurred by such Non-Employee Director in the performance of his or her duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

3. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2020 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "**Equity Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and all equity grants hereunder are subject in all respects to the terms of the Equity Plan. For the purposes of this Program, "**Grant Date Value**" shall mean the fair value of an option determined using the Black-Scholes pricing model with the volume weighted average trading price of a share of Company common stock on the stock exchange on which the Company's common stock is then listed or traded for the thirty (30) consecutive trading days ending on the trading day prior to the date of grant and the volatility, risk-free rate and life expectancy assumptions in the Company's most recent public filings disclosing those assumptions.

(a) IPO Awards. Each Non-Employee Director who (i) serves on the Board as of the date the IPO price of the shares of the Company's common stock is established in connection with the Company's IPO (the "**Pricing Date**") and (ii) will continue to serve as a Non-Employee Director immediately following the Pricing Date shall be automatically granted, on the Pricing Date, (A) an option to purchase a number of shares of common stock at a per-share exercise price equal to the IPO price per share of the Company's common stock that have an aggregate Grant Date Value on the date of grant of \$37,500 (subject to adjustment as provided in the Equity Plan) and (B) restricted stock units with an aggregate value on the date of grant of \$37,500 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(a) shall be referred to herein as the "**IPO Awards**").

(b) Annual Awards. Each Non-Employee Director who (i) serves on the Board as of the date of any annual meeting of the Company's stockholders (an "**Annual Meeting**") after the Company consummates its initial public offering and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Meeting shall be automatically granted, on the date of such Annual Meeting, (A) an option to purchase a number of shares of common stock at a per-share exercise price equal to the closing price per share of the Company's common stock on the date of such Annual Meeting (or on the last preceding trading day if the date of the

Annual Meeting is not a trading day) that have an aggregate Grant Date Value on the date of grant of \$50,000 (subject to adjustment as provided in the Equity Plan) and (B) restricted stock units with an aggregate value on the date of grant of \$50,000 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan). The awards described in this Section 3(b) shall be referred to as the “**Annual Awards**.” For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an Annual Meeting shall receive only an Annual Award in connection with such election, and shall not receive any Initial Award on the date of such Annual Meeting as well.

(c) Initial Awards. Except as otherwise determined by the Board, each Non-Employee Director who is initially elected or appointed to the Board after the Pricing Date on any date other than the date of an Annual Meeting shall be automatically granted, on the date of such Non-Employee Director’s initial election or appointment (such Non-Employee Director’s “**Start Date**”), (A) an award of an option to purchase shares of the Company’s common stock (at a per-share exercise price equal to the closing price on the Company’s common stock on such Non-Employee Director’s Start Date (or on the last preceding trading day if the Start Date is not a trading day), that have an aggregate Grant Date Value on the date of grant of (i) \$50,000 (subject to adjustment as provided in the Equity Plan), multiplied by (ii) a fraction, the numerator of which is the number of days from the Start Date through the date of the next Annual Meeting and the denominator of which is 365, and (B) restricted stock units with an aggregate value on the date of grant of (i) \$50,000 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan), multiplied by (ii) a fraction, the numerator of which is the number of days from the Start Date through the date of the next Annual Meeting and the denominator of which is 365. The awards described in this Section 2(c) shall be referred to as “**Initial Awards**.” Notwithstanding the foregoing, any Non-Employee Director who is appointed to the Board upon the IPO shall receive an IPO Award in lieu of an Initial Award. For the avoidance of doubt, no Non-Employee Director shall be granted more than one Initial Award or both an Initial Award and a IPO Award.

(d) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(c) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Annual Awards as described in Section 3(b) above.

(e) Vesting of Awards Granted to Non-Employee Directors. Each IPO Award and Initial Award shall vest and become exercisable on the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. Each Annual Award shall vest and become exercisable on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. No portion of an IPO Award, Annual Award or Initial Award that is unvested or unexercisable at the time of a Non-Employee Director’s termination of service on the Board shall become vested and exercisable thereafter. All of a Non-Employee Director’s IPO Awards, Annual Awards and Initial Awards shall vest in full

immediately prior to the occurrence of a Change in Control (as defined in the Equity Plan), to the extent outstanding at such time.

* * * * *

**Corsair Gaming, Inc.
Subsidiaries of the Registrant**

Subsidiary (as of December 31, 2021)

Corsair Memory, Inc.
 RoCo Group, Inc.
 Origin PC, LLC
 Scuf Gaming International, LLC
 Corsair Canada Limited
 Corsair (Shenzhen) Trading Company Ltd.
 Corsair Gaming S.A.S
 Corsair GmbH
 Corsair Holdings (Hong Kong) Limited
 Corsair (Hong Kong) Ltd
 Corsair Holdings (Lux) S.a.r.l.
 Corsair Acquisition (Lux) S.a.r.l
 Corsair Memory B.V.
 Corsair Engineering d.o.o.
 Corsair Singapore Pte. Ltd.
 Corsair Memory Co., Ltd
 Corsair Components Co., Ltd
 Corsair Components Limited
 Ironmonger Initiatives Limited
 Ironburg Inventions Limited
 Scuf Gaming Europe Limited
 Corsair Design System Company Limited

State or Jurisdiction of Incorporation or Organization

Delaware, United States
 Delaware, United States
 Florida, United States
 Georgia, United States
 Canada
 China
 France
 Germany
 Hong Kong
 Hong Kong
 Luxemburg
 Luxemburg
 Netherlands
 Slovenia
 Singapore
 Taiwan
 Taiwan
 United Kingdom
 United Kingdom
 United Kingdom
 United Kingdom
 Vietnam

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-254142 and 333-249065) on Form S-8 of our reports dated March 1, 2022, with respect to the consolidated financial statements of Corsair Gaming, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

San Francisco, California
March 1, 2022

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew J. Paul, certify that:

1. I have reviewed this annual report on Form 10-K of Corsair Gaming Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: _____
/s/ Andrew J. Paul
Andrew J. Paul
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael G. Potter, certify that:

1. I have reviewed this annual report on Form 10-K of Corsair Gaming Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: _____
/s/ Michael G. Potter
Michael G. Potter
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Corsair Gaming, Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 (the "Report"), Andrew J. Paul, Chief Executive Officer of the Company, and Michael G. Potter, Chief Financial Officer of the Company, each certify, to the best of his knowledge, 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 1, 2022

By: _____
/s/ Andrew J. Paul
Andrew J. Paul
Chief Executive Officer
(Principal Executive Officer)

Date: March 1, 2022

By: _____
/s/ Michael G. Potter
Michael G. Potter
Chief Financial Officer
(Principal Financial Officer)