

REFINITIV

DELTA REPORT

10-Q

NTGR - NETGEAR, INC.

10-Q - SEPTEMBER 29, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 2600

█ CHANGES 194

█ DELETIONS 341

█ ADDITIONS 2065

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended **June 30, September 29, 2024**

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: 000-50350

NETGEAR, Inc.

(Exact name of registrant as specified in its charter)

Delaware

77-0419172

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

350 East Plumeria Drive,
San Jose, California
(Address of principal executive offices)

95134

(Zip Code)

(408) 907-8000

(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, \$0.001 par value	NTGR	The Nasdaq Stock Market LLC

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, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer

Accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was **28,678,721** **28,769,764** as of **July 26, 2024** **October 25, 2024**.

[Table of Contents](#)

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

Item 1.	Financial Statements	3
	Unaudited Condensed Consolidated Balance Sheets	3
	Unaudited Condensed Consolidated Statements of Operations	4
	Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)	5
	Unaudited Condensed Consolidated Statements of Stockholders' Equity	6
	Unaudited Condensed Consolidated Statements of Cash Flows	78
	Notes to Unaudited Condensed Consolidated Financial Statements	89
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 4.	Controls and Procedures	37

PART II: OTHER INFORMATION

Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	67
Item 3.	Defaults Upon Senior Securities	67
Item 4.	Mine Safety Disclosures	67
Item 5.	Other Information	67
Item 6.	Exhibits	67
Signatures		69

[Table of Contents](#)

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands)

	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 177,104	\$ 176,717	\$ 273,767	\$ 176,717
Short-term investments	117,235	106,931	121,965	106,931
Accounts receivable, net of allowance for doubtful accounts of \$417 and \$338 as of June 30, 2024 and December 31, 2023, respectively	147,069	185,059		
Accounts receivable, net of allowance for doubtful accounts of \$417 and \$338 as of September 29, 2024 and December 31, 2023, respectively	177,326	185,059		
Inventories	188,936	248,851	161,976	248,851
Prepaid expenses and other current assets	27,228	30,421	34,302	30,421
Total current assets	<u>657,572</u>	<u>747,979</u>	<u>769,336</u>	<u>747,979</u>
Property and equipment, net	11,041	8,273	10,640	8,273
Operating lease right-of-use assets	33,394	37,285	30,758	37,285
Goodwill	36,279	36,279	36,279	36,279
Other non-current assets	15,800	17,326	15,623	17,326
Total assets	<u>\$ 754,086</u>	<u>\$ 847,142</u>	<u>\$ 862,636</u>	<u>\$ 847,142</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 40,129	\$ 46,850	\$ 52,035	\$ 46,850
Accrued employee compensation	23,966	21,286	19,964	21,286
Other accrued liabilities	159,586	168,084	155,193	168,084
Deferred revenue	28,682	27,091	29,596	27,091
Income taxes payable	665	1,037	14,569	1,037
Total current liabilities	<u>253,028</u>	<u>264,348</u>	<u>271,357</u>	<u>264,348</u>
Non-current income taxes payable	8,076	12,695	8,510	12,695
Non-current operating lease liabilities	24,748	29,698	22,016	29,698
Other non-current liabilities	8,835	4,906	10,423	4,906
Total liabilities	<u>294,687</u>	<u>311,647</u>	<u>312,306</u>	<u>311,647</u>
Commitments and contingencies (Note 8)				
Stockholders' equity:				
Common stock	29	30	29	30
Additional paid-in capital	980,069	967,651	987,576	967,651
Accumulated other comprehensive income (loss)	<u>(104)</u>	<u>136</u>		

Accumulated other comprehensive income	152	136		
Accumulated deficit	(520,595)	(432,322)	(437,427)	(432,322)
Total stockholders' equity	459,399	535,495	550,330	535,495
Total liabilities and stockholders' equity	\$ 754,086	\$ 847,142	\$ 862,636	\$ 847,142

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

[Table of Contents](#)

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,	July 2,	June 30,	July 2, 2023	2024	2023	2024	2023
	2024	2023	2024	July 2, 2023	2024	2023	2024	2023
Net revenue	\$ 143,900	\$ 173,413	\$ 308,486	\$ 354,321	\$ 182,854	\$ 197,845	\$ 491,340	\$ 552,166
Cost of revenue	112,077	119,113	228,426	239,639	126,371	128,911	354,797	368,550
Gross profit	31,823	54,300	80,060	114,682	56,483	68,934	136,543	183,616
Operating expenses:								
Research and development	19,851	20,831	40,078	42,965	20,905	20,738	60,983	63,703
Sales and marketing	29,757	32,482	60,286	66,361	31,196	30,865	91,482	97,226
General and administrative	19,186	16,536	37,253	32,772	8,357	16,364	45,610	49,136
Litigation reserves, net	8,200	—	8,230	—	(100,855)	178	(92,625)	178
Restructuring and other charges	1,688	2,229	2,720	2,337	1,072	366	3,792	2,703
Intangibles impairment	—	1,071	—	1,071				
Total operating expenses	78,682	72,078	148,567	144,435	(39,325)	69,582	109,242	214,017
Loss from operations	(46,859)	(17,778)	(68,507)	(29,753)				
Income (loss) from operations	95,808	(648)	27,301	(30,401)				
Other income, net	2,713	7,999	5,563	9,405	3,485	2,280	9,048	11,685
Loss before income taxes	(44,146)	(9,779)	(62,944)	(20,348)				
Provision for (benefit from) income taxes	1,029	(1,192)	881	(2,049)				
Net loss	\$ (45,175)	\$ (8,587)	\$ (63,825)	\$ (18,299)				
Income (loss) before income taxes	99,293	1,632	36,349	(18,716)				
Provision for income taxes	14,219	86,431	15,100	84,382				
Net income (loss)	\$ 85,074	\$ (84,799)	\$ 21,249	\$ (103,098)				
Net loss per share								

Net income (loss) per share									
Basic	\$ (1.56)	\$ (0.29)	\$ (2.19)	\$ (0.63)	\$ 2.96	\$ (2.87)	\$ 0.73	\$ (3.52)	
Diluted	\$ (1.56)	\$ (0.29)	\$ (2.19)	\$ (0.63)	\$ 2.90	\$ (2.87)	\$ 0.72	\$ (3.52)	
Weighted average shares used to compute net loss per share:									
Weighted average shares used to compute net income (loss) per share:									
Basic	28,883	29,319	29,136	29,170	28,705	29,524	28,992	29,266	
Diluted	28,883	29,319	29,136	29,170	29,364	29,524	29,389	29,266	

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

[Table of Contents](#)

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Net loss	\$ (45,175)	\$ (8,587)	\$ (63,825)	\$ (18,299)				
Net income (loss)	\$ 85,074	\$ (84,799)	\$ 21,249	\$ (103,098)				
Other comprehensive income (loss), before tax:								
Change in unrealized gains and losses on derivatives	(82)	109	(24)	574	(224)	(168)	(248)	406
Change in unrealized gains and losses on available-for-sale investments	(53)	(50)	(219)	191	452	58	233	249
Other comprehensive income (loss), before tax	(135)	59	(243)	765	228	(110)	(15)	655
Tax benefit (provision) related to derivatives	10	(12)	3	(71)	28	21	31	(50)
Tax provision related to available-for-sale investments	—	12	—	(47)	—	(14)	—	(61)
Other comprehensive income (loss), net of tax	(125)	59	(240)	647	256	(103)	16	544
Comprehensive loss	\$ (45,300)	\$ (8,528)	\$ (64,065)	\$ (17,652)				
Comprehensive income (loss)	\$ 85,330	\$ (84,902)	\$ 21,265	\$ (102,554)				

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

[Table of Contents](#)

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock										Common Stock									
	Accumulated					Accumulated					Accumulated					Other			Total	
	Additional		Other			Total		Additional		Other			Total		Stockholder's		Stockholder's			
	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Accumulated Deficit	Stockholder's Equity	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Accumulated Deficit	Stockholder's Equity	Shares	Amount	Capital	Income (Loss)	Deficit	Equity	Stockholder's	
Balance as of December 31, 2023	29,616	\$ 30	\$ 967,651	\$ 136	\$ (432,322)	\$ 535,495	29,616	\$ 30	\$ 967,651	\$ 136	\$ (432,322)	\$ 535,495								
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	(166)	—	(166)	—	—	—	(166)	—	(166)							(166)	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	51	—	51	—	—	—	51	—	51								
Net loss	—	—	—	—	(18,650)	(18,650)	—	—	—	—	(18,650)	(18,650)								
Stock-based compensation	—	—	4,544	—	—	4,544	—	—	4,544	—	—	4,544							4,544	
Repurchase of common stock	(783)	(1)	—	—	(11,443)	(11,444)	(783)	(1)	—	—	(11,443)	(11,444)								
Restricted stock unit withholdings	(32)	—	—	—	(454)	(454)	(32)	—	—	—	(454)	(454)								
Issuance of common stock under stock-based compensation plans	270	—	1,986	—	—	1,986	270	—	1,986	—	—	1,986							1,986	
Balance as of March 31, 2024	29,071	29	974,181	21	(462,869)	511,362	29,071	29	974,181	21	(462,869)	511,362								
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	(53)	—	(53)	—	—	—	(53)	—	(53)							(53)	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	(72)	—	(72)	—	—	—	(72)	—	(72)							(72)	
Net loss	—	—	—	—	(45,175)	(45,175)	—	—	—	—	(45,175)	(45,175)								
Stock-based compensation	—	—	5,888	—	—	5,888	—	—	5,888	—	—	5,888							5,888	
Repurchase of common stock	(800)	(1)	—	—	(10,120)	(10,121)	(800)	(1)	—	—	(10,120)	(10,121)								

Restricted stock unit withholdings	(165)	—	—	—	(2,431)	(2,431)	(165)	—	—	—	(2,431)	(2,431)
Issuance of common stock under stock-based compensation plans	573	1	—	—	—	1	573	1	—	—	—	1
Balance as of June 30, 2024	28,679	\$ 29	\$ 980,069	\$ (104)	\$ (520,595)	\$ 459,399	28,679	29	980,069	(104)	(520,595)	459,399
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	452	—	452						
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	(196)	—	(196)						
Net income	—	—	—	—	85,074	85,074						
Stock-based compensation	—	—	5,620	—	—	5,620						
Repurchase of common stock	(99)	—	—	—	(1,461)	(1,461)						
Restricted stock unit withholdings	(25)	—	—	—	(445)	(445)						
Issuance of common stock under stock-based compensation plans	213	—	1,887	—	—	1,887						
Balance as of September 29, 2024	28,768	\$ 29	\$ 987,576	\$ 152	\$ (437,427)	\$ 550,330						

	Common Stock			Accumulated					Total Stockholder's Equity	
	Shares	Amount	Capital	Additional		Comprehensive	Accumulated Deficit			
				Paid-In	Other					
Balance as of December 31, 2022	28,908	\$ 29	\$ 946,123	\$ (535)	\$ (324,762)				620,855	
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	182	—	182	—	—	182	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	406	—	406	—	—	406	
Net loss	—	—	—	—	(9,712)	(9,712)	—	—	(9,712)	
Stock-based compensation	—	—	4,665	—	—	—	—	—	4,665	
Restricted stock unit withholdings	(6)	—	—	—	(120)	(120)	—	—	(120)	
Issuance of common stock under stock-based compensation plans	154	—	2,286	—	—	—	—	—	2,286	
Balance as of April 2, 2023	29,056	\$ 29	\$ 953,074	\$ 53	\$ (334,594)				618,562	
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	(38)	—	(38)	—	—	(38)	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	97	—	97	—	—	97	
Net loss	—	—	—	—	(8,587)	(8,587)	—	—	(8,587)	
Stock-based compensation	—	—	4,687	—	—	—	—	—	4,687	

Restricted stock unit withholdings	(141)	—	—	—	(1,985)	(1,985)
Issuance of common stock under stock-based compensation plans	485	—	—	—	—	—
Balance as of July 2, 2023	29,400	\$ 29	\$ 957,761	\$ 112	\$ (345,166)	\$ 612,736

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

[Table of Contents](#)

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended	
	June 30,	July 2,
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (63,825)	\$ (18,299)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,048	3,866
Stock-based compensation	10,432	9,352
Gain on investments, net	(1,985)	(1,464)
Deferred income taxes	542	(7,839)
Provision for excess and obsolete inventory	2,954	1,531
Changes in assets and liabilities:		
Accounts receivable, net	37,991	97,989
Inventories	56,961	(26,401)
Prepaid expenses and other assets	3,866	962
Accounts payable	(6,620)	(49,747)
Accrued employee compensation	2,680	(1,870)
Other accrued liabilities	(7,641)	(37,200)
Deferred revenue	2,222	2,664
Income taxes payable	(4,990)	988
Net cash provided by (used in) operating activities	<u>35,635</u>	<u>(25,468)</u>
Cash flows from investing activities:		
Purchases of short-term investments	(67,998)	(68,042)
Proceeds from maturities of short-term investments	60,000	55,006
Purchases of property and equipment	(4,817)	(1,599)
Purchases of long-term investments	(90)	(225)
Net cash used in investing activities	<u>(12,905)</u>	<u>(14,860)</u>

Cash flows from financing activities:

Repurchases of common stock		(21,444)		—
Restricted stock unit withholdings		(2,885)		(2,105)
Proceeds from issuance of common stock under employee stock purchase plan		1,986		2,286
Net cash provided by (used in) financing activities		(22,343)		181
Net increase (decrease) in cash and cash equivalents		387		(40,147)
Cash and cash equivalents, at beginning of period		176,717		146,500
Cash and cash equivalents, at end of period	\$	177,104	\$	106,353

Non-cash investing and financing activities:

Unpaid property and equipment	\$	1,630	\$	1,031
-------------------------------	----	-------	----	-------

	Common Stock		Accumulated				Total Stockholder's Equity	
	Shares	Amount	Additional		Other Comprehensive Income (Loss)	Accumulated Deficit		
			Paid-In Capital					
Balance as of December 31, 2022	28,908	\$ 29	\$ 946,123	\$ (535)	\$ (324,762)	\$ 620,855		
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	182	—	—	182	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	406	—	—	406	
Net loss	—	—	—	—	—	(9,712)	(9,712)	
Stock-based compensation	—	—	4,665	—	—	—	4,665	
Restricted stock unit withholdings	(6)	—	—	—	—	(120)	(120)	
Issuance of common stock under stock-based compensation plans	154	—	2,286	—	—	—	2,286	
Balance as of April 2, 2023	29,056	29	953,074	53	(334,594)	618,562		
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	(38)	—	—	(38)	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	97	—	—	97	
Net loss	—	—	—	—	—	(8,587)	(8,587)	
Stock-based compensation	—	—	4,687	—	—	—	4,687	
Restricted stock unit withholdings	(141)	—	—	—	—	(1,985)	(1,985)	
Issuance of common stock under stock-based compensation plans	485	—	—	—	—	—	—	
Balance as of July 2, 2023	29,400	29	957,761	112	(345,166)	612,736		
Change in unrealized gains and losses on available-for-sale investments, net of tax	—	—	—	44	—	—	44	
Change in unrealized gains and losses on derivatives, net of tax	—	—	—	(147)	—	—	(147)	
Net loss	—	—	—	—	—	(84,799)	(84,799)	
Stock-based compensation	—	—	4,285	—	—	—	4,285	
Restricted stock unit withholdings	(48)	—	—	—	—	(637)	(637)	
Issuance of common stock under stock-based compensation plans	256	1	1,304	—	—	—	1,305	
Balance as of October 1, 2023	29,608	\$ 30	\$ 963,350	\$ 9	\$ (430,602)	\$ 532,787		

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

[Table of Contents](#)**NETGEAR, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In thousands)

	Nine Months Ended	
	September 29,	October 1,
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 21,249	\$ (103,098)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,761	5,491
Stock-based compensation	16,052	13,637
Gain on investments, net	(2,971)	(2,301)
Intangibles impairment	—	1,071
Deferred income taxes	254	82,205
Provision for excess and obsolete inventory	5,084	2,705
Changes in assets and liabilities:		
Accounts receivable, net	7,733	76,585
Inventories	81,790	15,990
Prepaid expenses and other assets	3,146	(3,020)
Accounts payable	4,727	(38,443)
Accrued employee compensation	(1,322)	(4,952)
Other accrued liabilities	(9,608)	(46,929)
Deferred revenue	3,073	4,771
Income taxes payable	9,347	(3,130)
Net cash provided by operating activities	143,315	582
Cash flows from investing activities:		
Purchases of short-term investments	(107,454)	(97,291)
Proceeds from maturities of short-term investments	90,290	85,006
Purchases of property and equipment	(6,502)	(3,601)
Purchases of long-term investments	(225)	(585)
Net cash used in investing activities	(23,891)	(16,471)
Cash flows from financing activities:		
Repurchases of common stock	(22,917)	—
Restricted stock unit withholdings	(3,330)	(2,742)
Proceeds from exercise of stock options	308	—
Proceeds from issuance of common stock under employee stock purchase plan	3,565	3,590
Net cash (used in) provided by financing activities	(22,374)	848
Net increase (decrease) in cash and cash equivalents	97,050	(15,041)
Cash and cash equivalents, at beginning of period	176,717	146,500

Cash and cash equivalents, at end of period	\$ 273,767	\$ 131,459
Non-cash investing and financing activities:		
Unpaid property and equipment	\$ 1,112	\$ 1,055

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

[Table of Contents](#)

NETGEAR, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Basis of Presentation

NETGEAR, Inc. ("NETGEAR" or the "Company") is a global company, incorporated in Delaware in January 1996. The Company turns ideas into innovative, high-performance and premium networking products that connect people, power businesses and advance the way we live. The Company is dedicated to delivering innovative and highly differentiated connected solutions ranging from easy-to-use premium WiFi solutions, security and support services to protect and enhance home networks, to switching and wireless solutions to augment business networks and audio and video over Ethernet for Pro AV applications. Its products and services are built on a variety of technologies such as wireless (WiFi and 4G/5G mobile), Ethernet and powerline, with a focus on reliability and ease-of-use. Additionally, the Company continually invests in research and development to create new technologies and services and to capitalize on technological inflection points and trends, such as WiFi 7, audio and video over Ethernet, and future technologies. Its product line consists of devices that create and extend wired and wireless networks, as well as services that complement and enhance the Company's product line offerings. These products are available in multiple configurations to address the changing needs of the Company's customers in each geographic region.

The Company sells networking products through multiple sales channels worldwide, including traditional retailers, online retailers, wholesale distributors, direct market resellers ("DMRs"), value-added resellers ("VARs"), broadband service providers and its direct online store at www.netgear.com.

The accompanying unaudited condensed consolidated financial statements include the accounts of NETGEAR, Inc. and its wholly owned subsidiaries. They have been prepared in accordance with established guidelines for interim financial reporting and the instructions of Form 10-Q and Article 10 of Regulation S-X. All significant intercompany balances and transactions have been eliminated in consolidation. The balance sheet dated December 31, 2023, has been derived from audited financial statements at such date. These unaudited condensed consolidated financial statements do not include all of the information and footnotes typically found in the audited consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K. In the opinion of management, the unaudited condensed consolidated financial statements reflect all normal recurring adjustments considered necessary to fairly state the Company's financial position, results of operations, comprehensive income (loss), stockholder's equity and cash flows for the periods indicated. These unaudited condensed consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Annual Report").

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the financial statements, and (iii) the reported amounts of net revenue and expenses during the reported period. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances. As of the date of issuance of these condensed consolidated financial statements, the Company is not aware of any specific event or circumstance that would require it to update its estimates, judgments or revise the carrying value of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ materially from those estimates and operating results for the three and

six nine months ended June 30, 2024 September 29, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, or any future period.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Segment Recast

In the first fiscal quarter of 2024, resulting from certain segment structure changes, the Company revised its allocation method by allocating certain historically unallocated operating expenses to its individual operating segments. This change impacted Note 11, *Segment Information*. The prior-year segment financial information has been recast to conform to the current-year presentation. None of the changes impact impacted previously reported consolidated net revenue, income (loss) from operations, net income (loss) per share, total assets, or stockholders' equity.

Note 2. Summary of Significant Accounting Policies

No material changes have been made to the Company's significant accounting policies disclosed in Note 1, *The Company and Summary of Significant Accounting Policies*, in Part II, Item 8 "Financial Statements and Supplementary Data" in its Annual Report.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for the Company for the year ended ending 2024 and early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. The Company does not expect that the guidance will have material impacts on its financial position, results of operations or cash flows. The Company is evaluating the impact that the updated standard will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions. ASU 2023-09 is effective for the Company for the year ended ending December 31, 2025 and early adoption is permitted. The guidance allows for adoption using either a prospective or retrospective transition method. The Company is evaluating the impact that the updated standard will have on its financial statement disclosures.

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

Note 3. Revenue

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

Transaction Price Allocated to the Remaining Performance Obligations

Remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. Unsatisfied and partially unsatisfied performance obligations consist of contract liabilities, in-transit orders with destination terms, and non-cancellable backlog. Non-cancellable backlog includes goods for which customer purchase orders have been accepted, that are scheduled or in the process of being scheduled for shipment, and that are not yet invoiced.

The following table summarizes estimated revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of **June 30, 2024** **September 29, 2024**:

(In thousands)	Less than 1 year	1 to 2 years	Beyond 2 years	Total	Less than 1 year	1 to 2 years	Beyond 2 years	Total
Performance obligations	\$ 63,534	\$ 3,084	\$ 2,589	\$ 69,207	\$ 66,991	\$ 3,546	\$ 2,209	\$ 72,746

9.10

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contract Balances

The Company records accounts receivable when it has an unconditional right to consideration. Contract liabilities are recorded when cash payments are received or due in advance of performance. Contract liabilities consist of advance payments and deferred revenue, where the Company has unsatisfied performance obligations. Contract liabilities are mainly classified as Deferred revenue on the unaudited condensed consolidated balance sheets.

Payment terms vary by customer. The time between invoicing and when payment is due is not significant. For certain products or services and customer types, payment is required before the products or services are delivered to the customer.

The following table reflects the contract balances:

(In thousands)	Balance Sheet Location	June 30, 2024	December 31, 2023	Balance Sheet Location	September 29, 2024	December 31, 2023
Accounts receivable, net	Accounts receivable, net	\$ 147,069	\$ 185,059	Accounts receivable, net	\$ 177,326	\$ 185,059
Contract liabilities – current	Deferred revenue	\$ 28,682	\$ 27,091	Deferred revenue	\$ 29,596	\$ 27,091
Contract liabilities – non-current	Other non-current liabilities	\$ 5,534	\$ 4,903	Other non-current liabilities	\$ 5,472	\$ 4,903

The difference in the balances of the Company's contract assets and liabilities as of **June 30, 2024** **September 29, 2024** and December 31, 2023, primarily results from the timing difference between the Company's performance and the customer's payment.

During the **six** **nine** months ended **June 30, 2024** **September 29, 2024**, **\$24.9** **37.9** million of revenue was deferred primarily due to unsatisfied performance obligations for service contracts, **\$22.7** **34.8** million of revenue was recognized for the satisfaction of performance obligations and **\$18.1** **23.9** million of this recognized revenue was included in the contract liability balance at the beginning of the period.

There were no significant changes in estimates during the period that would affect the contract balances.

Disaggregation of Revenue

In the following tables, net revenue is disaggregated by geographic region and sales channel. The Company conducts business across three geographic regions: Americas; Europe, Middle East and Africa ("EMEA"); and Asia Pacific ("APAC"). The tables also include reconciliations of the disaggregated revenue by

reportable segment. The Company operates and reports in two segments: **Connected Home** and **NETGEAR** for Business (formerly known as Small and Medium Business, or SMB), and **Connected Home**. Sales and usage-based taxes are excluded from net revenue.

(In thousands)	Three Months Ended						Three Months Ended					
	June 30, 2024			July 2, 2023			September 29, 2024			October 1, 2023		
	Connected Home	NETGEAR for Business	Total	Connected Home	NETGEAR for Business	Total	NETGEAR for Business	Connected Home	Total	NETGEAR for Business	Connected Home	Total
Geographic regions (1):												
Americas	\$ 66,282	\$ 29,221	\$ 95,503	\$ 77,683	\$ 38,928	\$ 116,611	\$ 42,035	\$ 85,717	\$ 127,752	\$ 36,323	\$ 104,695	\$ 141,018
EMEA	8,958	18,397	27,355	11,317	24,844	36,161	22,975	9,823	32,798	24,786	10,898	35,684
APAC	8,793	12,249	21,042	9,406	11,235	20,641	13,520	8,784	22,304	9,401	11,742	21,143
Total	\$ 84,033	\$ 59,867	\$ 143,900	\$ 98,406	\$ 75,007	\$ 173,413	\$ 78,530	\$ 104,324	\$ 182,854	\$ 70,510	\$ 127,335	\$ 197,845
Sales channels:												
Service provider	\$ 19,732	\$ 202	\$ 19,934	\$ 24,916	\$ 18	\$ 24,934	\$ 268	\$ 22,949	\$ 23,217	\$ 219	\$ 32,403	\$ 32,622
Non-service provider	64,301	59,665	123,966	73,490	74,989	148,479	78,262	81,375	159,637	70,291	94,932	165,223
Total	\$ 84,033	\$ 59,867	\$ 143,900	\$ 98,406	\$ 75,007	\$ 173,413	\$ 78,530	\$ 104,324	\$ 182,854	\$ 70,510	\$ 127,335	\$ 197,845

1011

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands)	Six Months Ended						Nine Months Ended					
	June 30, 2024			July 2, 2023			September 29, 2024			October 1, 2023		
	Connected Home	NETGEAR for Business	Total	Connected Home	NETGEAR for Business	Total	NETGEAR for Business	Connected Home	Total	NETGEAR for Business	Connected Home	Total
Geographic regions (1):												
Americas	\$ 144,277	\$ 61,154	\$ 205,431	\$ 161,684	\$ 76,849	\$ 238,533	\$ 103,189	\$ 229,994	\$ 333,183	\$ 113,172	\$ 266,379	\$ 379,551
EMEA	16,968	41,574	58,542	23,381	51,958	75,339	64,549	26,791	91,340	76,744	34,279	111,023
APAC	18,751	25,762	44,513	16,087	24,362	40,449	39,282	27,535	66,817	33,763	27,829	61,592
Total	\$ 179,996	\$ 128,490	\$ 308,486	\$ 201,152	\$ 153,169	\$ 354,321	\$ 207,020	\$ 284,320	\$ 491,340	\$ 223,679	\$ 328,487	\$ 552,166
Sales channels:												

Service provider	\$ 47,285	\$ 445	\$ 47,730	\$ 38,943	\$ 208	\$ 39,151	\$ 713	\$ 70,234	\$ 70,947	\$ 427	\$ 71,346	\$ 71,773
Non-service provider	132,711	128,045	260,756	162,209	152,961	315,170	206,307	214,086	420,393	223,252	257,141	480,393
Total	<u>\$ 179,996</u>	<u>\$ 128,490</u>	<u>\$ 308,486</u>	<u>\$ 201,152</u>	<u>\$ 153,169</u>	<u>\$ 354,321</u>	<u>\$ 207,020</u>	<u>\$ 284,320</u>	<u>\$ 491,340</u>	<u>\$ 223,679</u>	<u>\$ 328,487</u>	<u>\$ 552,166</u>

⁽¹⁾ No individual foreign country represented more than 10% of the Company's total net revenue in the periods presented.

Note 4. Balance Sheet Components

Available-for-sale investments

Amortized cost and estimated fair market value of investments classified as available-for-sale, excluding cash equivalents, as of **June 30, 2024** **September 29, 2024** and December 31, 2023, were as follows:

(In thousands)	June 30, 2024				September 29, 2024			
	Unrealized		Unrealized		Unrealized		Unrealized	
	Amortized Cost	Gains	Losses	Estimated	Amortized Cost	Gains	Losses	Estimated
U.S. treasury securities	\$ 108,341	\$ —	\$ (91)	\$ 108,250	\$ 118,733	\$ 361	\$ —	\$ 119,094
Corporate equity securities	262	—	—	262				
Total	<u>\$ 108,603</u>	<u>\$ —</u>	<u>\$ (91)</u>	<u>\$ 108,512</u>	<u>\$ 118,733</u>	<u>\$ 361</u>	<u>\$ —</u>	<u>\$ 119,094</u>

(In thousands)	December 31, 2023			
	Unrealized		Unrealized	
	Amortized Cost	Gains	Losses	Estimated
U.S. treasury securities	\$ 98,326	\$ 128	\$ —	\$ 98,454
Convertible debt	173	—	—	173
Total	<u>\$ 98,499</u>	<u>\$ 128</u>	<u>\$ —</u>	<u>\$ 98,627</u>

11

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The contractual maturities on the U.S. treasury securities as of **June 30, 2024** **September 29, 2024** are all due within one year. Accrued interest receivable as of **June 30, 2024** **September 29, 2024** was **\$0.50.9** million and was recorded within Prepaid expenses and other current assets on the unaudited condensed consolidated balance sheet.

The following table summarizes There were no investments classified as available-for-sale in a continuous unrealized loss position for which an allowance for credit losses was not recorded as of **June 30, 2024** **September 29, 2024** and December 31, 2023.

	June 30, 2024		
	Less Than 12 Months	12 Months or Longer	Total

(In thousands)	Estimated Fair Market	Gross Unrealized	Estimated Fair Market	Gross Unrealized	Estimated Fair Market	Gross Unrealized
	Value	Losses	Value	Losses	Value	Losses
U.S. treasury securities	\$ 108,250	\$ (91)	\$ —	\$ —	\$ 108,250	\$ (91)
Total	\$ 108,250	\$ (91)	\$ —	\$ —	\$ 108,250	\$ (91)

December 31, 2023						
(In thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Estimated Fair Market	Gross Unrealized	Estimated Fair Market	Gross Unrealized	Estimated Fair Market	Gross Unrealized
U.S. treasury securities	\$ 98,454	\$ —	\$ —	\$ —	\$ 98,454	\$ —
Total	\$ 98,454	\$ —	\$ —	\$ —	\$ 98,454	\$ —

In the three and **six** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, no unrealized losses on available-for-sale securities were recognized in income. The Company does not intend to sell, and it is unlikely that it will be required to sell the investments in an unrealized loss position prior to their anticipated recovery. The investments are high-quality U.S. treasury securities and the decline in fair value is largely due to changes in interest rates and other market conditions with the fair value expected to recover as they reach maturity. There were no other-than-temporary impairments

12

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for these securities during the three and **six** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**. Refer to Note 12, *Fair Value Measurements*, for detailed disclosures regarding fair value measurements.

Inventories

(In thousands)	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023
	\$ 21,748	\$ 19,955	\$ 16,839	\$ 19,955
Raw materials	\$ 21,748	\$ 19,955	\$ 16,839	\$ 19,955
Finished goods	167,188	228,896	145,137	228,896
Total	\$ 188,936	\$ 248,851	\$ 161,976	\$ 248,851

The Company records provisions for excess and obsolete inventory based on assumptions about future demand and market conditions and the amounts incurred were **\$1.9** **2.1** million and **\$3.0** **5.1** million for the three and **six** months ended **June 30, 2024** **September 29, 2024**, respectively, and **\$0.4** **1.2** million and **\$1.5** **2.7** million for the three and **six** months ended **July 2, 2023** **October 1, 2023**, respectively. While management believes the estimates and assumptions underlying its current forecasts are reasonable, there is risk that additional charges may be necessary if current forecasts are greater than actual demand.

12

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property and equipment, net

(In thousands)	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023
Machinery and equipment	\$ 51,497	\$ 47,826	\$ 52,515	\$ 47,826
Furniture, fixtures, and leasehold improvements	19,641	18,205	19,705	18,205
Software	24,337	25,760	24,405	25,760
Computer equipment	5,336	5,458	5,355	5,458
Total property and equipment, gross	100,811	97,249	101,980	97,249
Accumulated depreciation	(89,770)	(88,976)	(91,340)	(88,976)
Total	\$ 11,041	\$ 8,273	\$ 10,640	\$ 8,273

Other non-current assets

(In thousands)	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023
Non-current deferred income taxes	\$ 2,801	\$ 3,343	\$ 3,120	\$ 3,343
Long-term investments	8,336	8,367	8,492	8,367
Other	4,663	5,616	4,011	5,616
Total	\$ 15,800	\$ 17,326	\$ 15,623	\$ 17,326

Long-term equity investments

The Company's long-term investments are comprised of equity investments without readily determinable fair values, investments in convertible debt securities or corporate equity securities and investments in limited partnership funds. The changes in the carrying value of equity investments without readily determinable fair values were as follows:

(In thousands)	Six months ended		Nine months ended	
	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023
	\$ 6,053	\$ 6,053	\$ 6,053	\$ 6,053
Carrying value as of the beginning of the period ⁽¹⁾				
Carrying value as of the end of the period ⁽¹⁾	\$ 6,053	\$ 6,053	\$ 6,053	\$ 6,053

⁽¹⁾ The balances excluded an investment in limited partnership funds of \$2.3 million as of June 30, 2024 September 29, 2024, \$1.8 million as of July 2, 2023 October 1, 2023, \$2.3 million as of December 31, 2023, and \$1.7 million as of December 31, 2022. Additionally, the balance excluded an investment in corporate equity securities of \$0.3 million as of June 30, 2024, an investment in convertible debt securities of \$0.2 million as of December 31, 2023, July 2, 2023, and December 31, 2022, respectively.

For such equity investments without readily determinable fair values still held on June 30, 2024 September 29, 2024, there were no cumulative downward adjustments for price changes and impairment and the cumulative upward adjustments for price changes was \$0.3 million.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other accrued liabilities

(In thousands)	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023
Current operating lease liabilities	\$ 11,927	\$ 11,869	\$ 11,531	\$ 11,869
Sales and marketing	59,912	75,535	67,055	75,535
Warranty obligations	4,771	5,738	4,785	5,738
Sales returns ⁽¹⁾	31,478	34,824	31,860	34,824
Freight and duty	3,921	2,837	4,397	2,837
Other	47,577	37,281	35,565	37,281
Total	\$ 159,586	\$ 168,084	\$ 155,193	\$ 168,084

⁽¹⁾ Inventory expected to be received from future sales returns amounted to \$15.5 million and \$15.2 million and \$16.9 million as of June 30, 2024 September 29, 2024 and December 31, 2023, respectively. Provisions to write down expected returned inventory to net realizable value amounted to \$8.9 million and \$8.7 million and \$9.7 million as of June 30, 2024 September 29, 2024 and December 31, 2023, respectively.

Note 5. Derivative Financial Instruments

The Company's subsidiaries have material future cash flows related to revenue and expenses denominated in currencies other than the U.S. dollar, the Company's functional currency worldwide. The Company executes currency forward contracts that typically mature in less than six months to mitigate its currency risk, in currencies including Australian dollars, British pounds, euros, Canadian dollars, and Japanese yen. The Company does not enter into derivatives transactions for trading or speculative purposes. The Company's foreign currency forward contracts do not contain any credit-risk-related contingent features. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any individual counterparty.

The Company typically executes ten cash flow hedges per quarter with maturities under six months and with an average USD notional amount of approximately \$5.0 million that are designated as cash flow hedges.

The Company enters into non-designated hedges that are generally expected to offset the changes in value of its net non-functional currency asset and liability position resulting from foreign exchange rate fluctuations. The Company adjusts its non-designated hedges monthly and typically executes about seven non-designated forwards per quarter with maturities less than three months and an average USD notional amount of approximately \$3.0 million.

Fair Value of Derivative Instruments

The fair values of the Company's derivative instruments and the line items on the unaudited condensed consolidated balance sheets to which they were recorded were summarized as follows:

(In thousands)	Balance Sheet					Balance Sheet						
	June 30, 2024		December 31, 2023		June 30, 2024		December 31, 2023		September 29, 2024		December 31, 2023	
	Location	2024	Location	2023	Location	2024	Location	2023	Location	2024	Location	2023
Derivatives not designated as hedging instruments	Prepaid expenses and other current assets	\$ 228	\$ 284	Other liabilities	\$ 183	\$ 1,672	Prepaid expenses and other current assets	\$ 236	\$ 284	Other liabilities	\$ 1,126	\$ 1,672
Derivatives designated as hedging instruments	Prepaid expenses and other current assets	7	7	Other liabilities	30	19	Prepaid expenses and other current assets	9	7	Other liabilities	141	19
Total		\$ 235	\$ 291		\$ 213	\$ 1,691		\$ 245	\$ 291		\$ 1,267	\$ 1,691

Refer to Note 12, *Fair Value Measurements* for detailed disclosures regarding fair value measurements. Refer to Note 9, *Stockholders' Equity*, for details on the accumulated other comprehensive income (loss) activity related to derivatives and refer to Note 11, *Segment Information*, for details on gain/(loss), net pertaining to derivatives not designated as hedging instruments that were recognized in Other income (expenses), net.

[Table of Contents](#)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Note 6. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. Potentially dilutive common shares include common shares issuable upon exercise of stock options, vesting of Restricted Stock Units ("RSUs") and performance shares, and issuances of shares under the Employee Stock Purchase Plan (the "ESPP"), which are reflected in diluted net income (loss) per share by application of the treasury stock method. Potentially dilutive common shares are excluded from the computation of diluted net income (loss) per share when their effect is anti-dilutive.

Net income (loss) per share consisted of the following:

(In thousands, except per share data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Numerator:								
Net loss	\$ (45,175)	\$ (8,587)	\$ (63,825)	\$ (18,299)				
Net income (loss)	\$ 85,074	\$ (84,799)	\$ 21,249	\$ (103,098)				
Denominator:								
Weighted average common shares – basic	28,883	29,319	29,136	29,170	28,705	29,524	28,992	29,266
Potentially dilutive common share equivalent	659	—	397	—				
Weighted average common shares – dilutive	28,883	29,319	29,136	29,170	29,364	29,524	29,389	29,266
Basic net income (loss) per share	\$ (1.56)	\$ (0.29)	\$ (2.19)	\$ (0.63)	\$ 2.96	\$ (2.87)	\$ 0.73	\$ (3.52)
Diluted net income (loss) per share	\$ (1.56)	\$ (0.29)	\$ (2.19)	\$ (0.63)	\$ 2.90	\$ (2.87)	\$ 0.72	\$ (3.52)
Anti-dilutive employee stock-based awards, excluded	2,060	2,404	1,968	2,222	1,332	2,563	1,053	2,358

Note 7. Income Taxes

The income tax provision for the three and **six** nine months ended **June 30, 2024** **September 29, 2024** was \$1.0 million, or an effective tax rate of (2.3)%, and \$0.9 million, or an effective tax rate of (1.4)%, respectively. The income tax benefit for the three and six months ended July 2, 2023 was \$1.2 **14.2** million, or an effective tax rate of **12.2** 14.3%, and \$2.0 **15.1** million, or an effective tax rate of **10.1** 41.5%, respectively. The income tax provision for the three and nine months ended October 1, 2023 was \$86.4 million, and \$84.4 million, respectively. The changes in taxes for the three and **six** nine months ended **June 30, 2024** **September 29, 2024**, compared to the prior year period, periods, were primarily due to the continued full recognition of a valuation allowance of \$81.5 million on deferred tax assets for U.S. federal and state purposes that was established during the three months ended October 1, 2023. The Company evaluated the current results as of the period ended **June 30, 2024** **September 29, 2024**, coupled with the expectations for the remainder of the year, and determined that it continues to not be more likely than not that the deferred tax assets would be realized, and accordingly, has recorded no benefit for the forecasted tax loss for the three and **six** nine months ended **June 30, 2024**.

2024 September 29, 2024. By comparison, for the three and six months ended July 2, 2023, tax benefits were recorded on the pre-tax loss since the valuation allowance on deferred tax assets had not yet been established.

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. The future foreign tax rate could be affected by changes in the composition in earnings in countries with tax rates differing from the U.S. federal rate. The Company is under examination in various U.S. and foreign jurisdictions.

The Company files income tax returns in the U.S. federal jurisdiction as well as various state, local, and foreign jurisdictions. Due to the uncertain nature of ongoing tax audits, the Company has recorded its liability for uncertain tax positions as part of its long-term liability as payments cannot be anticipated over the next twelve months. The existing tax positions of the Company continue to generate an increase in the liability for uncertain tax positions. The liability for uncertain tax positions may be reduced for liabilities that are settled with taxing authorities or on which the statute of limitations could expire without assessment from tax authorities. The possible reduction in liabilities for uncertain tax positions in multiple jurisdictions in the next twelve months is approximately \$0.7 million excluding the interest, penalties and the effect of any related deferred tax assets or liabilities. The Company is currently under examination in various U.S. and foreign jurisdictions.

15

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company accounts for income taxes under an asset and liability approach. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities

15

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

are recognized for the expected future tax consequences of temporary differences resulting from different treatment for tax versus accounting for certain items, such as accruals and allowances not currently deductible for tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of these differences, which will either be taxable or deductible when assets and liabilities are recovered or settled, as well as operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheets. The Company must then assess the likelihood that the Company's deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not more likely than not, the Company must establish a valuation allowance. The Company's assessment considers the recognition of deferred tax assets on a jurisdictional basis. Accordingly, in assessing its future taxable income on a jurisdictional basis, the Company considers the effect of its transfer pricing policies on that income. As of the period ended October 1, 2023, the Company determined that recovery of its U.S. federal and state deferred tax assets was no longer more likely than not and established a full valuation allowance on those net assets, based on evaluation of all available evidence, including actual and anticipated business results. Accordingly, the balance sheet net deferred tax assets from the U.S. federal and state jurisdictions reported in "Other Non-current Assets" were reduced after the effect of establishing the valuation allowance.

Note 8. Commitments and Contingencies

Purchase Obligations

The Company has entered into various inventory-related purchase agreements with suppliers. Generally, under these agreements, 50% of orders are cancelable by giving notice 46 to 60 days prior to the expected shipment date and 25% of orders are cancelable by giving notice 31 to 45 days prior to the expected shipment date. As of **June 30, 2024** **September 29, 2024**, the Company had approximately **\$71.7** **\$84.9** million, as compared to \$42.6 million as of December 31, 2023, in short-term non-cancelable purchase commitments with suppliers or where the suppliers had procured unique materials and components upon receipts of the Company's purchase orders. Due to an elongation of the time from order placement to production that occurred several years ago, the Company issued purchase orders to supply chain partners beyond contractual termination periods. As of **June 30, 2024** **September 29, 2024**, **\$257.7** **\$204.1** million of purchase orders beyond contractual termination periods remained outstanding. Consequently, the Company may incur expenses for materials and components, such as chipsets purchased by the supplier to fulfill the purchase order if the purchase order is cancelled. Expenses incurred in respect of cancelled purchase orders have historically not been significant relative to the original order value. For those orders not governed by master purchase agreements, the commitments are governed by the commercial terms on the Company's purchase orders subject to acknowledgment from its suppliers. The Company establishes a loss liability for all products it does not expect to sell or orders it anticipates canceling for which it has committed purchases from suppliers. Such loss liability is included in Other accrued liabilities on the Company's unaudited condensed consolidated balance sheets. Losses incurred in relation to purchase commitments, including unique materials and components, amounted to a gain of **\$5.1** **\$1.2** million and a loss of **\$6.2** **\$5.0** million for the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**, respectively, and losses of **\$0.9** **\$0.6** million and **\$1.4** **\$2.0** million for the three and **six** **nine** months ended **July 2, 2023** **October 1, 2023**, respectively.

Non-Trade Commitments

As of **June 30, 2024** **September 29, 2024**, the Company had non-cancellable purchase commitments of \$11.3 million pertaining to non-trade activities.

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Warranty Obligations

Changes in the Company's warranty obligations, which is included in Other accrued liabilities on the unaudited condensed consolidated balance sheets, were as follows:

(In thousands)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Balance as of beginning of the period	\$ 5,087	\$ 6,351	\$ 5,738	\$ 6,320	\$ 4,771	\$ 6,217	\$ 5,738	\$ 6,320
Provision for warranty liability made	800	1,260	1,408	2,677	1,060	2,185	2,468	4,862
Settlements made	(1,116)	(1,394)	(2,375)	(2,780)	(1,046)	(1,364)	(3,421)	(4,144)
Balance as of the end of the period	<u>\$ 4,771</u>	<u>\$ 6,217</u>	<u>\$ 4,771</u>	<u>\$ 6,217</u>	<u>\$ 4,785</u>	<u>\$ 7,038</u>	<u>\$ 4,785</u>	<u>\$ 7,038</u>

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) Leases

As of September 29, 2024, the Company entered into an office lease that has not yet commenced with short-term and long-term future lease payments of \$0.3 million and \$43.0 million, respectively, that are not yet recorded on the unaudited Consolidated Balance Sheets. This lease will commence in 2025 with a non-cancelable lease term of 11 years.

Litigation and Other Legal Matters

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

Huawei v. NETGEAR Inc., NETGEAR Deutschland GmbH, and Exertis-Connect GmbH (at the Dusseldorf District Court, Germany)

On or around March of 2022, Huawei filed two patent infringement lawsuits at the District Court of Dusseldorf, Germany, against NETGEAR Inc., NETGEAR Deutschland GmbH, and Exertis-Connect GmbH, a third-party webstore selling NETGEAR products in Germany. Huawei asserted one EU patent in each suit, EP 3 337 077 B1 ("EP 077") in case no. 08/22 and EP 3 143 741 B1 (EP 741) in case no. 09/22. In its complaints, Huawei alleged that the Company's WiFi 6 products infringed the two patents, which Huawei further claimed are standard-essential patents. On or around February 9, 2023, the Federal Patent Court issued preliminary opinions finding both asserted patents invalid. The Company attended an oral hearing for both infringement cases on March 21, 2023 before the Dusseldorf District Court and the Court dismissed case no. 09/22 for the EP 741 and stayed case no. 08/22 for EP 077. Huawei is appealing the dismissal of case no. 09/22, and the deadline for the parties' briefing is scheduled for November 22, 2024 with an oral hearing on March 6, 2025. On March 20, 2024, the Patent Court maintained the validity of EP 741, but with an amended claim. Case no. 08/22 (EP 077) remains stayed while the nullity action is ongoing. An oral hearing for the EP 077 nullity action is scheduled for December 12, 2024.

On or around May 10, 2022, the Company was served with two suits that Huawei filed before the Jinan Intermediate People's Court of China asserting Patent Nos. ZL 201811536087.9 (case no. 407) and ZL 201810757332.2 (case no. 408) against the Company's WiFi 6 products. The Company's challenge of the Jinan Court's jurisdiction in both cases was denied by the Supreme Court of China. The parties attended an evidentiary hearing for the cases on July 3, 2023. Licensing and

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

technical hearings followed on July 24, 2023 and July 25, 2023. On or around June 12, 2024, the Jinan Court found that the Company Wi-Fi 6 products infringe Huawei's two asserted Chinese patents. The Company appealed both cases to the Chinese Supreme Court on June 21, 2024.

Huawei v. NETGEAR Inc., NETGEAR Deutschland GmbH, and NETGEAR International Limited (at the Unified Patent Court - UPC)

On or around July 3, 2023, Huawei filed an infringement suit, asserting patent EP 3 611 989 (the '989 Patent), against NETGEAR Inc., NETGEAR Deutschland GmbH, and NETGEAR International Limited at the Unified Patent Court (UPC) in Munich, Germany. The deadline for the parties to complete briefing was extended to July 3, 2024. An interim conference is scheduled for took place on August 29, 2024, and oral hearing for was held on October 30 and 31, 2024.

On or around December 11, 2023, Huawei filed a second UPC suit, asserting EP 3 678 321 (EP 321), against the Company. The Company submitted its Statement of Defense on April 18, 2024. The parties are awaiting a date from the Court for oral argument. Oral argument is scheduled to take place on March 25, 2025.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Huawei v. NETGEAR Inc., NETGEAR Deutschland GmbH, and NETGEAR International Limited (at the Munich District Court, Germany)

On May 17, 2024, Huawei filed a Complaint asserting EP 3 334 112 (EP 112) against the Company's WiFi-6 products at the Munich District Court. The entities named in the suit are NETGEAR Inc, NETGEAR International, and NETGEAR Germany. The deadline for the parties to complete briefing is November 15, 2024 and the oral hearing is scheduled for December 19, 2024.

On July 10, 2024, Huawei filed a Complaint asserting EP 3 937 445 (EP 445) against the Company's WiFi-6 products at the Munich District Court. The entities named in the suit are NETGEAR Inc, NETGEAR International, and NETGEAR Germany. The Company filed a Statement of Defense for NETGEAR Germany on July 10, 2024. The ~~deadline~~ oral hearing is scheduled for ~~other entities' Statement of Defense is due on October 11, 2024~~ April 9, 2025.

TP-Link v. NETGEAR (at the ITC and Northern District of California District Court)

On May 6, 2024, TP-Link sued the Company at the International Trade Commission (ITC), alleging that the Company's Orbi and Nighthawk products (collectively, the "Accused Products") infringe five of TP-Link's patents: U.S. Pat. No. 7,636,550 entitled "System and Method for Determining Channel Quality in a Wireless Network," U.S. Pat. No. 8,176,148 entitled "Method and System for Wireless Network Configuration," U.S. Pat. No. 8,229,357 entitled "Method and System For a Portable Wireless Range," U.S. Pat. No. 7,672,268 entitled "Systems and Methods for Implementing Double Wide Channels in a Communication System," and U.S. Pat. No. 8,774,008 entitled "Real-Time Network Measurement" (collectively, the "Asserted Patents"). The ITC instituted the case on June 14, 2024 and the Company filed its Response on July 18, 2024.

On June 8, 2024, TP-Link filed a parallel lawsuit before the Northern District of California District Court alleging that the Company infringes the same Asserted Patents by the same Accused Products. This case is stayed.

On August 28, 2024, the Company entered into a settlement agreement (the "Settlement Agreement") with TP-Link regarding all of their respective pending outcome U.S. International Trade Commission and patent infringement disputes, and TP-Link's patent challenges and breach of contract claims, and NETGEAR received a \$135 million payment as consideration for the same. Consistent with the terms of the ITC case Settlement Agreement, all pending litigation between the parties were dismissed or not further pursued, as applicable, on or around September 11, 2024.

TP-Link v. NETGEAR (at the Northern District of California District Court)

On June 10, 2024, TP-Link filed a lawsuit against NETGEAR in the United States District Court Northern District of California alleging breach of contract. The Company recently obtained an Initial Determination at the ITC that TP Link's products infringe on the Company's U.S. Patent 7,936,714 (the '714 Patent). TP-Link alleged, in its Complaint, that the '714 Patent is a Standard Essential Patent (SEP) and by suing TP-Link for patent infringement, the Company breached its contractual obligation, as a member of Wi-Fi Alliance or WFA, to offer TP- Link (also a WFA member) a license to the '714 Patent on reasonable and non-discriminatory (RAND) terms. The suit seeks a declaratory judgment from the Court that the Company is

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

subject to RAND licensing obligations and damages. On June 18, 2024, TP-Link filed a motion for preliminary injunction seeking to enjoin the Company from enforcing an exclusion order from the ITC based on the '714 patent. The ~~Company's opposition~~ parties have settled this matter. On or around September 11, 2024,

TP-Link filed for dismissal of this case based on the Settlement Agreement described above.

As described above, for the three and nine months ended September 29, 2024, the Company received a payment from the litigation settlement with TP-Link, leading to a contra-expense of \$92.7 million in the preliminary injunction is due August 1, 2024 litigation reserves, a reversal of \$8.2 million contingent fee recorded in litigation reserves in the prior quarter, and an oral hearing is scheduled for August 22, 2024, a reduction of \$10.9 million in general and administrative expenses to offset the related legal fees incurred to date. The Company's response to Company included the Complaint is due August 8, 2024, amounts in the unaudited condensed consolidated statements of operations.

The Company, at this time, is not able to reasonably estimate any financial impact to the Company resulting from these any ongoing litigation matters.

The Company does not believe that it is reasonably possible that a material loss has been incurred for any of the matters disclosed above, and consequently has not established any loss provisions.

For the three and six months ended June 30, 2024, the Company recorded an \$8.2 million litigation reserve relating to a contingent liability tied to a successful outcome of the ITC suit against TP-Link. The Company included the amount in Litigations reserves, net in the condensed consolidated statements of operations.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9. Stockholders' Equity

Stock Repurchases

From time to time, the Company's Board of Directors has authorized programs under which the Company may repurchase shares of its common stock, depending on market conditions, in the open market or through privately negotiated transactions. Under the authorizations, the timing and actual number of shares subject to repurchase are at the discretion of management and are contingent on a number of factors, such as levels of cash generation from operations, cash requirements for acquisitions and the price of the Company's common stock. During the six months ended June 30, 2024, the Company repurchased and retired, reported based on trade date, approximately 1.6 million shares of common stock, at a cost of approximately \$21.4 million under the repurchase authorization. The Company did not repurchase any shares of common stock during the six months ended July 2, 2023. As of June 30, 2024, approximately 0.9 million shares remained authorized for repurchase under the repurchase program. On July 16, 2024, the Board of Directors authorized management to repurchase up to 3.0 million shares of the Company's outstanding common stock, incremental to the remaining shares under the Company's previous repurchase program. During the nine months ended September 29, 2024, the Company repurchased and retired, reported based on trade date, approximately 1.7 million shares of common stock, at a cost of approximately \$22.9 million under the repurchase authorization. The Company did not repurchase any shares of common stock during the nine months ended October 1, 2023. As of September 29, 2024, approximately 3.8 million shares remained authorized for repurchase under the repurchase program.

The Company repurchased, reported based on trade date, approximately 197,000 222,000 shares and 147,000 194,000 shares of common stock, at a cost of approximately \$2.9 3.3 million and \$2.1 2.7 million, during the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, to administratively facilitate the withholding and subsequent remittance of personal income and payroll taxes for individuals receiving RSUs.

These shares were retired upon repurchase. The Company's policy related to repurchases of its common stock is to charge the excess of cost over par value to retained earnings. All repurchases were made in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Accumulated Other Comprehensive Income (Loss)

The following tables set forth the changes in accumulated other comprehensive income (loss) ("AOCI") by component:

(In thousands)	Unrealized				Unrealized			
	gains		gains		gains		gains	
	(losses)		(losses)		(losses)		(losses)	
	on available		(losses)		Estimated tax		Estimated	
	-for-sale		on		benefit		tax	
	investments		derivatives		(provision)		benefit	
					Total			Total
Balance as of December 31, 2023	\$ 126	\$ 7	\$ 3	\$ 136	\$ 126	\$ 7	\$ 3	\$ 136
Other comprehensive income (loss) before reclassifications	(219)	(186)	37	(368)	233	(821)	151	(437)
Less: Amount reclassified from accumulated other comprehensive income (loss)	—	(162)	34	(128)				
Less: Amount reclassified from accumulated other comprehensive (loss) income	—	(573)	120	(453)				
Net current period other comprehensive income (loss)	(219)	(24)	3	(240)	233	(248)	31	16
Balance as of June 30, 2024	\$ (93)	\$ (17)	\$ 6	\$ (104)				
Balance as of September 29, 2024	\$ 359	\$ (241)	\$ 34	\$ 152				
(In thousands)	Unrealized				Unrealized			
	gains		gains		gains		gains	
	(losses)		(losses)		(losses)		(losses)	
	on available		(losses)		Estimated tax		Estimated	
	-for-sale		on		benefit		tax	
	investments		derivatives		(provision)		benefit	
					Total			Total
Balance as of December 31, 2022	\$ (322)	\$ (338)	\$ 125	\$ (535)	\$ (322)	\$ (338)	\$ 125	\$ (535)
Other comprehensive income (loss) before reclassifications	191	1,836	(383)	1,644	249	2,584	(568)	2,265
Less: Amount reclassified from accumulated other comprehensive income (loss)	—	1,262	(265)	997	—	2,178	(457)	1,721
Net current period other comprehensive income (loss)	191	574	(118)	647	249	406	(111)	544
Balance as of July 2, 2023	\$ (131)	\$ 236	\$ 7	\$ 112				
Balance as of October 1, 2023	\$ (73)	\$ 68	\$ 14	\$ 9				

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table provides details about significant amounts reclassified out of each component of AOCI:

(In thousands)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended									
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023								
Amount Reclassified from AOCI																
Gains (losses) on cash flow hedge:																
Foreign currency forward contracts																
Affected line item in the statement of operations																
Net revenue	\$ (130)	\$ 762	\$ (209)	\$ 1,451	\$ (461)	\$ 1,059	\$ (670)	\$ 2,510								
Cost of revenue	—	(1)	—	(2)	—	(2)	—	(4)								
Research and development	(1)	(18)	(2)	(26)	8	—	6	(26)								
Sales and marketing	33	(59)	42	(142)	18	(100)	60	(242)								
General and administrative	(1)	(3)	7	(19)	24	(41)	31	(60)								
Total before tax	(99)	681	(162)	1,262	(411)	916	(573)	2,178								
Tax impact	21	(143)	34	(265)	86	(192)	120	(457)								
Total, net of tax	\$ (78)	\$ 538	\$ (128)	\$ 997	\$ (325)	\$ 724	\$ (453)	\$ 1,721								

Note 10. Employee Benefit Plans

The Company grants options, RSUs and performance units under the 2016 Incentive Plan (the "2016 Plan"), under which awards may be granted to all employees. Vesting periods under this plan are generally four years for options and RSUs and three years for performance shares. As of **June 30, 2024** **September 29, 2024**, approximately **2.0** **2.3** million shares were reserved for future grants under the 2016 Plan.

In February 2024, the Company's Board of Directors approved 2024 Inducement Equity Incentive Plan (the "2024 Inducement Plan"), under which options, restricted stock awards, RSUs, stock appreciation rights, performance units, performance shares, and other stock or cash awards can be granted to personnel for positions of substantial responsibility. As of **June 30, 2024** **September 29, 2024**, approximately 0.7 million shares were reserved for future grants under the 2024 Inducement Plan.

20

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Additionally, the Company sponsors an Employee Stock Purchase Plan (the "ESPP"). The terms of the plan include a look-back feature that enables employees to purchase stock semi-annually at a price equal to 85% of the lesser of the fair market value at the beginning of the offering period or the purchase date. The duration of each offering period is generally six months. As of **June 30, 2024** **September 29, 2024**, approximately **0.6** **0.5** million shares were available for issuance under the ESPP.

Option Activity

Stock option activity was as follows:

(In thousands, except per share amounts)	Number of Shares		Weighted Average Exercise Price Per Share	
Outstanding as of December 31, 2023		866	\$	30.70
Granted	—	—	\$	—

Exercised	—	\$	—
Cancelled	—	\$	—
Expired	(19)	\$	19.41
Outstanding as of June 30, 2024	<u>847</u>	\$	<u>30.96</u>

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except per share amounts)	Number of Shares		Weighted Average Exercise Price Per Share
Outstanding as of December 31, 2023		866	\$ 30.70
Exercised		(17)	18.58
Expired		(209)	\$ 30.26
Outstanding as of September 29, 2024		<u>640</u>	<u>\$ 31.16</u>

Time-Based RSU Activity

Time-based RSU activity was as follows:

(In thousands, except per share amounts)	Number of Shares		Number of Shares	
		Weighted Average Grant Date Fair Value Per Share		Weighted Average Grant Date Fair Value Per Share
Outstanding as of December 31, 2023	1,567	\$ 22.83	1,567	\$ 22.83
Granted	1,463	\$ 14.34	1,493	\$ 14.36
Vested	(658)	\$ 22.50	(728)	\$ 23.07
Cancelled	(126)	\$ 20.86	(192)	\$ 19.86
Outstanding as of June 30, 2024	<u>2,246</u>	<u>\$ 17.35</u>		
Outstanding as of September 29, 2024	<u>2,140</u>	<u>\$ 16.95</u>		

Performance-Based RSU Activity

Since 2020, the Company's executive officers have been granted performance-based restricted stock units ("PSUs") under the 2016 Plan and 2024 Inducement Plan with vesting occurring at the end of an approximately three-year period if performance conditions or market conditions are met. The number of PSUs earned and eligible to vest are determined based on achievement of the pre-determined performance conditions or market conditions and the recipients' continued service with the Company. The number of PSUs to vest could range from 0% to 150% of the target shares granted. For the PSUs with performance conditions, at the end of each reporting period, the Company evaluates the probability of achieving the performance conditions and records the related stock-based compensation expense based on performance to date over the service period. For the PSUs with market conditions, the grant date fair value is determined using the Monte Carlo valuation method and the stock-based compensation expense is recognized straight line from the grant date to the vesting date.

In February 2024, the Company granted PSUs under the 2024 Inducement Plan to its newly-hired Chief Executive Officer with 1/3 of the target PSUs allocated to each tranche and vesting occurring at the end of each anniversary of the vesting commencement date over a three-year period. The number of PSUs to vest could range from 0% to 150% of the target shares granted and are determined based on achievement of the pre-determined market conditions and the recipients' continued service with the Company. The grant date fair value was determined using the Monte Carlo valuation method. The stock-based compensation expense relating to PSUs with a market condition is recognized ratably from the service inception date to the vesting date for each tranche.

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PSU activity was as follows:

(In thousands, except per share amounts)	Number		Number	
	of Shares	Weighted Average Grant Date Fair Value Per Share	of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of December 31, 2023	417	\$ 24.76	417	\$ 24.76
Granted	575	\$ 20.25	575	\$ 20.25
Vested	—	\$ —	—	\$ —
Cancelled	(332)	\$ 26.39	(357)	\$ 25.86
Outstanding as of June 30, 2024	660	\$ 20.01	—	\$ —
Outstanding as of September 29, 2024	635	\$ 20.06	—	\$ —

Valuation and Expense Information

The following table sets forth the stock-based compensation expense resulting from stock options, RSUs (time-based and performance-based) and the ESPP included in the Company's unaudited condensed consolidated statements of operations:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Cost of revenue	\$ 413	\$ 342	\$ 778	\$ 693
Research and development	844	1,144	1,542	2,209
Sales and marketing	1,235	1,397	2,472	2,828
General and administrative	3,396	1,804	5,640	3,622
Total	\$ 5,888	\$ 4,687	\$ 10,432	\$ 9,352

21

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Cost of revenue	\$ 444	\$ 354	\$ 1,222	\$ 1,047
Research and development	868	841	2,410	3,050
Sales and marketing	1,520	1,271	3,992	4,099
General and administrative	2,788	1,819	8,428	5,441
Total	\$ 5,620	\$ 4,285	\$ 16,052	\$ 13,637

As of **June 30, 2024** **September 29, 2024**, **\$45.3** **38.8** million of unrecognized compensation cost related to unvested RSUs and performance shares expected to be recognized over a weighted-average period of **2.5** **2.3** years.

Note 11. Segment Information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated quarterly by management, namely the Chief Operating Decision Maker ("CODM") of an organization, in order to determine operating and resource allocation decisions. By this definition, the Company has identified its CEO as the CODM. The Company operates and reports in two segments: **NETGEAR for Business** and **Connected Home** and **Home**:

- **NETGEAR for Business:**
Focuses on businesses and provides solutions for business networking, wireless local area network ("LAN"), audio and video over Ethernet for Pro applications, security and remote management providing enterprise-class functionality at an affordable price; and
- **Connected Home:** Focuses on consumers and provides high-performance, dependable and easy-to-use premium WiFi internet networking solutions such as WiFi 6, WiFi 6E and WiFi 7 Tri-band and Quad-band mesh systems, and routers, 4G/5G mobile products, and subscription services that provide consumers a range of value-added services focused on performance, security, privacy, and premium support; and
- **NETGEAR for Business:** Focuses on businesses and provides solutions for business networking, wireless local area network ("LAN"), audio and video over Ethernet for Pro AV applications, security and remote management providing enterprise-class functionality at an affordable price. support.

The Company believes that this structure reflects its current operational and financial management, and that it provides the best structure for the Company to focus on growth opportunities while maintaining financial discipline. The leadership team of each segment is focused on product and service development efforts, both from a product marketing and engineering standpoint, to service the unique needs of their customers.

The results of the reportable segments are derived directly from the Company's management reporting system. The results are based on the Company's method of internal reporting and are not necessarily in conformity with accounting principles generally accepted in the United States. Management measures the performance of each segment based on several metrics, including contribution income (loss). Segment contribution income (loss) includes all product line segment revenues less the related cost of sales, research and development and sales and marketing costs. Contribution income (loss) is used, in part, to evaluate the performance of, and allocate resources to, each of the segments. Certain operating expenses are not allocated to segments because they are separately managed at the corporate level. These unallocated indirect costs include corporate costs, such as corporate research and development, corporate marketing and general and administrative expenses,

22

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

amortization of intangibles, stock-based compensation expense, **intangibles impairment**, restructuring and other charges, litigation reserves, net, and other income (expenses), net.

22

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Effective on January 1, 2024, resulting from certain segment structure changes, the Company revised its allocation method by allocating certain historically unallocated operating expenses to its individual operating segments. The prior-year segment financial information has been recast to conform to the current-year

presentation. Financial information for each reportable segment and a reconciliation of segment contribution income (loss) to loss income (loss) before income taxes is as follows:

(In thousands, except percentage data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Net Revenue:								
NETGEAR for Business	\$ 78,530	\$ 70,510	\$ 207,020	\$ 223,679				
Connected Home	\$ 84,033	\$ 98,406	\$ 179,996	\$ 201,152	104,324	127,335	284,320	328,487
NETGEAR for Business	59,867	75,007	128,490	153,169				
Total net revenue	<u>\$ 143,900</u>	<u>\$ 173,413</u>	<u>\$ 308,486</u>	<u>\$ 354,321</u>	<u>\$ 182,854</u>	<u>\$ 197,845</u>	<u>\$ 491,340</u>	<u>\$ 552,166</u>
Contribution Income (Loss):								
NETGEAR for Business	\$ 16,133	\$ 14,547	*\$ 28,098	\$ 42,254	*			
Contribution margin	20.5 %	20.6 % *	13.6 %	18.9 % *				
Connected Home	\$ (13,794)	\$ (5,373)	*\$ (19,934)	\$ (7,129)	*	\$ (4,780)	\$ 9,465	*\$ (24,714)
Contribution margin	(16.4)%	(5.5)% *	(11.1)%	(3.5)% *				
NETGEAR for Business	\$ 2,061	\$ 13,650	*\$ 11,965	\$ 27,707	*			
Contribution margin	3.4 %	18.2 % *	9.3 %	18.1 % *		(4.6)%	7.4 % *	(8.7)%
Total segment contribution income	\$ (11,733)	\$ 8,277	*\$ (7,969)	\$ 20,578	*	\$ 11,353	\$ 24,012	*\$ 3,384
Corporate and unallocated costs	(19,350)	(19,011)	*	(39,156)	(38,385)	*	(9,708)	(18,760)
Amortization of intangibles	—	(128)	—	(257)	—	—	—	(257)
Stock-based compensation expense	(5,888)	(4,687)	(10,432)	(9,352)		(5,620)	(4,285)	(16,052)
Intangibles impairment	—	(1,071)	—	(1,071)				
Restructuring and other charges	(1,688)	(2,229)	(2,720)	(2,337)		(1,072)	(366)	(3,792)
Litigation reserves, net	(8,200)	—	(8,230)	—		100,855	(178)	92,625
Other income, net ⁽¹⁾	2,713	7,999	5,563	9,405		3,485	2,280	9,048
Loss before income taxes	<u>\$ (44,146)</u>	<u>\$ (9,779)</u>	<u>\$ (62,944)</u>	<u>\$ (20,348)</u>				<u>11,685</u>
Income (loss) before income taxes	<u>\$ 99,293</u>	<u>\$ 1,632</u>	<u>\$ 36,349</u>	<u>\$ (18,716)</u>				

⁽¹⁾ Amounts included gain/(loss), net from derivatives not designated as hedging instruments of \$(0.6) million and \$2.1 million, for the three and six months ended June 30, 2024 September 29, 2024, respectively, and \$1.0 million and \$0.9 million, for the three and six months ended July 2, 2023 October 1, 2023, respectively, and gain/(loss), net from a litigation settlement of \$6.0 million for the three and six months ended July 2, 2023, respectively, October 1, 2023.

* Financial information for each reportable segment in the prior year periods were recast to conform to the current reportable segment structure.

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The CODM does not evaluate operating segments using discrete asset information.

Operations by Geographic Region

For reporting purposes, revenue is generally attributed to each geographic region based on the location of the customer.

The following table shows net revenue by geography:

(In thousands)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
United States (U.S.)	\$ 92,794	\$ 112,961	\$ 200,083	\$ 230,759	\$ 124,305	\$ 138,013	\$ 324,388	\$ 368,772
Americas (excluding U.S.)	2,709	3,650	5,348	7,774	3,447	3,005	8,795	10,779
EMEA ⁽¹⁾	27,355	36,161	58,542	75,339	32,798	35,684	91,340	111,023
APAC ⁽¹⁾	21,042	20,641	44,513	40,449	22,304	21,143	66,817	61,592
Total net revenue	<u>\$ 143,900</u>	<u>\$ 173,413</u>	<u>\$ 308,486</u>	<u>\$ 354,321</u>	<u>\$ 182,854</u>	<u>\$ 197,845</u>	<u>\$ 491,340</u>	<u>\$ 552,166</u>

⁽¹⁾ No individual foreign country represented more than 10% of the Company's total net revenue in the periods presented.

23

Table of Contents

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Long-lived assets by Geographic Region

The following table presents the Company's long-lived assets located in geographic areas, which consist of property and equipment, net, and operating lease right-of-use assets:

(In thousands)	June 30, 2024		December 31, 2023		September 29, 2024		December 31, 2023	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	September 29, 2024	December 31, 2023	September 29, 2024	December 31, 2023
United States (U.S.)	\$ 22,079	\$ 25,051	\$ 20,082	\$ 25,051	\$ 20,082	\$ 25,051	\$ 20,082	\$ 25,051
Canada	5,496	4,714	5,583	4,714	5,583	4,714	5,583	4,714
Americas (excluding U.S. and Canada)	52	68	38	68	38	68	38	68
EMEA	3,425	3,739	3,267	3,739	3,267	3,739	3,267	3,739
Singapore	5,648	6,218	5,195	6,218	5,195	6,218	5,195	6,218
APAC (excluding Singapore) ⁽¹⁾	7,735	5,768	7,233	5,768	7,233	5,768	7,233	5,768
Total	<u>\$ 44,435</u>	<u>\$ 45,558</u>	<u>\$ 41,398</u>	<u>\$ 45,558</u>	<u>\$ 41,398</u>	<u>\$ 45,558</u>	<u>\$ 41,398</u>	<u>\$ 45,558</u>

⁽¹⁾ No individual country represented more than 10% of the Company's total long-lived assets in the periods presented.

24

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12. Fair Value Measurements

The following tables summarize assets and liabilities measured at fair value on a recurring basis:

(In thousands)	June 30, 2024			September 29, 2024		
			Significant			Significant
			Quoted market prices in active markets	other observable inputs		
	Total	(Level 1)	(Level 2)	Total	(Level 1)	(Level 2)
Assets:						
Cash equivalents: money-market funds	\$ 29,385	\$ 29,385	\$ —	\$ 110,859	\$ 110,859	\$ —
Available-for-sale investments: U.S. treasury securities ⁽¹⁾	108,250	—	108,250	119,094	—	119,094
Trading securities: mutual funds ⁽¹⁾	8,722	8,722	—	2,871	2,871	—
Available-for-sale investments: corporate equity securities ⁽¹⁾	262	262	—			
Foreign currency forward contracts ⁽²⁾	235	—	235	245	—	245
Total assets measured at fair value	\$ 146,854	\$ 38,369	\$ 108,485	\$ 233,069	\$ 113,730	\$ 119,339
Liabilities:						
Foreign currency forward contracts ⁽³⁾	\$ 213	\$ —	\$ 213	\$ 1,267	\$ —	\$ 1,267
Total liabilities measured at fair value	\$ 213	\$ —	\$ 213	\$ 1,267	\$ —	\$ 1,267

24

[Table of Contents](#)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands)	December 31, 2023		
			Significant
			Quoted market prices in active markets
	Total	(Level 1)	(Level 2)
Assets:			
Cash equivalents: money-market funds	\$ 25,986	\$ 25,986	\$ —
Available-for-sale investments: U.S. treasury securities ⁽¹⁾	98,454	—	98,454
Trading securities: mutual funds ⁽¹⁾	8,304	8,304	—
Available-for-sale investments: convertible debt securities ⁽¹⁾	173	—	173
Foreign currency forward contracts ⁽²⁾	291	—	291
Total assets measured at fair value	\$ 133,208	\$ 34,290	\$ 98,918

Liabilities:

Foreign currency forward contracts ⁽³⁾	\$ 1,691	\$ —	\$ 1,691
Total liabilities measured at fair value	<u>\$ 1,691</u>	<u>\$ —</u>	<u>\$ 1,691</u>

⁽¹⁾ Included in Short-term investments on the Company's unaudited condensed consolidated balance sheets.⁽²⁾ Included in Prepaid expenses and other current assets on the Company's unaudited condensed consolidated balance sheets.⁽³⁾ Included in Other accrued liabilities on the Company's unaudited condensed consolidated balance sheets.

The Company's investments in money-market funds **and** mutual funds **and** corporate equity securities are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company's investments in U.S. treasury securities are classified within Level 2 of the fair value hierarchy because they are valued based on readily available pricing sources for comparable or identical instruments in less active markets. The Company's investments in convertible debt securities issued by a publicly held company are classified within Level 2 of the fair value hierarchy as the fair value for the instrument approximates its cost based on the contractual terms of the arrangement. The Company's foreign currency forward contracts are classified within Level 2 of the fair value hierarchy as they are valued using pricing models that consider the contract terms as well as currency rates and counterparty credit rates. The Company verifies the reasonableness of these pricing models using observable market data for related inputs into such models. The Company enters into foreign currency forward contracts with only those counterparties that have long-term credit ratings of A/A3 or higher. The carrying value of non-financial assets and liabilities measured at fair value in the financial statements on a recurring basis, including accounts receivable and accounts payable, approximate fair value due to their short maturities.

Note 13. Restructuring and Other Charges

The Company accounts for its restructuring plans under the authoritative guidance for exit or disposal activities. The Company includes expenses related to restructuring and other charges in Other operating expenses (income), net in the

25

[**Table of Contents**](#)**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

condensed consolidated statements of operations. Accrued restructuring and other charges are classified within Accrued employee compensation and Other accrued liabilities on the condensed consolidated balance sheets.

Restructuring and other charges recognized in the three and **six****nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, respectively, were primarily for severance, and other costs in relation to the reorganization of our business to better align the cost structure of the business with the areas to deliver long-term growth and expanding profitability or projected revenue levels. The liabilities as of **June 30, 2024** **September 29, 2024** are expected to be settled in 2024.

25

[**Table of Contents**](#)**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The following table provides a summary of the activity related to accrued restructuring and other charges:

(In thousands)	Accrued Restructuring and Other Charges at December 31, 2023				Accrued Restructuring and Other Charges at June 30, 2024				Accrued Restructuring and Other Charges at December 31, 2023				Accrued Restructuring and Other Charges at September 29, 2024				
	Additions	Cash Payments	Adjustments		Other Charges at December 31, 2023	Cash Payments	Adjustments		Other Charges at December 31, 2023	Cash Payments	Adjustments		Other Charges at September 29, 2024	Cash Payments	Adjustments		
Restructuring																	
Employee termination charges	\$ 257	\$ 2,504	\$ (2,139)	\$ —	\$ 622	\$ 257	\$ 3,493	\$ (3,061)	\$ (19)	\$ 670							
Lease contract termination and other charges	30	216	(86)	(160)	—	30	299	(86)	(243)	—							
Total Restructuring and other charges	\$ 287	\$ 2,720	\$ (2,225)	\$ (160)	\$ 622	\$ 287	\$ 3,792	\$ (3,147)	\$ (262)	\$ 670							
Restructuring																	
(In thousands)	Accrued Restructuring and Other Charges at December 31, 2022				Accrued Restructuring and Other Charges at July 2, 2023				Accrued Restructuring and Other Charges at December 31, 2022				Accrued Restructuring and Other Charges at October 1, 2023				
	Additions	Cash Payments	Adjustments		Other Charges at December 31, 2022	Cash Payments	Adjustments		Other Charges at December 31, 2022	Cash Payments	Adjustments		Other Charges at October 1, 2023	Cash Payments	Adjustments		
Employee termination charges	\$ 1,912	\$ 2,396	\$ (3,505)	\$ (37)	\$ 766	\$ 1,912	\$ 2,650	\$ (4,138)	\$ (80)	\$ 344							
Lease contract termination and other charges	—	7	—	—	7	—	395	(367)	—	28							
Total Restructuring and other charges	\$ 1,912	\$ 2,403	\$ (3,505)	\$ (37)	\$ 773	\$ 1,912	\$ 3,045	\$ (4,505)	\$ (80)	\$ 372							

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words "believes," "anticipates," "plans," "expects," "intends," "could," "may," "will," and similar expressions are intended to identify forward-looking statements. The forward-looking statements represent NETGEAR, Inc.'s expectations or beliefs concerning future events based on information available at the time such statements were made and include statements regarding: NETGEAR's future operating performance and financial condition, including expectations regarding growth, revenue, expenses, operating margin, gross margin, continued profitability and cash generation; NETGEAR's reporting structure; NETGEAR's belief of the principal competitive factors in the consumer, business, and service provider markets for networking products; expectations regarding more predictable performance that is aligned to the market; market, including as a result of our efforts to work with our channel partners to optimize their inventory carrying levels; inventory levels and expectation to return to historically normal inventory costs after reaching target inventory levels; expectations regarding transportation costs; expectations regarding demand in the premium portion of NETGEAR's Connected Home product portfolio; NETGEAR's strategy of capitalizing on technological inflection points, developing products that serve a broader segment and simplifying and developing service offerings that build recurring service revenue streams; expectations regarding paid revenue from paid subscription service plans; fluctuations in gross margin; expectations regarding product mix and market demand for NETGEAR's products and services, including NETGEAR for Business and Connected Home products and subscription services and NETGEAR's ability to respond to this demand; expectations regarding the timing, distribution, sales momentum and market acceptance of recent and anticipated new product and services introductions that position NETGEAR for growth and market share gain; expectations regarding competition, competitive factors, consumer price sensitivity and demand for NETGEAR's products and services; expectations regarding sales channels, direct online store and in-app offerings; expectations regarding macroeconomic conditions and impacts to NETGEAR's operational and financial performance and business strategies; expectations regarding the consumer retail networking market; expectations regarding existing cash, cash equivalents and short-term investments and anticipated cash requirements; expectations regarding inventory management and inventory costs; expectations regarding transportation costs; expectations regarding research and development expenses, sales and marketing expenses and general and administration expenses; expectations regarding cash generation; expectations regarding expected tax rates or tax expenses; and expectations regarding NETGEAR's subscription services, service revenue and gross margin. These statements are based on management's current expectations and are subject to a number of risks and uncertainties, including but not limited to those described in "Part II—Item 1A—Risk Factors" and "Liquidity and Capital Resources" below and in our other SEC filings, including our Annual Report. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Therefore, our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. All forward-looking statements in this document are based on information available to us as of the date hereof and we assume no obligation to update any such forward-looking statements except as required by law. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes contained in this quarterly report. Unless expressly stated or the context otherwise requires, the terms "we," "our," "us" and "NETGEAR" refer to NETGEAR, Inc. and its subsidiaries.

Business and Executive Overview

We are a global company that turns ideas into innovative, high-performance, and premium networking products. Our products connect people, power businesses and service providers, providers and connect people. Our products are designed to simplify and improve people's lives. Our strategy for NETGEAR for Business segment is to innovate manufacturing partner integrations, to deploy our products in businesses of all sizes, as well as to capitalize on our product leadership position to pursue new and adjacent verticals, such as to expand our reach into the broadcast industry. Our strategy for Connected Home segment is to develop products to serve a broader segment of the consumer networking market, to evolve our marketing messaging to highlight our points of differentiation, as well as to leverage our position and independence to forge value-added partnerships that drive innovation and improve the experience for our customers. Our strategy for NETGEAR for Business segment is to innovate manufacturing partner integrations, to deploy our products in businesses of all sizes, as well as to capitalize on our product leadership position to pursue new and adjacent verticals, such as to expand our reach into the broadcast industry. Our goal is to enable people businesses and businesses people to collaborate and connect to a world of information and entertainment in or outside of the home. We are dedicated to delivering innovative and highly differentiated, connected solutions ranging from easy-to-use premium WiFi solutions, security and support services to protect and enhance home networks, to switching and wireless solutions to augment business networks and audio and video over Ethernet for Pro AV applications, applications, to easy-to-use premium WiFi solutions, security and support services to protect and enhance home networks. Our products and services are built on a variety of technologies such as wireless (WiFi and 4G/5G mobile), Ethernet and powerline, with a focus on reliability and ease-of-use. Additionally, we continually invest in

[Table of Contents](#)

research and development to create new technologies and services and to capitalize on technological inflection points and trends, such as **audio and video over Ethernet**, multi-Gigabit internet service to homes, WiFi 7, **audio and video over Ethernet**, and future technologies. Our product line consists of devices that create and extend wired and wireless networks, as well as services that complement and enhance our product line offerings. These products are available in multiple configurations to address the changing needs of our customers in each geographic region.

We operate and report in two segments: **Connected Home** and **NETGEAR** for Business (formerly known as Small and Medium Business, or **SMB**), and **Connected Home**. We believe that this structure reflects our current operational and financial management, and that it provides the best structure for us to focus on growth opportunities while maintaining financial discipline. The leadership team of each segment is focused on serving customer needs through product and service development efforts, both from a product marketing and engineering standpoint. The **NETGEAR** for Business segment focuses on businesses and provides solutions for business networking, wireless local area network ("LAN"), **audio and video over Ethernet** for Pro AV applications, security and remote management providing enterprise-class functionality at an affordable price. The **Connected Home** segment focuses on consumers and provides high-performance, dependable, and easy-to-use premium WiFi internet networking solutions such as WiFi 6, WiFi 6E, and WiFi 7 Tri-band and Quad-band mesh systems, 4G/5G mobile products, and subscription services that provide consumers a range of value-added services focused on security, performance, privacy, and premium support. The **NETGEAR** for Business segment focuses on businesses and provides solutions for business networking, wireless local area network ("LAN"), **audio and video over Ethernet** for Pro AV applications, security and remote management providing enterprise-class functionality at an affordable price. We conduct business across three geographic regions: Americas; Europe, Middle East, and Africa ("EMEA"); and Asia Pacific ("APAC").

Business Overview

The markets in which our segments operate are intensely competitive and subject to rapid technological evolution. We believe that the principal competitive factors in the **business**, **consumer**, **business**, and service provider markets for networking products include product breadth, price points, size and scope of the sales channel, brand name, timeliness of new product introductions, product availability, performance, features, functionality, reliability, ease-of-installation, maintenance and use, security, as well as customer service and support. To remain competitive, we believe we must continue to aggressively invest resources to develop new products and subscription services, enhance our current products, and expand our channels and direct-to-consumer capabilities, while increasing engagement and maintaining satisfaction with our customers. Our investments reflect our steadfast focus on cybersecurity of our products and systems, as the rising threat of cyber-attacks and exploitation of security vulnerabilities in our industry is a significant consumer concern.

We sell our products through multiple sales channels worldwide, including traditional and online retailers, wholesale distributors, direct market resellers ("DMRs"), value-added resellers ("VARs"), broadband service providers, and through our direct online store at www.netgear.com. Our retail channel includes traditional and online retail locations both domestically and internationally, such as Amazon.com (worldwide), Best Buy, Wal-Mart, Costco, Staples, Office Depot, Target, Electra (Sweden), Fnac Darty (Europe), JB HiFi (Australia), Elkjop (Norway), and Boulanger (France). Our DMRs include CDW Corporation, Insight Corporation, and PC Connection in domestic markets. Our main wholesale distributors include Ingram Micro, TD Synnex, and D&H Distribution Company. In addition, we also sell our products through broadband service providers, such as multiple system operators, xDSL, mobile, and other broadband technology operators domestically and internationally. Some of these retailers and broadband service providers purchase directly from us, while others are fulfilled through wholesale distributors around the world. A substantial portion of our net revenue is derived from a limited number of wholesale distributors, service providers and retailers. While we expect these channels to continue to be a significant part of our sales strategy, increasingly, customers are choosing to purchase products and services directly from us. We expect revenue through our direct online store or in-app offerings to continue to increase as a percentage of overall revenue for the foreseeable future.

Financial Overview

During the three months ended **June 30, 2024** **September 29, 2024**, our net revenue decreased by **\$29.5 million** **\$15.0 million**, compared to the prior year period, mainly driven by **decreases a decrease of \$15.1 million** **\$23.0 million** in our **Connected Home** segment, partially offset by an increase of **\$8.0 million** in our **NETGEAR** for **Business** segment and **\$14.4 million** in our **Connected Home** segment. The decrease in **NETGEAR** for **Business** net revenue was primarily due to our continuous work with our channel partners to optimize their inventory carrying levels. The decrease in **Connected Home** net revenue was primarily in part due to market contraction, leading to a year-over-year decline in the retail channel, and a decline in net revenue in service provider channel. The increase in **NETGEAR** for **Business** net revenue was primarily due to the completion of our work with our channel partners to optimize their inventory levels and starting to see more predictable

performance aligned to the market, led by the higher net revenue from the Pro AV product line of managed switches. Despite the decline in net revenue during the three months ended **June 30, 2024** **September 29, 2024**, our premium portfolio of products continued to outperform the market. We also experienced continued strong demand for the Pro AV product line of managed switches, and growth in our services revenue. Our gross margin percentage decreased **920** 390 basis points during the three months ended **June 30, 2024** **September 29, 2024**, compared to the prior year period, primarily attributable to higher freight costs, and cost of inventory, partially offset by higher excess and obsolete inventory expense as we accelerated the depletion of our slower moving inventory, lower mix of NETGEAR for Business products, which generally carry higher gross margin, and higher promotional marketing spending in the retail market. Loss margin. Income from operations increased by **\$29.1 million** **\$96.5 million** during the three months ended **June 30, 2024** **September 29, 2024**, compared to the prior year period, primarily attributable to lower net revenue, a **\$8.2 million** the payment received from the litigation reserve relating to the settlement with TP-Link, leading to a contingent liability tied to a successful outcome contra-expense of **\$92.7 million** in the International Trade Commission (ITC) litigation reserves, the reversal of an

[Table of Contents](#)

suit against TP-Link, and **\$6.0 million** cash received relating to a favorable **\$8.2 million** contingent fee recorded in litigation settlement reserves in the prior year period but not quarter, and a reduction of **\$10.9 million** in general and administrative expenses to offset the current year related legal fees incurred to date. The increase of income from operations was partially offset by lower net revenue.

Geographically, net revenue increased from NETGEAR for Business in Americas and APAC but decreased in EMEA, whereas net revenue decreased from Connected Home and NETGEAR for Business in Americas and EMEA during the all three and six months ended June 30, 2024, as well as from Connected Home in APAC regions, during the three months ended **June 30, 2024** **September 29, 2024**, compared to the prior year periods, period, respectively. Net revenue from Connected Home and NETGEAR for Business in APAC increased, during the six months ended June 30, 2024, compared to the prior year period.

Global Events Affecting our Business and Operations

Macroeconomic and geopolitical trends created uncertainty in the global economic environment since 2022. These include conditions such as the potential for a recession, fluctuations in inflation, elevated interest rates, rate changes, and the related negative impact on the global economy, foreign exchange rate fluctuations, particularly changes of the U.S. dollar, and ongoing worldwide tensions, including the Russia-Ukraine conflict, Israel-Hamas conflict, and Red Sea crisis. The extent of impacts from these macroeconomic and geopolitical trends on our ongoing operational and financial performance, including our ability to execute our business strategies in the expected time frame, will depend on future developments. The broader implications of the macroeconomic uncertainty, and any related disruptions to channel partners and freight are unpredictable. Refer to Item 1A, Risk Factors of Part II of this Quarterly Report on Form 10-Q for various risks and uncertainties associated with the macroeconomic trends and uncertainty.

During the **three months ended June 30, 2024**, **first half of 2024**, we completed efforts to work with our channel partners to optimize their inventory carrying levels for both the NETGEAR for Business and Connected Home businesses and expect started to see more predictable performance that is aligned to the market in the **three months ended September 29, 2024**, which we expect to continue to see in the periods ahead. Looking forward, while the macro-economic environment remains challenged and higher than expected inflation and interest rates persist, we will continue to reduce our slower moving inventory levels and expect to return to our historically normal inventory costs after we reach our target inventory levels of three months, and when transportation costs return to normal from their heightened levels partially as a result of the Red Sea crisis. Despite these challenges, we expect to experience continued net revenue growth in our NETGEAR For Business segment, led by our ProAV line of managed switches, and while we are seeing the signs of market recovery, we expect to continue to experience strong underlying demand increased promotional activity in the premium portion of our Connected Home product portfolio powered by our premium WiFi mesh systems, along with growth retail business due in part to the Pro AV market. We holiday promotional period. Accordingly, we expect the net revenue in the **third** **fourth** fiscal quarter of 2024 to be in the range of **\$160 million** to **\$175 million**, including **\$15 million** **\$20 million** from the service provider channels. We aim to execute on our strategy of capitalizing on the technological inflection points of audio and video over Ethernet, WiFi 7, WiFi 6E, WiFi 6, 5G, audio and video over Ethernet, 5G, to develop products that serve

a broader segment of the market with a good, better, best product strategy, and to simplify, develop and roll out service offerings that build recurring service revenue streams.

Critical Accounting Estimates

In preparing our condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income, and net income, as well as on the value of certain assets and liabilities on our condensed consolidated balance sheets. We base these estimates on historical and anticipated results, trends and various other assumptions that we believe are reasonable under the circumstances. As of the date of issuance of these condensed consolidated financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise 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 condensed consolidated financial statements as soon as they become known. Actual results could differ materially from those estimates under different assumptions and conditions.

For a complete description of what we believe to be the critical accounting estimates used in the preparation of our Unaudited Condensed Consolidated Financial Statements, refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

Table of Contents

Results of Operations

The following table sets forth the unaudited condensed consolidated statements of operations for the periods presented.

(In thousands, except percentage data)	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	June 30, 2024		July 2, 2023		June 30, 2024		July 2, 2023		September 29, 2024		October 1, 2023		September 29, 2024		October 1, 2023	
	100.0	100.0	100.0	100.0	100.0%	100.0%	100.0%	100.0%	100.0	100.0	100.0	100.0	100.0%	100.0%	100.0%	100.0%
Net revenue	\$143,900	%	\$173,413	%	\$308,486	100.0%	\$354,321	100.0%	\$182,854	%	\$197,845	%	\$491,340	100.0%	\$552,166	100.0%
Cost of revenue	112,077	77.9 %	119,113	68.7 %	228,426	74.0%	239,639	67.6%	126,371	69.1 %	128,911	%	354,797	72.2%	368,550	66.7%
Gross profit	31,823	22.1 %	54,300	31.3 %	80,060	26.0%	114,682	32.4%	56,483	30.9 %	68,934	%	136,543	27.8%	183,616	33.3%
Operating expenses:																
Research and development	19,851	13.8 %	20,831	12.0 %	40,078	13.0%	42,965	12.1%	20,905	11.4 %	20,738	%	60,983	12.4%	63,703	11.5%
Sales and marketing	29,757	20.7 %	32,482	18.8 %	60,286	19.6%	66,361	18.8%	31,196	17.1 %	30,865	%	91,482	18.6%	97,226	17.7%
General and administrative	19,186	13.3 %	16,536	9.5 %	37,253	12.1%	32,772	9.2%	8,357	4.6 %	16,364	8.3 %	45,610	9.3%	49,136	8.9%
Litigation reserves, net	8,200	5.7 %	—	—%	8,230	2.7%	—	—%	(100,855)	(55.2)%	178	0.1 %	(92,625)	(18.9%)	178	—%

Restructuring and other charges	1,688	1.2 %	2,229	1.3 %	2,720	0.8%	2,337	0.7%	1,072	0.6 %	366	0.3 %	3,792	0.8%	2,703	0.5%
Intangibles impairment	—	—%	1,071	0.5 %	—	—%	1,071	0.2 %	—	—	—	—	—	—	—	—
Total operating expenses	78,682	54.7 %	72,078	41.6 %	148,567	48.2%	144,435	40.8%	(39,325)	(21.5)%	69,582	%	109,242	22.2%	214,017	38.8%
Loss from operations	(46,859)	(32.6)%	(17,778)	(10.3)%	(68,507)	(22.2)%	(29,753)	(8.4)%	—	—	—	—	—	—	—	35.1
Income (loss) from operations	95,808	52.4 %	(648)	(0.3)%	27,301	5.6 %	(30,401)	(5.5)%	—	—	—	—	—	—	—	—
Other income, net	2,713	1.9 %	7,999	4.7 %	5,563	1.8 %	9,405	2.7 %	3,485	1.9 %	2,280	1.1 %	9,048	1.8 %	11,685	2.1 %
Loss before income taxes	(44,146)	(30.7)%	(9,779)	(5.6)%	(62,944)	(20.4)%	(20,348)	(5.7)%	—	—	—	—	—	—	—	—
Provision for (benefit from) income taxes	1,029	0.7 %	(1,192)	(0.6)%	881	0.3 %	(2,049)	(0.5)%	—	—	—	—	—	—	—	—
Net loss	\$(45,175)	(31.4)%	\$(8,587)	(5.0)%	\$(63,825)	(20.7)%	\$(18,299)	(5.2)%	—	—	—	—	—	—	—	—
Income (loss) before income taxes	99,293	54.3 %	1,632	0.8 %	36,349	7.4%	(18,716)	(3.4)%	—	—	—	—	—	—	—	—
Provision for income taxes	14,219	7.8 %	86,431	43.7 %	15,100	3.1 %	84,382	15.3 %	—	—	—	—	—	—	—	—
Net income (loss)	\$85,074	46.5 %	\$(84,799)	(42.9)%	\$21,249	4.3%	\$(103,098)	(18.7)%	—	—	—	—	—	—	—	—

Net Revenue by Geographic Region

Our net revenue consists of gross product shipments and service revenue, less allowances for estimated sales returns, price protection, end-user customer rebates and other channel sales incentives deemed to be a reduction of revenue per the authoritative guidance for revenue recognition, and net changes in deferred revenue.

For reporting purposes, revenue is generally attributed to each geographic region based upon the location of the customer.

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended			
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023	
	Americas	\$ 95,503	(18.1)%	\$ 116,611	\$ 205,431	(13.9)%	\$ 238,533	\$ 127,752	(9.4)%	\$ 141,018	\$ 333,183	(12.2)%	\$ 379,551
Percentage of net revenue	66.4 %		67.2 %	66.6 %		67.3 %	69.9 %		71.3 %	67.8 %		68.7 %	
EMEA	\$ 27,355	(24.4)%	\$ 36,161	\$ 58,542	(22.3)%	\$ 75,339	\$ 32,798	(8.1)%	\$ 35,684	\$ 91,340	(17.7)%	\$ 111,023	
Percentage of net revenue	19.0 %		20.9 %	19.0 %		21.3 %	17.9 %		18.0 %	18.6 %		20.1 %	
APAC	\$ 21,042	1.9 %	\$ 20,641	\$ 44,513	10.0 %	\$ 40,449	\$ 22,304	5.5 %	\$ 21,143	\$ 66,817	8.5 %	\$ 61,592	

Percentage of net revenue	14.6 %	11.9 %	14.4 %	11.4 %	12.2 %	10.7 %	13.6 %	11.2 %				
Total net revenue	\$ 143,900	(17.0)%	\$ 173,413	\$ 308,486	(12.9)%	\$ 354,321	\$ 182,854	(7.6)%	\$ 197,845	\$ 491,340	(11.0)%	\$ 552,166

Americas

Net revenue in Americas decreased in the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**, driven by declines in Connected Home segment's net revenue of **14.7%** **18.1%** and **10.8%** **13.7%**, respectively, and in NETGEAR for Business segment's net revenue of **24.9%** and **20.4%** **8.8%** in the **nine** months ended **September 29, 2024**, respectively, compared to the prior year periods. The declines in Connected Home net revenue were primarily due to market contraction, leading to year-over-year declines in the retail channel **in both the three and nine months ended September 29, 2024**, and a decline in the service provider channel in the **nine months ended September 29, 2024**, compared to the prior year **periods**, **periods**, respectively. The decline in Connected Home NETGEAR for Business net revenue in the **six** **nine** months ended **June 30, 2024** **September 29, 2024** was mainly due to our work with our channel partners in the first half of **2024** to optimize their inventory carrying levels. The decline in net revenue in Americas in the three months ended **September 29, 2024** was partially offset by **higher** an increase in NETGEAR for Business segment's net revenue **from** **of 15.7%**, mainly driven by higher demand

30

[Table of Contents](#)

for the service provider channel, Pro AV product line of managed switches, compared to the prior year period. The declines in NETGEAR for Business net revenue were mainly due to our continuous work with our channel partners to optimize their inventory carrying levels.

EMEA

Net revenue in EMEA decreased in the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**, compared to the prior year periods,

30

[Table of Contents](#)

driven by declines in NETGEAR for Business segment's net revenue of **26.0%** **7.3%** and **20.0%** **15.9%**, respectively, and in Connected Home segment's net revenue of **20.8%** **9.9%** and **27.4%** **21.8%**, respectively. The net revenue **declines** **decline** in NETGEAR for Business segment **were** in the three months ended **September 29, 2024** was primarily due to the lower net revenue from our traditional transactional switches, whereas the decline in the **nine months ended September 29, 2024** was mainly driven by our continuous work with our channel partners to optimize their inventory carrying **levels**, **levels** in the first half of **2024**. The net revenue declines in Connected Home segment were mainly due to market contraction, leading to year-over-year declines in the retail channel in the three and **six** **nine** months ended **June 30, 2024**, **September 29, 2024**, compared to the prior year periods.

APAC

Net revenue in APAC **was flat** **increased** in the three and **nine** months ended **June 30, 2024**, compared to the prior year. Net revenue in APAC increased in the **six** months ended **June 30, 2024** **September 29, 2024**, compared to the prior year **period**, **periods**, mainly driven by **an** **increases** in NETGEAR for Business segment's

net revenue increase from 43.9% and 16.3%, respectively, primarily attributable to the service provider channel in our Connected Home segment. higher demand for the Pro AV product line of managed switches.

For further discussions specific to our Connected Home and NETGEAR for Business and Connected Home segments, refer to the "Segment Information" section below.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of the following: the cost of finished products from our third party manufacturers; overhead costs, including purchasing, product planning, inventory control, warehousing and distribution logistics; third-party software licensing fees; inbound freight; import duties/tariffs; warranty costs associated with returned goods; write-downs for excess and obsolete inventory; amortization of certain acquired intangibles and software development costs; and costs attributable to the provision of service offerings.

We outsource our manufacturing, warehousing and distribution logistics. We believe this outsourcing strategy allows us to better manage our product costs and gross margin. Our gross margin can be affected by a number of factors, including fluctuation in foreign exchange rates, sales returns, changes in average selling prices, end-user customer rebates and other channel sales incentives, changes in our cost of goods sold due to fluctuations and increases in prices paid for components, net of vendor rebates, royalty and licensing fees, warranty and overhead costs, inbound freight and duty/tariffs, conversion costs, charges for excess or obsolete inventory, amortization of acquired intangibles and capitalized software development costs. The following table presents costs of revenue and gross margin, for the periods indicated:

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
	Cost of revenue	\$112,077	(5.9)%	\$119,113	\$228,426	(4.7)%	\$239,639	\$126,371	(2.0)%	\$128,911	\$354,797	(3.7)%
Gross margin percentage	22.1%		31.3%	26.0%		32.4%	30.9%		34.8%	27.8%		33.3%

Our gross margin percentage decreased for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 29, 2024, compared to the prior year periods, primarily attributable to higher cost of inventory and freight costs, partially offset by higher mix of NETGEAR for Business products, which generally carry higher gross margin. Our gross margin percentage for the nine months ended September 29, 2024 was also negatively impacted by higher excess and obsolete inventory expense as we accelerated the depletion of our slower moving ~~inventory, lower mix of NETGEAR for Business products, which generally carry higher gross margin, and higher promotional marketing spending in the retail market.~~ inventory.

We expect our gross margin in the ~~third~~ fourth fiscal quarter to ~~start improving as be in line with or decrease slightly from the mix of NETGEAR for Business products increases with our channel partners having optimized their inventory carrying levels in the second~~ third fiscal quarter of 2024 and the impact from efforts to accelerate the depletion of our slower moving ~~inventory is reduced.~~ level. Forecasting gross margin percentages is difficult, and there are a number of risks related to our ability to maintain or improve our current gross margin levels. Our cost of revenue as a percentage of net revenue can vary significantly based upon factors such as: uncertainties surrounding revenue levels, broad-based inflationary pressures and the uncertain macroeconomic environment, future pricing and/or potential discounts as a result of the economy or in response to the strengthening of the U.S. dollar in our international markets, competition, the timing of sales, and related production level variances; import customs duties and imposed tariffs; changes in technology; changes in product mix; expenses associated with writing off excessive or obsolete inventory; variability of stock-based compensation costs; royalties to third parties; fluctuations

Table of Contents

in freight costs; manufacturing and purchase price variances; changes in prices on commodity components; and warranty costs. We expect that revenue derived from paid subscription service plans will continue to increase in the future, which may have a positive impact on our gross margin. However, we will continue to experience

fluctuations in our gross margin due to the factors discussed above.

[Table of Contents](#)

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel expenses, payments to suppliers for design services, safety and regulatory testing, product certification expenditures to qualify our products for sale into specific markets, prototypes, IT and facility allocations, and other consulting fees. Research and development expenses are recognized as they are incurred. Our research and development organization is focused on enhancing our ability to introduce innovative and easy-to-use products and services. The following table presents research and development expenses, for the periods indicated:

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
	\$ 19,851	(4.7)%	\$ 20,831	\$ 40,078	(6.7)%	\$ 42,965	\$ 20,905	0.8%	\$ 20,738	\$ 60,983	(4.3)%	\$ 63,703

Research and development expenses **decreased** remained relatively flat for the three and six months ended **June 30, 2024** **September 29, 2024**, compared to the prior year **periods**, with the increase of \$1.2 million in personnel related expenditures, mainly attributable to higher variable compensation, primarily offset by the decreases of \$0.7 million in IT and facility allocation and \$0.4 million in engineering projects and outside professional services. Research and development expenses declined for the nine months ended **September 29, 2024**, compared to the prior year period, primarily driven by decreases in personnel-related expenditures engineering projects and outside professional services of \$0.7 million and \$1.2 million, mainly due to lower headcount, decreases in professional service fees of \$0.1 million and \$1.2 million \$1.6 million, and decreases in IT and facility allocation allocations of \$0.1 million and \$0.5 million, respectively. \$1.1 million.

We believe that innovation and technological leadership is critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products and services. We expect research and development expenses in absolute dollar amount in the **third** **fourth** fiscal quarter of 2024 to be in line with the **prior** **third** **fiscal** **quarter** **of** **2024** level. We continue to invest in research and development to grow **audio** and **video** over **Ethernet**, **web-managed**, **AV** over **IP** **managed** **switches**, **NETGEAR** **for** **Business** **wireless** **products**, our **cloud** **platform** **capabilities**, our **recurring** **services** and **mobile** **applications** and to create and expand our hardware product offerings focused on premium WiFi 7, and WiFi 6/6E, Advanced 4G/5G mobile and 5G coverage **solutions**, **audio** and **video** over **Ethernet**, **web-managed**, **AV** over **IP** **managed** **switches** and **NETGEAR** **for** **Business** **wireless** **products**. **solutions**. Research and development expenses may fluctuate depending on the timing and number of development activities and could vary significantly as a percentage of net revenue, depending on actual revenues achieved in any given quarter.

Sales and Marketing

Sales and marketing expenses consist primarily of advertising, trade shows, corporate communications and other marketing expenses, product marketing expenses, outbound freight costs, amortization of certain intangibles, personnel expenses for sales and marketing staff, technical support expenses, and IT and facility allocations. The following table presents sales and marketing expenses, for the periods indicated:

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023

Sales and marketing	\$ 29,757	(8.4)%	\$ 32,482	\$ 60,286	(9.2)%	\$ 66,361	\$ 31,196	1.1%	\$ 30,865	\$ 91,482	(5.9)%	\$ 97,226
---------------------	-----------	--------	-----------	-----------	--------	-----------	-----------	------	-----------	-----------	--------	-----------

The declines in sales and marketing expenses increased slightly for the three and six months ended June 30, 2024 September 29, 2024, compared to the prior year periods, were period, with an increase in variable personal compensation of \$1.2 million primarily offset by a decrease in brand marketing expenditures of \$1.1 million. Sales and marketing expenses declined for the nine months ended September 29, 2024, compared to the prior year period, mainly attributable to decreases in brand marketing expenditures of \$1.3 million and \$3.3 million \$4.4 million, and decreases in personnel-related expenditures of \$1.0 million and \$2.1 million \$1.2 million, mainly primarily due to lower headcount respectively, and partially offset by higher variable compensation.

We expect sales and marketing expenses in absolute dollar amount in the third fourth fiscal quarter of 2024 to be slightly up from the prior third fiscal quarter of 2024 level as we look to make some investments in sales resources in support of our NETGEAR for Business segment. Expenses may fluctuate depending on revenue levels achieved as certain expenses, such as commissions, are determined based upon the revenues achieved. Forecasting sales and marketing expenses is highly dependent on expected

32

[Table of Contents](#)

revenue levels and could vary significantly depending on actual revenue achieved in any given quarter. Marketing expenses may also fluctuate depending upon the timing, extent and nature of marketing programs. Marketing expenditure committed with a customer is generally recorded as a reduction of revenue per authoritative guidance.

32

[Table of Contents](#)

General and Administrative

General and administrative expenses consist of salaries and related expenses for executives, finance and accounting, human resources, information technology, professional fees, including legal costs associated with defending claims against us, allowance for doubtful accounts, IT and facility allocations, and other general corporate expenses. The following table presents general and administrative expenses, for the periods indicated:

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
General and administrative	\$ 19,186	16.0%	\$ 16,536	\$ 37,253	13.7%	\$ 32,772	\$ 8,357	(48.9)%	\$ 16,364	\$ 45,610	(7.2)%	\$ 49,136

The increases decreases in general and administrative expenses for the three and six nine months ended June 30, 2024 September 29, 2024, compared to the prior year periods, were primarily driven attributable to a \$10.9 million reduction in expenses to offset the legal fees incurred to date associated with the litigation settlement payment from TP-Link. The decreases in the three and nine months ended September 29, 2024 were partially offset by increases in personnel-related expenditures of \$3.0 million \$3.3 million and \$4.5 million \$7.7 million, respectively, mainly due to higher variable compensation, and expenses stock-based

compensation associated with CEO executives' transition. The increase in general and administrative expenses for the three months ended June 30, 2024, compared to the prior year period, was partially offset by a decrease in legal and professional service fees of \$0.6 million, mainly associated with litigation matters.

We expect general and administration expenses in absolute dollar amount in the third fourth fiscal quarter of 2024 to be up from in line with or slightly lower than the prior second fiscal quarter level, of 2024, primarily due to higher lower litigation defense costs. General and administrative expenses could fluctuate depending on a number of factors, including the level and timing of expenditures associated with litigation defense costs in connection with the litigation matters described in Note 8, *Commitments and Contingencies*, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q. Future general and administrative expense increases or decreases in absolute dollars are difficult to predict due to the lack of visibility of certain costs, including legal costs associated with defending claims against us, as well as legal costs associated with asserting and enforcing our intellectual property portfolio and other factors.

Litigation Reserves, Net

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
	\$ 8,200	** \$ —	\$ 8,230	** \$ —	\$ (100,855)	** \$ 178	\$ (92,625)	** \$ 178				
Litigation reserves, net												

** Percentage change not meaningful.

The increases decreases in litigation reserves, net for the three and six nine months ended June 30, 2024 September 29, 2024, compared to the prior year periods, were mainly attributable to a contra-expense of \$92.7 million associated with the litigation settlement payment from TP-Link, and the reversal of an \$8.2 million litigation reserve relating to a contingent liability tied to a successful outcome fee recorded in the second fiscal quarter of the International Trade Commission (ITC) suit against TP-Link. 2024.

Restructuring and Other Charges

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
	\$ 1,688	(24.3)%	\$ 2,229	\$ 2,720	16.4%	\$ 2,337	\$ 1,072	** \$ 366	\$ 3,792	40.3%	\$ 2,703	
Restructuring and other charges												

The changes in restructuring Restructuring and other charges for the three and six nine months ended June 30, 2024, September 29, 2024 increased, compared to the prior year periods, were immaterial primarily due to our reorganization to better align the cost structure of the business with the areas to deliver long-term growth and expanding profitability. For a detailed discussion of restructuring and other charges, refer to Note 13, *Restructuring and Other Charges*, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Table of Contents

Other Income, Net

Other income, net consists of interest income, which represents amounts earned and incurred on our cash, cash equivalents and short-term investments, and other income and expenses, which primarily represents gains and losses on transactions denominated in foreign currencies, gains and losses on investments, and other non-operating income and expenses, including gain on litigation settlements. The following table presents other income (expenses), net for the periods indicated:

(In thousands, except percentage data)	Three Months Ended			Six Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023
Other income, net	\$ 2,713	**	\$ 7,999	\$ 5,563	(40.9)%	\$ 9,405

(In thousands, except percentage data)	Three Months Ended			Nine Months Ended		
	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
Other income, net	\$ 3,485	52.9 %	\$ 2,280	\$ 9,048	(22.6)%	\$ 11,685

The ~~decreases~~ increase in other income, net for the three and six months ended **June 30, 2024** **September 29, 2024**, compared to the prior year periods, ~~were~~ period was primarily due to higher interest income resulting from higher interest rates and higher cash and short-term investment balances. The decrease in other income, net for the nine months ended **September 29, 2024**, compared to the prior year period, was primarily due to \$6.0 million cash received relating to a favorable litigation settlement for false product marketing in the prior year but not in the current year, partially offset by higher interest income resulting from higher interest rates and higher cash and short-term investment balances.

Provision for (Benefit from) Income Taxes

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
Provision for (benefit from) income taxes	\$ 1,029	**	\$ (1,192)	\$ 881	**	\$ (2,049)						
Provision for income taxes	\$ 14,219	(83.5)%	\$ 86,431	\$ 15,100	(82.1)%	\$ 84,382						
Effective tax rate	(2.3)%		12.2%	(1.4)%		10.1%	14.3 %	**	41.5 %	**		

**** Percentage change not meaningful.**

The changes in taxes for the three and ~~six~~ nine months ended **June 30, 2024** **September 29, 2024**, compared to the prior year periods, were primarily due to the ~~continued~~ full valuation allowance on deferred tax assets for U.S. federal and state purposes that was established during the period ended October 1, 2023. We evaluated the current results as of the period ended **June 30, 2024** **September 29, 2024**, coupled with the expectations for the remainder of the year, and determined that it continues to not be more likely than not that the deferred tax assets would be realized, and accordingly, did not record any benefits for the forecasted tax loss in for the three and ~~six~~ nine months ended **June 30, 2024** **September 29, 2024**. By comparison, for the three and six months ended July 2, 2023, tax benefits were recorded on the pre-tax loss since the valuation allowance on deferred tax assets had not yet been established.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our future foreign tax rate could be affected by changes in the composition in earnings in countries with tax rates differing from the U.S. federal rate. We are under examination in various U.S. and foreign jurisdictions.

Segment Information

In the first fiscal quarter of 2024, resulting from certain segment structure changes, we revised our allocation method by allocating certain historically unallocated operating expenses to our individual operating segments. The prior-year segment financial information has been recast to conform to the current-year presentation. Additional information on the change, a description of our products and services, as well as segment financial data, for each segment and a reconciliation of segment contribution income (loss) to income (loss) before income taxes can be found in Note 11, *Segment Information*, and information on net revenue by sales channels can be found in *Disaggregation of Revenue* in Note 3, *Revenue*, in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Connected Home Segment

(In thousands, except percentage data)	Three Months Ended			Six Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023
Net revenue	\$84,033	(14.6)%	\$98,406	\$179,996	(10.5)%	\$201,152
Percentage of net revenue	58.4%		56.7%	58.3%		56.8%
Contribution income (loss)	\$(13,794)	**	\$(5,373)	\$(19,934)	**	\$(7,129)
Contribution margin	(16.4)%		(5.5)%	(11.1)%		(3.5)%

* Percentage change not meaningful.

Connected Home net revenue decreased in the three and six months ended June 30, 2024, compared to the prior year periods, primarily due to market contraction, leading to year-over-year declines in the retail channel. The decrease in Connected Home net revenue in the six months ended June 30, 2024 was partially offset by higher net revenue from the service provider channel in the Americas and APAC regions, compared to the prior year period. Despite the declines in the overall consumer networking market during the three and six months ended June 30, 2024, our premium portfolio of products continued to outperform the market, and we saw growth in our services revenue, as compared to the prior year periods. Geographically, Connected Home net revenue decreased in Americas and EMEA regions in the three and six months ended June 30, 2024, whereas net revenue in APAC decreased in the three months ended June 30, 2024 but increased in the six months ended June 30, 2024, compared to the prior year periods.

Connected Home contribution loss increased in the three and six months ended June 30, 2024, compared to the prior year periods, mainly attributable to lower net revenue, and lower gross margin achievement due to higher promotional marketing spending in the retail market, higher cost of inventory, higher excess and obsolete inventory expense as we accelerated the depletion of our slower moving inventory.

NETGEAR for Business Segment

(In thousands, except percentage data)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2024	% Change	July 2, 2023	June 30, 2024	% Change	July 2, 2023	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
Net revenue	\$59,867	(20.2)%	\$75,007	\$128,490	(16.1)%	\$153,169	\$78,530	11.4%	\$70,510	\$207,020	(7.4)%	\$223,679
Percentage of net revenue	41.6%		43.3%	41.7%		43.2%	42.9%		35.6%	42.1%		40.5%
Contribution income	\$2,061	(84.9)%	\$13,650	\$11,965	(56.8)%	\$27,707	\$16,133	10.9%	\$14,547	\$28,098	(33.5)%	\$42,254
Contribution margin	3.4%		18.2%	9.3%		18.1%	20.5%		20.6%	13.6%		18.9%

Table of Contents

NETGEAR for Business net revenue decreased for increased, in the three and six months ended June 30, 2024 September 29, 2024, compared to the prior year periods, primarily due to the completion of our continuous work with our channel partners to optimize their inventory levels and starting to see more predictable performance aligned to the market, led by the higher net revenue from the Pro AV product line of managed switches. NETGEAR for Business net revenue decreased,

in the nine months ended September 29, 2024, primarily due to our work with our channel partners to optimize their inventory carrying levels. levels in the first half of 2024, compared to the prior year period. We continued to experience strong demand for the Pro AV product line of managed switches. Geographically, in the three and six months ended June 30, 2024, NETGEAR for Business net revenue decreased increased in Americas and APAC but decreased in EMEA, regions, in the three months ended September 29, 2024, whereas net revenue decreased in EMEA and Americas but increased in APAC, region increased, respectively, in the nine months ended September 29, 2024, compared to the prior year periods. periods, respectively.

NETGEAR for Business contribution income increased in the three months ended September 29, 2024, compared to the prior year period, primarily due to higher net revenue. NETGEAR for Business contribution income decreased in the three and six nine months ended June 30, 2024 September 29, 2024, compared to the prior year periods, period, primarily due to lower net revenue, and lower gross margin achievement mainly attributable to higher excess and obsolete inventory expense as we accelerated the depletion of our slower moving inventory, and higher cost of inventory, inventory and freight costs.

35 Connected Home Segment

Table of Contents

(In thousands, except percentage data)	Three Months Ended			Nine Months Ended		
	September 29, 2024	% Change	October 1, 2023	September 29, 2024	% Change	October 1, 2023
Net revenue	\$104,324	(18.1)%	\$127,335	\$284,320	(13.4)%	\$328,487
Percentage of net revenue	57.1%		64.4%	57.9%		59.5%
Contribution income (loss)	\$(4,780)	**	\$9,465	\$(24,714)	**	\$2,336
Contribution margin	(4.6)%		7.4%	(8.7)%		0.7%

** Percentage change not meaningful.

Connected Home net revenue decreased in the three and nine months ended September 29, 2024, compared to the prior year periods, in part due to market contraction, leading to year-over-year declines in the retail channel, and a decline in net revenue in service provider channel. Despite the declines in the overall consumer networking market during the three and nine months ended September 29, 2024, our premium portfolio of products continued to outperform the market, and we saw growth in our service revenue, as compared to the prior year periods. Geographically, Connected Home net revenue decreased in all three regions in the three and nine months ended September 29, 2024, compared to the prior year periods.

Connected Home contribution loss increased in the three and nine months ended September 29, 2024, compared to the prior year periods, mainly attributable to lower net revenue, and lower gross margin achievements due to higher freight costs, higher cost of inventory, and higher excess and obsolete inventory expense as we accelerated the depletion of our slower moving inventory.

Liquidity and Capital Resources

Our principal sources of liquidity are cash, cash equivalents, short-term investments and cash generated from operations. As of June 30, 2024 September 29, 2024, we had cash, cash equivalents and short-term investment of \$294.3 million \$395.7 million, an increase of \$10.7 million \$112.1 million from December 31, 2023.

As of June 30, 2024 September 29, 2024, approximately 27% 22% of our cash and cash equivalents and short-term investments were outside of the U.S., which are subject to fluctuation based on the settlement of intercompany balances. As we repatriate these funds in accordance with our designation of funds not permanently reinvested outside of the U.S., we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes during the period when such repatriation occurs. We have recorded deferred taxes for the tax effect of repatriating the funds to the U.S.

Table of Contents

Cash Flows

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

(In thousands)	Six Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023
Cash provided by (used in) operating activities	\$ 35,635	\$ (25,468)		
Cash provided by operating activities	\$ 143,315	\$ 582		
Cash used in investing activities	(12,905)	(14,860)	(23,891)	(16,471)
Cash provided by (used in) financing activities	(22,343)	181		
Cash (used in) provided by financing activities	(22,374)	848		
Net cash increase (decrease)	\$ 387	\$ (40,147)	\$ 97,050	\$ (15,041)

Operating activities

Net cash provided by operating activities was \$35.6 million increased by \$142.7 million in the six nine months ended June 30, 2024 September 29, 2024, as compared to net cash used of \$25.5 million in the prior year period, primarily due to a net proceed before tax of \$103.6 million resulting from the litigation settlement payment from TP-Link and other favorable working capital movements. Our accounts payable (excluding payables related to property and equipment) decreased increased from \$46.4 million as of December 31, 2023 to \$39.2 million \$50.9 million as of June 30, 2024 September 29, 2024, primarily due to the reduction and timing of inventory receipts and supplier payments. Accounts receivable decreased from \$185.1 million as of December 31, 2023 to \$147.1 million \$177.3 million as of June 30, 2024 September 29, 2024, primarily due to the timing of cash collections and lower revenue. Inventory decreased from \$248.9 million as of December 31, 2023 to \$188.9 million \$162.0 million as of June 30, 2024 September 29, 2024. We expect to continue generating cash from operating activities in the second half fourth quarter of fiscal 2024 as we continue to reduce our slower moving inventory levels.

Investing activities

Net cash used in investing activities decreased increased by \$2.0 million \$7.4 million in the six nine months ended June 30, 2024 September 29, 2024, compared to the prior year period, mainly driven by lower higher net purchases of short-term investments partially offset by and higher purchases of property and equipment.

Financing activities

Net cash used in financing activities was \$22.3 million \$22.4 million in the six nine months ended June 30, 2024 September 29, 2024, compared to net cash provided by financing activities of \$0.2 million \$0.8 million in the prior year period, primarily due to repurchases of our common stock in the current year period.

Based on our current plans and market conditions, we believe that our existing cash, cash equivalents and short-term investments, together with cash generated from operations, will be sufficient to satisfy our anticipated cash requirements in the short-term and long-term. However, we may require or desire additional funds to support our operating expenses and capital requirements or for other purposes, such as acquisitions, and may seek to raise such additional funds through public or private equity financing or from other sources. We cannot assure you that additional financing will be available at all or that, if available, such financing would be obtainable on terms favorable to us and would not be dilutive. Our future liquidity and cash requirements will depend on numerous factors, including the introduction of new products and potential acquisitions of related businesses or technology.

Stock Repurchase Program

From time to time, our Board of Directors has authorized programs under which we may repurchase shares of our common stock. Under the authorizations, the timing and actual number of shares subject to repurchase are at the discretion of management and are contingent on a number of factors, such as levels of cash generation from operations, cash requirements for acquisitions and the price of our common stock. During the **six nine** months ended **June 30, 2024** **September 29, 2024**, we repurchased and retired, reported based on trade date, approximately **1.6 million** **1.7 million** shares of common stock, at a cost of approximately **\$21.4 million** **\$22.9 million** under the repurchase authorization. We did not repurchase any shares of common stock during the **six nine** months ended **July 2, 2023** **October 1, 2023**. As of June 30, 2024, approximately 0.9 million shares remained authorized for repurchase under the repurchase program. On July 16, 2024, the Board of Directors authorized management to repurchase up to 3.0 million shares of our outstanding common stock, incremental to the remaining shares under our previous repurchase program. As of September 29, 2024, approximately 3.8 million shares remained authorized for repurchase under the repurchase program. We also repurchased and retired, reported based on trade date, approximately **197,000** **222,000** shares and **147,000** **194,000** shares of common stock, at a cost of approximately **\$2.9 million** **\$3.3 million** and **\$2.1 million** **\$2.7 million** during the **six nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, respectively, to administratively facilitate the withholding and subsequent remittance of personal income and payroll taxes for individuals receiving Restricted Stock Units. For a detailed discussion of our common stock repurchases, refer to Note 9.

36

[Table of Contents](#)

Stockholders' Equity, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q. We remain confident in our ability to generate meaningful levels of cash, and plan to continue resume to opportunistically repurchase shares share in future periods. the fourth fiscal quarter of 2024.

Contractual and Other Obligations

Except as follows, there were no material changes outside of the ordinary course of business in our contractual obligations as of **June 30, 2024** **September 29, 2024**, from those as of December 31, 2023, disclosed in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

As of **June 30, 2024** **September 29, 2024**, we had **\$71.7 million** **\$84.9 million** of purchase obligations which represented short-term non-cancellable inventory-related purchase agreements with suppliers, as compared to \$42.6 million as of December 31, 2023. Due to an elongation of the time from order placement to production that occurred several years ago, we issued purchase orders to supply chain partners beyond contractual termination periods. As of **June 30, 2024** **September 29, 2024**, **\$257.7 million** **\$204.1 million** of purchase orders beyond contractual termination periods remained outstanding. These purchase orders may be cancelled by either party, however we may incur expenses for materials and components, such as chipsets purchased by the supplier to fulfill the purchase order, in the event of cancellation. Expenses incurred in respect of cancelled purchase orders have historically not been significant relative to the original order value.

As of September 29, 2024, we entered into an office lease that has not yet commenced with short-term and long-term future lease payments of \$0.3 million and \$43.0 million, respectively, that are not yet recorded on our unaudited Consolidated Balance Sheets. This lease will commence in 2025 with a non-cancelable lease term of 11 years.

For a detailed discussion, refer to Note 8, *Commitments and Contingencies*, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

Information with respect to this item may be found in Note 2, *Summary of Significant Accounting Policies*, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q, which are hereby incorporated by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the **six** **nine** months ended **June 30, 2024** **September 29, 2024**, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our management (including our Chief Executive Officer and Chief Financial Officer), our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") were effective as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

37

[**Table of Contents**](#)

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially effect, our internal control over financial reporting. It should be noted that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the objectives of the system are met. In addition, the design of any

37

[**Table of Contents**](#)

control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances.

38

[**Table of Contents**](#)

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 8, *Commitments and Contingencies*, in the Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Risk Factors Summary

The following is a summary of some of the risks and uncertainties as of the date of the filing of this Quarterly Report on Form 10-Q, some of which either have occurred or may occur in the future, that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Related to our Business, Industry and Operations

- Optimizing our channel partners' inventory levels and product mix within the current environment is challenging, and we have, and may in the future, costs associated with excess inventory, or lose sales from having too few products.
- To remain competitive and stimulate consumer and business demand, we must successfully manage new product introductions and transitions of products and services.
- Investment in new business strategies could disrupt our ongoing business, present risks not originally contemplated and materially adversely affect our business, reputation, results of operations and financial condition.
- We rely on a limited number of traditional and online retailers, wholesale distributors and service provider customers for a substantial portion of our sales. If these customers do not purchase our products, our net revenue could decline if they refuse to pay our requested prices or reduce their level of purchases, if there are unforeseen disruptions in our supply chain, or if there is significant consolidation in our customer base that results in fewer customers for our products.
- We obtain several key components from limited or sole sources.
- Some of our competitors have substantially greater resources than we do, and to be competitive we may be required to lower our prices or increase our costs and marketing expenses.
- We depend substantially on our sales channels, and our failure to maintain and expand our sales channels would result in lower sales and reduced revenue.
- We depend on a limited number of third-party manufacturers for substantially all of our manufacturing needs.
- Our sales and operations in international markets have exposed us to and may in the future expose us to operational, financial and regulatory risks.
- We depend on large, recurring purchases from certain significant customers, and a loss, cancellation or delay in purchases by these customers could negatively affect our revenue.
- The average selling prices of our products typically decrease rapidly over the sales cycle of the product, which may negatively affect our net revenue and gross margins.
- If we fail to overcome the challenges associated with managing our broadband service provider sales channel, our net revenue and gross profit may be negatively impacted.
- We expect our operating results to fluctuate on a quarterly and annual basis, which could cause our stock price to fluctuate or decline.

- Changes in trade policy in the United States and other countries may adversely impact our business, results of operations and financial condition.
- If disruptions in our transportation network continue to occur or our shipping costs substantially increase, we may be unable to sell or timely deliver products, and our net revenue and gross margin could decrease.
- Expansion of our operations and infrastructure may strain our operations and increase our operating expenses.
- As part of growing our business, we have made and expect to continue to make acquisitions. If we fail to successfully select, execute or integrate acquisitions, then our business and operating results could be harmed and our stock price could decline.
- We invest in companies primarily for strategic reasons but may not realize a return on our investments.

Risks Related to Our Products, Technology and Intellectual Property

- We rely upon third parties for technology that is critical to our products, and if we are unable to continue to use this technology and future technology ability to develop, sell, maintain and support technologically innovative products would be limited.
- Product security vulnerabilities, system security risks, data protection breaches, cyber-attacks and improper use of artificial intelligence ("AI") tools, disrupt our products, services, internal operations or information technology systems, and any such disruption could increase our expenses, damage our reputation, harm our business and adversely affect our stock price.
- If we are unable to successfully leverage AI technology to automate and drive efficiencies in our operations and products and services, our business reputation, results of operations and financial condition could be harmed.
- We make substantial investments in software research and development and unsuccessful investments could materially adversely affect our business financial condition and results of operations.
- If our products contain defects or errors, we could incur significant unexpected expenses, experience product returns and lost sales, experience product recalls, suffer damage to our brand and reputation, and be subject to product liability or other claims.
- Our user growth, engagement, and monetization of our subscription services depend upon effective operation with mobile operating systems, network technologies, products, and standards that we do not control.
- If we are unable to secure and protect our intellectual property rights, our ability to compete could be harmed.

Financial, Legal, Regulatory and Tax Compliance Risks, Including Recent Impairment Charges

- We are currently involved in litigation matters and may in the future become involved in additional litigation.
- We have been exposed to and may in the future be exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in currency, which could harm our financial results and cash flows.
- We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets.
- Changes in tax laws or exposure to additional income tax liabilities could affect our future profitability.
- We are subject to, and must remain in compliance with numerous new, existing and changing laws and regulations worldwide.
- We must comply with indirect tax laws in multiple jurisdictions, as well as complex customs duty regimes worldwide. Audits of our compliance with these laws may result in additional liabilities for taxes, duties, interest and penalties related to our international operations which would reduce our profitability.
- We are exposed to credit risk and fluctuations in the market values of our investment portfolio.
- Governmental regulations of imports or exports affecting Internet security could affect our net revenue.
- If our goodwill becomes impaired, as occurred in 2022, we may be required to record a significant charge to earnings.

[Table of Contents](#)

General Risk Factors

- If we lose the services of our key personnel, we may not be able to execute our business strategy effectively.
- Global economic conditions could materially adversely affect our revenue and results of operations.
- Political events, war, terrorism, public health issues, natural disasters, sudden changes in trade and immigration policies, and other circumstances materially adversely affect us.
- Our stock price has experienced recent volatility and may be volatile in the future and your investment in our common stock could suffer a decline in value.
- We are required to evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation impact investor confidence in the reliability of our internal controls over financial reporting.

Additional factors that could affect our businesses, results of operations and financial condition are discussed below. However, other factors not discussed below or elsewhere in this Quarterly Report on Form 10-Q could also adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors below should not be considered a complete list of potential risks that we may face.

Any risk factor described in this Quarterly Report on Form 10-Q or in any of our other SEC filings could by itself, or together with other factors, materially adversely affect our liquidity, competitive position, business, reputation, results of operations, capital position or financial condition, including by materially increasing our expenses or decreasing our revenues, which could result in material losses.

Investing in our common stock involves a high degree of risk. The risks described below are not exhaustive of the risks that might affect our business. Other risks, including those we currently deem immaterial, may also impact our business. Any of the following risks could materially adversely affect our business operations, results of operations and financial condition and could result in a significant decline in our stock price. Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described in this section. This section should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q.

We have marked with an asterisk () those risks described below that reflect substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2024.*

Risks Related to our Business, Industry and Operations

*** Optimizing our channel partners' inventory levels and product mix within the current environment is challenging, and we have, and may in the future, incur costs associated with excess inventory, or lose sales from having too few products.**

If we are unable to properly monitor and optimize our channel partners' inventory levels and maintain an appropriate level and mix of products with our retail partners and wholesale distributors and within our sales channels, we may incur increased and unexpected costs associated with this inventory. In 2022 and the first half of 2023, many of our retail and service provider partners began significantly reducing their target inventory levels which adversely affected our results of operations. While we see signs of the retail networking market stabilizing, the uncertain macroeconomic environment and **persistent** high inflation and interest rates are also putting pressure on our NETGEAR for Business channel partners. We have experienced and continue to experience lower revenue as a result of our channel partners lowering their inventory levels and higher cost of carrying excess channel inventory. On the other hand, low channel inventory levels increase the likelihood that our sales channel customers may not be able to fulfill end user demand, leading to delayed or lost sales, unhappy customers and potential impacts to our brand and reputation. Inadequate stock levels could also hinder our ability to fulfill large orders or take advantage of unexpected demand spikes, thereby limiting revenue growth opportunities. Moreover, reductions in target inventory levels put pressure on our ability to accurately forecast customer demand and inventory requirements and increases the likelihood that the accuracy of such forecasts would be lower. We determine production levels based on our forecasts of demand for our products. Actual demand for our products depends on many factors, which makes it difficult to forecast. We have experienced **differences**

differences between our actual and our forecasted demand in the past and expect differences to arise in the future. If we improperly forecast demand for our products and channel inventory levels, we could end up with too many products and be unable to sell the excess inventory in a timely manner, if at all, or, alternatively we could end up with too few products and not be able to satisfy demand. This problem is exacerbated because we attempt to closely match inventory levels with product demand leaving limited margin for error. Also, during the transition from an existing product to a new replacement product, we must accurately predict the demand for the existing and the new product. If we improperly forecast demand for our products and channel inventory levels, we could incur increased expenses associated with writing off excessive or obsolete inventory, lose sales, incur penalties for late delivery or have to ship products by air freight to meet immediate demand incurring incremental freight costs above the sea freight costs and suffering a corresponding decline in gross margins. For example, when demand for our Connected Home products turned out to be lower than we previously forecasted, it had resulted in our revenue for our Connected Home products to come in lower than expected, as our channel partners in the U.S. replenished inventory slower than they sold through to end users to right size their inventory carrying position based on the lower demand levels than were previously expected. In addition, we generally allow wholesale distributors and traditional retailers to return a limited amount of our products in exchange for other products. Under our price protection policy, if we reduce the list price of a product, we are often required to issue a credit in an amount equal to the reduction for each of the products held in inventory by our wholesale distributors and retailers. If our wholesale distributors and retailers are unable to sell their inventory in a timely manner, we might lower the price of the products, or these parties may exchange the products for newer products or decrease their purchases of our products in subsequent periods, which would adversely affect our revenue and results of operations.

*** To remain competitive and stimulate consumer and business demand, we must successfully manage new product introductions and transitions of products and services.**

We operate in a highly competitive, quickly changing environment, and our future success depends on our ability to develop or acquire and introduce new products and services, enhance existing products and services, effectively stimulate customer and business demand for new and upgraded products and services, and successfully manage the transition to these new and upgraded products and services. Our future success will depend in large part upon our ability to identify demand trends in the consumer, business and service provider markets, and to quickly develop or acquire, manufacture and market and sell products and services that satisfy these demands in a cost-effective manner. In order to differentiate our products from our competitors' products, we must continue to increase our focus and capital investment in research and development and marketing and sales, including software development for our products and complementary services and applications. For example, we previously made a strategic shift to focus on premium, higher margin products and have committed a substantial amount of resources to the development, manufacture, branding, marketing and sale of our Nighthawk mobile hotspot products, Orbi WiFi systems and Pro AV managed switches, and to introducing additional and improved models and services in these lines. In the third quarter of 2023, we launched our first WiFi 7 products, namely the Orbi 97X mesh system and the Nighthawk RS700 router, and will continue to invest in a strong pipeline of WiFi 7 introductions in 2024 across all our major product lines. The success of new products and services depends on a number of factors, including timely and successful development either through rapid innovation or acquisition, market acceptance, our ability to manage the risks and costs, such as investment costs and marketing costs, associated with development and introduction of new products and services, the effective management of purchase commitments and channel inventory levels in line with anticipated product demand, availability of products in appropriate quantities and at expected costs to meet anticipated demand, the risk that new products and services may have delays, quality or other defects or deficiencies and our ability to effectively manage marketing and reviews of our products and services.

In addition, we have acquired companies and technologies in the past and as a result, have introduced new product lines in new markets. We may not be able to successfully manage integration of the new product lines with our existing products. Selling new product lines in new markets will require our management to learn different strategies in order to be successful. We may be unsuccessful in launching a newly acquired product line in new markets which requires management of new suppliers, potential new customers and new business models. Our management may not have the experience of selling in these new markets and we may not be able to grow our business as planned. **For example, in August 2018, we acquired Meural Inc., a leader in digital platforms for visual art, to enhance our Connected Home product and service offerings.** If we are unable to effectively and successfully further develop these new product lines, we may not be able to increase or maintain our sales and our gross margins may be adversely affected.

Accordingly, if we cannot properly drive customer and business demand, manage future introductions and transitions of products and services, this could result in:

- loss of or delay in revenue and loss of market share;
- negative publicity and damage to our reputation and brand;
- a decline in the average selling price of our products;

- adverse reactions in our sales channels, such as reduced shelf space, reduced channel inventory levels, reduced online product visibility, or loss of channels; and
- increased levels of product returns.

In addition, if we are unable to successfully introduce or acquire new products with higher gross margins, or enhance and improve our services and subscription offerings for customer retention or service revenue growth, or if we are unable to improve the margins on our previously introduced and rapidly growing product and services lines, our net revenue and overall gross margin would likely decline.

*** Investment in new business strategies could disrupt our ongoing business, present risks not originally contemplated and materially adversely affect our business, reputation, results of operations and financial condition.**

We have invested, and in the future may invest, in new business strategies and adjust existing business strategies. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater-than-expected liabilities and expenses, economic, legal and regulatory challenges, inadequate return on capital, potential impairment of tangible and intangible assets, and significant write-offs. Changes in business strategies are inherently risky and may not be successful. The failure of any significant investment could materially adversely affect our business, reputation, results of operations and financial condition. For example, as mentioned in the risk factor above “*To remain competitive and stimulate consumer and business demand, we must successfully manage new product introductions and transitions of products and services*”, we previously made a strategic shift to focus on premium, higher margin products and services and we continue to make changes in our business strategies, including pursuing new, adjacent markets. Changes in business strategy would require us to hire in key areas and make certain investments, including marketing; however, such investments may not prove to be successful. Additionally, a significant part of our business strategy and culture is to focus on long-term growth and as a result, our profitability may be lower than it would be if our strategy were to maximize short-term financial results. If we are ultimately unable to improve profitability at the level or during the time frame anticipated by securities or industry analysts and our stockholders, the trading price of our common stock may decline. If we fail to develop and successfully execute on our business strategies, our business, financial condition, results of operations and reputation could be materially adversely affected.

We rely on a limited number of traditional and online retailers, wholesale distributors and service provider customers for a substantial portion of our sales, and our net revenue could decline if they refuse to pay our requested prices or reduce their level of purchases, if there are unforeseen disruptions in their businesses, or if there is significant consolidation in our customer base that results in fewer customers for our products.

We sell a substantial portion of our products through traditional and online retailers, including Best Buy Co., Inc., Amazon.com, Inc. and their affiliates, wholesale distributors, including Ingram Micro, Inc. and TD Synnex, and service providers, such as AT&T. We expect that a significant portion of our net revenue will continue to come from sales to a small number of customers for the foreseeable future. In addition, because our accounts receivable are often concentrated with a small group of purchasers, the failure of any of them to pay on a timely basis, or at all, would reduce our cash flow. We are also exposed to increased credit risk if any one of these limited numbers of customers fails or becomes insolvent. We generally have no minimum purchase commitments or long-term contracts with any of these customers. These purchasers could decide at any time to discontinue, decrease or delay their purchases of our products. If our customers increase the size of their product orders without sufficient lead-time for us to process the order, our ability to fulfill product demands would be compromised. These customers have a variety of suppliers to choose from and therefore can make substantial demands on us, including demands on product pricing and on contractual terms, which often results in the allocation of risk to us as the supplier. Accordingly, the prices that they pay for our products are subject to negotiation and could change at any time. For example, as mentioned below in the risk factors “*If disruptions in our transportation network continue to occur or our shipping costs substantially increase again in the future, we may be unable to sell or timely deliver our products, and net revenue and our gross margin could decrease*” and “*We obtain several key components from limited or sole sources, and if these sources fail to satisfy our supply requirements or we are unable to properly manage our supply requirements with our third-party manufacturers, we may lose sales and experience increased component costs*”, we had previously experienced high freight costs and component costs and had issued price increases to our customers. Our ability to maintain strong relationships with our principal customers is essential to our future performance. If any of our major customers reduce their level of purchases or refuse to pay the prices that we set for our products, our net revenue and operating results could be harmed.

Furthermore, some of our customers are also our competitors in certain product categories, which could negatively influence their purchasing decisions. For example, Amazon owns Eero, one of our competitors in the mesh WiFi systems product category. Our traditional retail customers have faced increased and significant competition from online retailers, and some of these traditional retail customers have increasingly become a smaller portion of our business. If key retail customers continue

to reduce their level of purchases, our business could be harmed. Similarly, we sell products and services directly to consumers from our own e-commerce platforms and expect these revenues to grow proportionate to overall revenue. Some of our customers, such as Amazon and Best Buy, may consider this to be competitive with their own businesses, which could negatively influence their purchasing decisions with respect to our products. Furthermore, we have experienced a shift towards

products being bought and sold online. If we are unable to adjust to this shift and effectively manage our business and inventory requirements amongst our online customers and traditional retail customers, this may lead to lower market share and lower revenues for us, and our net revenue and operating results could be harmed.

In addition, adverse changes in economic conditions or unforeseen disruptions in the businesses of any of our key customers could adversely impact the sale of our products to end users and the quantity of products our customers decide to purchase from us. For example, as mentioned above in the risk factor “*Accurately managing our sales channel inventory and product mix within the current environment is challenging, and we have, and may in the future, incur costs associated with excess inventory, or lose sales from having too few products,*” many of our retail and service provider customers have and continue to reduce their target inventory levels. This shift may have a longer-term impact on the inventory levels our customers choose to carry.

Additionally, concentration and consolidation among our customer base may allow certain customers to command increased leverage in negotiating prices and other terms of sale, which could adversely affect our profitability. If, as a result of increased leverage, customer pressures require us to reduce our pricing such that our gross margins are diminished, we could decide not to sell our products to a particular customer, which could result in a decrease in our revenue. Consolidation among our customer base may also lead to reduced demand for our products, elimination of sales opportunities, replacement of our products with those of our competitors and cancellations of orders, each of which would harm our operating results. Consolidation among our service provider customers worldwide may also make it more difficult to grow our service provider business, given the fierce competition for the already limited number of service providers worldwide and the long sales cycles to close deals. If consolidation among our customer base becomes more prevalent, our operating results may be harmed.

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

Any shortage or delay in the supply of key product components, or any sudden, unforeseen price increase for such components, would harm our ability to meet product deliveries as scheduled or as budgeted. Many of the semiconductors used in our products are obtained from sole source suppliers on a purchase order basis. In addition, some components that are used in all our products are obtained from limited sources. We also obtain switching fabric semiconductors, which are used in our Ethernet switches and Internet gateway products, and WiFi chipsets, which are used in all of our wireless products, from a limited number of suppliers. We also use Cable Modem chipsets and Mobile chipsets in our cable and mobile products. Semiconductor suppliers have experienced and continue to experience component shortages themselves, such as with lead-frames and substrates used in manufacturing chipsets, which in turn adversely impact our ability to procure semiconductors from them in sufficient quantities and in a timely manner. For example, we had previously experienced certain chipset shortages for some of our switching products from two of our semiconductor suppliers who did not have enough wafer capacity to satisfy our demand, and this shortage continued for several quarters. Our third-party manufacturers generally purchase these components on our behalf on a purchase order basis, and we do not have any guaranteed supply arrangements with our suppliers. If demand for a specific component increases, we may not be able to obtain an adequate number of that component in a timely manner, and prices to obtain such components may increase. In addition, if worldwide demand for the components increases significantly, the availability of these components could be limited and prices for such components may increase. For example, as the demand for Artificial Intelligence chips increase, semiconductor production capacity may be shifted to these specific components thereby constraining supply of or increasing cost on chips used in our products. Further, dependence on a sole source for certain key components of our products may allow such sole source suppliers to command increased leverage in negotiating prices and other terms of sale, which could adversely affect our profitability. As a result, we may be left with little choice but to accept such higher prices or other fees for key components in order to ensure continuity of supply. This could affect our profitability or if we choose to push back against more onerous terms, could lead to inadequate supply, which could

materially adversely affect our business. Our suppliers may also experience financial or other difficulties as a result of uncertain and weak worldwide economic, geopolitical conditions, trade disputes or public health issues. Other factors which may affect our suppliers' ability or willingness to supply components to us include internal management product allocation decisions or reorganizational issues, such as roll-out of new equipment or disruptions to information infrastructure or power transmission or navigation miscalculations which may delay or disrupt supply of previously forecasted components, or industry consolidation and divestitures, which may result in changed business and product priorities among certain suppliers. Also, many standardized components used broadly in electronic devices are manufactured in significant quantities in concentrated

44

[Table of Contents](#)

geographic regions, particularly in Greater China. As a result, protracted crises, geopolitical unrest and uncertain economic conditions, could lead to eventual shortages of necessary components sourced from impacted regions or increased component costs. Additionally, government intervention to curb the consumption of electricity in China could have a disruptive impact on

44

[Table of Contents](#)

component production and supply availability. It could be difficult, costly and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

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

If we are unable to obtain a sufficient supply of components, or if we experience any interruption in the supply of components, our product shipments could be reduced or delayed or our cost of obtaining these components may increase. Component shortages and delays affect our ability to meet scheduled product deliveries, damage our brand and reputation in the market, and cause us to lose sales and market share. For example, component shortages and disruptions in supply related to the COVID-19 induced lockdowns in Shenzhen, China and Shanghai, China previously had limited our ability to supply all the worldwide demand for our NETGEAR for Business switch products, and our revenue and profitability was affected. At times we have elected to purchase components on the spot market or to use more expensive transportation methods, such as air freight, to make up for manufacturing delays caused by component shortages, which reduces our margins.

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

We compete in a rapidly evolving and fiercely competitive market, and we expect competition to continue to be intense, including price competition. Our principal competitors in the consumer market include ARRIS, ASUS, AVM, Devolo, D-Link, Eero (owned by Amazon), Linksys (owned by Foxconn), Minim (Motorola licensee), Google WiFi, Samsung, and TP-Link. Our principal competitors in the business market include Allied Telesys, Barracuda, Buffalo, Cisco Systems, Dell, D-Link,

Extreme, Fortinet, Hewlett-Packard Enterprise, Palo Alto Networks, QNAP Systems, SonicWall, Snap AV, Synology, TP-Link, Ubiquiti and WatchGuard. Our principal competitors in the service provider market include Actiontec, Airties, Arcadyan, ARRIS, ASUS, AVM, Compaq Broadband, D-Link, Eero (owned by Amazon), Franklin, Google, Hitron, Huawei, Inseego, Nokia, Plume, Sagem, Sercomm, SMC Networks, TechniColor, TP-Link, Ubee, ZTE and Zyxel. Other competitors include numerous local vendors such as Xiaomi in China, AVM in Germany and Buffalo in Japan. In addition, these local vendors may target markets outside of their local regions and may increasingly compete with us in other regions worldwide. Our potential competitors also include other consumer electronics vendors, including Apple, LG Electronics, Microsoft, Panasonic, Sony, Toshiba and Vizio, who could integrate networking and streaming capabilities into their line of products, such as televisions, set top boxes and gaming consoles, and our channel customers who may decide to offer self-branded networking products. We also face competition from service providers who may bundle a free networking device with their broadband service offering, which would reduce our sales if we were not the supplier of choice to those service providers. In the service provider space, we also face significant and increased competition from original design manufacturers, or ODMs, and contract manufacturers who sell and attempt to sell their products directly to service providers around the world.

Many of our existing and potential competitors have longer operating histories, greater name recognition and substantially greater financial, technical, sales, marketing and other resources. These competitors may, among other things, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, obtain more favorable pricing from suppliers and manufacturers, and exert more influence on sales channels than we can. Certain of our significant competitors also serve as key sales and marketing channels for our products, potentially giving these competitors a marketplace advantage based on their knowledge of our business activities and/or their ability to negatively influence our sales opportunities. For example, Amazon provides an important sales channel for our products, but it also competes with us in the mesh WiFi systems product category through its subsidiary Eero. In addition, certain competitors may have different business models, such as integrated

45

[Table of Contents](#)

manufacturing capabilities, that may allow them to achieve cost savings and to compete on the basis of price. Other competitors may have fewer resources but may be more nimble in developing new or disruptive technology or in entering new markets. We anticipate that current and potential competitors will also intensify their efforts to penetrate our target markets. For example,

45

[Table of Contents](#)

in the past certain network security companies such as Symantec have introduced security routers for the home consumer market to compete with us and we believe that other network security companies may also seek to do the same. Also, due to our recent success in the audio visual over IP market, some of our competitors may seek to enter this market as well. Price competition is intense in our industry in certain geographical regions and product categories. Many of our competitors in the service provider and retail spaces price their products significantly below our product costs in order to gain market share. Certain substantial competitors have business models that are more focused on customer acquisition and access to customer data rather than on financial return from product sales, and these competitors have the ability to provide sustained price competition to many of our products in the market. Average sales prices have declined in the past and may again decline in the future. These competitors may have more advanced technology, more extensive distribution channels, stronger brand names, greater access to shelf space in retail locations, bigger promotional budgets and larger customer bases than we do. In addition, many of these competitors leverage a broader product portfolio and offer lower pricing as part of a more comprehensive end-to-end solution which we may not have. These companies could devote more capital resources to develop, manufacture and market competing products than we could. Our competitors may acquire other companies in the market and leverage combined resources to gain market share. In some instances, our competitors may be acquired by larger companies with additional formidable resources, such as the purchase of ARRIS by CommScope, Eero by Amazon and Linksys by Foxconn. Additionally, in the case of Linksys, Foxconn is one of our main third-party manufacturing

partners, which presents an additional risk if Foxconn decides to prioritize its interest in Linksys over its relationship with us. If any of these companies are successful in competing against us, our sales could decline, our margins could be negatively impacted and we could lose market share, any of which could seriously harm our business and results of operations.

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

To maintain and grow our market share, net revenue and brand, we must maintain and expand our sales channels. Our sales channels consist of traditional retailers, online retailers, DMRs, VARs, and broadband service providers. Some of these entities purchase our products through our wholesale distributor customers. We generally have no minimum purchase commitments or long-term contracts with any of these third parties.

Traditional retailers have limited shelf space and promotional budgets, and competition is intense for these resources. If the networking sector does not experience sufficient growth, retailers may choose to allocate more shelf space to other consumer product sectors and may choose to reduce their inventory levels. A competitor with more extensive product lines and stronger brand identity may have greater bargaining power with these retailers. Any reduction in available shelf space or inventory levels or increased competition for such shelf space would require us to increase our marketing expenditures simply to maintain current levels of retail shelf space and inventory levels, which would harm our operating margin. In addition, reduction in inventory levels puts pressure on our ability to accurately forecast customer demand. A failure to accurately predict high demand for a product could result in lost sales or higher product costs if we meet demand by paying higher costs for materials, production and delivery. We could also frustrate our customers and lose further shelf space and market share. A failure to predict low demand for a product could result in excess inventory, further reductions in target inventory levels, lower cash flows and lower margins if we are required to reduce product prices in order to reduce inventories.

Our traditional retail customers have faced increased and significant competition from online retailers. Further, we have experienced the shift to a greater percentage of purchases taking place online versus traditional retail customers. If we cannot effectively manage our business and inventory requirements amongst our online customers and traditional retail customers, our business would be harmed. The recent trend in the consolidation of online retailers and DMR channels has resulted in intensified competition for preferred product placement, such as product placement on an online retailer's Internet home page. Expanding our presence in the VAR channel may be difficult and expensive. We compete with established companies that have longer operating histories and longstanding relationships with VARs that we would find highly desirable as sales channel partners. In addition, our efforts to realign or consolidate our sales channels may cause temporary disruptions in our product sales and revenue, and these changes may not result in the expected longer-term benefits. We also sell products and services directly to consumers from our own e-commerce platforms. This requires material investment in capital, time and resources and carries the risk that it may not achieve the expected return on investment that we are expecting, and that it may adversely affect our relationships with our existing channel partners, which ultimately may materially and adversely affect our results of operations.

We also sell products to broadband service providers. Competition for selling to broadband service providers is fierce and intense. Penetrating service provider accounts typically involves a long sales cycle and the challenge of displacing incumbent

[**Table of Contents**](#)

suppliers with established relationships and field-deployed products. If we are unable to maintain and expand our sales channels, our growth would be limited and our business would be harmed.

[**Table of Contents**](#)

We must also continuously monitor and evaluate emerging sales channels. If we fail to establish a presence in an important developing sales channel, such as sales directly to consumers from our own e-commerce platforms, our business could be harmed.

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

All of our products are manufactured, assembled, tested and generally packaged by a limited number of third-party manufacturers, including original design manufacturers, or ODMs, as well as their sub-contract manufacturers. In most cases, we rely on these manufacturers to procure components and, in some cases, subcontract engineering work. Some of our products are manufactured by a single manufacturer. We do not have any long-term contracts with any of our third-party manufacturers. Some of these third-party manufacturers produce products for our competitors or are themselves competitors in certain product categories. Due to uncertain and changing economic and geopolitical conditions, the viability of some of these third-party manufacturers may be at risk. The loss of the services of any of our primary third-party manufacturers could cause a significant disruption in operations and delays in product shipments. Qualifying a new manufacturer and commencing volume production is expensive and time consuming. Ensuring that a manufacturer is qualified to manufacture our products to our standards is time consuming. In addition, there is no assurance that a manufacturer can produce our products at the appropriate volumes and in the quality that we require. In addition, as we recently have transitioned a substantial portion of our manufacturing facilities to different regions, we are subject to additional significant challenges in ensuring that quality, processes and costs, among other issues, are consistent with our expectations. For example, while we expect our manufacturers to be responsible for penalties assessed on us because of excessive failures of the products, there is no assurance that we will be able to collect such reimbursements from these manufacturers, which causes us to take on additional risk for potential failures of our products.

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

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

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

Specifically, substantially all of our manufacturing and assembly occurs in the Asia Pacific region, and any disruptions due to natural disasters, climate change, health epidemics and political, social and economic instability in the region would affect the ability of our third-party manufacturers to manufacture our products. For example, in late August 2021, heavy rains caused our manufacturer in Thailand to become flooded and created a one-month delay in manufacturing and required us to move some non-U.S. manufacturing back to China. Furthermore, if the cost of production charged by our third-party manufacturers increases, it may affect our margins and ability to lower prices for our products to stay competitive. Labor unrest in Southeast Asia, China or other locations where components and our products are manufactured may also affect our third-party manufacturers as workers may strike and cause production delays. If our third-party manufacturers fail to maintain good relations with their employees or contractors, and production and manufacturing of our products is affected, then we may be subject to shortages of products and quality of products delivered may be affected. Further, if our manufacturers or warehousing

[Table of Contents](#)

facilities are disrupted or destroyed, we would have no other readily available alternatives for manufacturing and assembling our products and our business would be significantly harmed.

[Table of Contents](#)

In our typical ODM arrangement, our ODMs are generally responsible for sourcing the components of the products and warranting that the products will work against a product's specification, including any software specifications. If we needed to move to a contract manufacturing arrangement, we would take on much more, if not all, of the responsibility around these areas, including increased costs and personnel expertise. If we are unable to properly manage these risks, our products may be more susceptible to defects and our business would be harmed.

Our sales and operations in international markets have exposed us to and may in the future expose us to operational, financial and regulatory risks.

International sales comprise a significant amount of our overall net revenue. International sales were approximately 36% of overall net revenue in the second fiscal quarter of 2024 and approximately 34% of overall net revenue in fiscal 2023. We continue to be committed to growing our international sales, and while we have committed resources to expanding our international operations and sales channels, these efforts may not be successful. For example, in fiscal 2022 we experienced the strengthening of the U.S. dollar, which had a meaningful negative impact on our international revenue and our profitability.

International operations are subject to a number of other risks, including:

- exchange rate fluctuations and inflation;
- geopolitical and economic tensions, such as in the Middle East, between China/Taiwan, and international terrorism and anti-American sentiment, particularly in emerging markets;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;
- changes in local tax and customs duty laws or changes in the enforcement, application or interpretation of such laws (including potential responses to higher U.S. tariffs on certain imported products implemented by the U.S.);
- increased difficulty in managing inventory and reduced inventory level targets;
- delayed revenue recognition;
- unpredictable judicial systems, which may unfairly favor domestic plaintiffs over foreign corporations, or which may more easily impose harsher penalties as import injunctions;
- less effective protection of intellectual property;
- stringent consumer protection and product compliance regulations, including but not limited to the Restriction of Hazardous Substances directive, the Electrical and Electronic Equipment directive and the European Ecodesign directive, or EuP, that are costly to comply with and may vary from country to country;
- difficulties and costs of staffing and managing foreign operations; and
- business difficulties, including potential bankruptcy or liquidation, of any of our worldwide third-party logistics providers.

While we believe we generally have good relations with our employees, employees in certain jurisdictions have rights which give them certain collective rights. If management must expend significant resources and effort to address and comply with these rights, our business may be harmed. We are also required to comply with local environmental legislation and our customers rely on this compliance in order to sell our products. If our customers do not agree with our interpretations and requirements of new legislation, they may cease to order our products and our revenue would be harmed.

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

The loss of recurring orders from any of our more significant customers could cause our revenue and profitability to suffer. Our ability to attract new customers will depend on a variety of factors, including the cost-effectiveness, reliability, scalability,

[Table of Contents](#)

breadth and depth of our products. In addition, a change in the mix of our customers, or a change in the mix of direct and indirect sales, could adversely affect our revenue and gross margins.

[Table of Contents](#)

Although our financial performance may depend on large, recurring orders from certain customers and resellers, we do not generally have binding commitments from them. For example:

- our reseller agreements generally do not require substantial minimum purchases;
- our customers can stop purchasing and our resellers can stop marketing our products at any time; and
- our reseller agreements generally are not exclusive.

Further, our revenue may be impacted by significant one-time purchases which are not contemplated to be repeatable. While such purchases are reflected in our financial statements, we do not rely on and do not forecast for continued significant one-time purchases. As a result, lack of repeatable one-time purchases will adversely affect our revenue.

Because our expenses are based on our revenue forecasts, a substantial reduction or delay in sales of our products to, or unexpected returns from, customers and resellers, or the loss of any significant customer or reseller, could harm or otherwise have a negative impact to our operating results. Although our largest customers may vary from period to period, we anticipate that our operating results for any given period will continue to depend on large orders from a small number of customers. This customer concentration increases the risk of quarterly fluctuations in our operating results and our sensitivity to any material, adverse developments experienced by our customers.

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

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

If we fail to overcome the challenges associated with managing our broadband service provider sales channel, our net revenue and gross profit will be negatively impacted.

We sell a significant number of products through broadband service providers worldwide. However, the service provider sales channel is challenging and exceptionally competitive. Difficulties and challenges in selling to service providers include a longer sales cycle, more stringent product testing and validation requirements, a higher level of customization demands, requirements that suppliers take on a larger share of the risk with respect to contractual business terms, competition from established suppliers, pricing pressure resulting in lower gross margins, and irregular and unpredictable ordering habits. For example, rigorous service provider certification processes may delay our sale of new products, or our products ultimately may fail these tests. In either event, we may lose some or all of the amounts we expended in trying to obtain business from the service provider, as well as lose the business opportunity altogether. In addition, even if we have a product which a service provider customer may wish to purchase, we may choose not to supply products to the potential service provider customer if the contract requirements, such as service level requirements, penalties, and liability provisions, are too onerous. Accordingly, our business may be harmed and our revenues may be reduced. We have, in exceptional limited circumstances, while still in contract negotiations, shipped products in advance of and subject to agreement on a definitive contract. We do not record revenue from these shipments until a definitive contract exists. There is risk that we do not ultimately close and sign a definitive contract. If this occurs, the timing of revenue recognition is uncertain and our business would be harmed. In addition, we often commence building custom-made products prior to execution of a contract in order to meet the customer's contemplated launch dates and requirements. Service provider products are generally custom-made for a specific customer and may not be scalable to other customers or in other channels. If we have pre-built custom-made products but do not come to agreement on a definitive contract, we may be forced to scrap the custom-made products or re-work them at substantial cost and our business would be harmed.

Further, successful engagements with service provider customers requires a constant analysis of technology trends. If we are unable to anticipate technology trends and service provider customer product needs, and to allocate research and development

49

[Table of Contents](#)

resources to the right projects, we may not be successful in continuing to sell products to service provider customers. In addition, because our service provider customers command significant resources, including for software support, and demand extremely

49

[Table of Contents](#)

competitive pricing, certain ODMs have declined to develop service provider products on an ODM basis. Accordingly, as our ODMs increasingly limit development of our service provider products, our service provider business will be harmed if we cannot replace this capability with alternative ODMs or in-house development.

Orders from service providers generally tend to be large but sporadic, which causes our revenues from them to fluctuate and challenges our ability to accurately forecast demand from them. In particular, managing inventory, inventory levels and production of our products for our service provider customers is a challenge and may be further exacerbated by current macroeconomic uncertainties and geopolitical instability. Many of our service provider customers have irregular purchasing requirements. These customers may decide to cancel orders for customized products specific to that customer, and we may not be able to reconfigure and sell those products in other channels. These cancellations could lead to substantial write-offs. In addition, these customers may issue unforecasted orders for products which we may not be able to produce in a timely manner and as such, we may not be able to accept and deliver on such unforecasted orders. In certain cases, we may commit to fixed-price, long term purchase orders, with such orders priced in foreign currencies which could lose value over time in the event of adverse changes in foreign exchange rates. Even if we are selected as a supplier, typically a service provider will also designate a second source supplier, which over time will reduce the aggregate orders that we receive from that service provider. Further, as the technology underlying our products deployed by broadband service providers matures and more competitors offer alternative products with similar technology, we anticipate competing in an extremely price sensitive market and our margins may be affected. If we are unable to introduce new products with sufficiently advanced technology to attract service provider interest in a timely manner, our service provider customers may then require us to lower our prices, or they may choose to purchase products from our competitors. If this occurs, our business would be harmed and our revenues would be reduced.

If we were to lose a service provider customer for any reason, we may experience a material and immediate reduction in forecasted revenue that may cause us to be below our net revenue and operating margin expectations for a particular period of time and therefore adversely affect our stock price. For example, many of our competitors in the service provider space aggressively price their products in order to gain market share. We may not be able to match the lower prices offered by our competitors, and we may choose to forgo lower-margin business opportunities. Many of the service provider customers will seek to purchase from the lowest cost provider, notwithstanding that our products may be higher quality or that our products were previously validated for use on their proprietary network. Accordingly, we may lose customers who have lower, more aggressive pricing, and our revenues may be reduced. In addition, service providers may choose to prioritize the implementation of other technologies or the roll out of other services than home networking. Weakness in orders from this industry could have a material adverse effect on our business, operating results, and financial condition. We have seen slowdowns in capital expenditures by certain of our service provider customers in the past and believe there may be potential for similar slowdowns in the future. Any slowdown in the general economy, over supply, consolidation among service providers, regulatory developments and constraint on capital expenditures could result in reduced demand from service providers and therefore adversely affect our sales to them. If we do not successfully overcome these challenges, we will not be able to profitably manage our service provider sales channel and our financial results will be harmed.

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

Our operating results are difficult to predict and may fluctuate substantially from quarter-to-quarter or year-to-year for a variety of reasons, many of which are beyond our control. If our actual results were to fall below our estimates or the expectations of public market analysts or investors, our quarterly and annual results would be negatively impacted and the price of our stock could decline. Other factors that could affect our quarterly and annual operating results include those listed in the risk factors section of this report and others such as:

- operational disruptions, such as transportation delays or failure of our order processing system, particularly if they occur at the end of a fiscal quarter;
- component supply constraints, including specialized WiFi 6 or WiFi 7 chipsets, or sudden, unforeseen price increases from our manufacturers, supplier vendors;
- unanticipated increases in costs, including air and ocean freight, associated with shipping and delivery of our products;
- the inability to maintain stable operations by our suppliers, distribution centers and other parties with which we have commercial relationships;

50

[Table of Contents](#)

- seasonal shifts in end market demand for our products, particularly in our Connected Home business segment;

50

[Table of Contents](#)

- our inability to accurately forecast product demand or optimal product mix such as the proportion of lower-priced products versus premium products resulting in increased inventory exposure and/or lost sales;
- unfavorable or compressed level of inventory and turns;
- changes in or consolidation of our sales channels and wholesale distributor relationships or failure to manage our sales channel inventory and warehouse requirements;
- unanticipated decreases, reduced inventory targets or delays in purchases of our products by our significant traditional and online retail customers;
- shift in overall product mix sales from higher to lower gross margin products, from lower-priced products to premium products, or from one business segment to another, that would adversely impact our revenue and gross margins;
- an increase in price protection claims, redemptions of marketing rebates, product warranty and stock rotation returns or allowance for doubtful accounts;
- delay or failure to fulfill orders for our products on a timely basis;
- changes in the pricing policies of or the introduction of new products by us or our competitors;
- unexpected challenges or delays in our ability to further develop services and applications that complement our products and result in meaningful subscriber growth and future recurring revenue;
- discovery or exploitation of security vulnerabilities in our products, services or systems, leading to negative publicity, decreased demand or potential liability, including potential breach of our customers' data privacy or disruption of the continuous operation of our cloud infrastructure and our products;
- introductions of new technologies and changes in consumer preferences that result in either unanticipated or unexpectedly rapid product category shifts;
- slow or negative growth in the networking product, personal computer, Internet infrastructure, smart home, home electronics and related technology markets;
- delays in the introduction of new products by us or market acceptance of these products;
- delays in regulatory approvals or consumer adoption of WiFi 6E or WiFi 7 technology in various regions;
- increases in expenses related to the development, introduction and marketing of new products that adversely impact our margins;

- increases in expenses related to the development and marketing related to the Company's direct online sales channels that adversely impact our margin;
- changes in tax rates or adverse changes in tax laws that expose us to additional income tax liabilities;
- changes in U.S. and international trade policy that adversely affect customs, tax or duty rates;
- foreign currency exchange rate fluctuations in the jurisdictions where we transact sales and expenditures in local currency;
- unanticipated increases in expenses related to periodic restructuring measures undertaken to achieve profitability and other business goals, including reallocation or relocation of resources;
- delay or failure of our service provider customers to purchase at their historic volumes or at the volumes that they or we forecast;
- litigation involving alleged patent infringement, consumer class actions, securities class actions or other claims that could negatively impact our reputation, brand, business and financial condition;
- disruptions or delays related to our financial and enterprise resource planning systems;
- allowance for doubtful accounts exposure with our existing retailers, distributors and other channel partners and new retailers, distributors and other channel partners, particularly as we expand into new international markets;

51

[**Table of Contents**](#)

- geopolitical disruption, including sudden changes in immigration policies and economic sanctions, leading to disruption in our workforce or delay or stoppage of our operations in manufacturing, transportation, technical support and research and development;
- terms of our contracts with customers or suppliers that cause us to incur additional expenses or assume additional liabilities;
- epidemic or widespread product failure, performance problems or unanticipated safety issues in one or more of our products that could negatively impact our reputation, brand and business;
- any changes in accounting rules;
- challenges associated with integrating acquisitions that we make, or with realizing value from our strategic investments in other companies;
- failure to effectively manage our third-party customer support partners, which may result in customer complaints and/or harm to our brand;
- our inability to monitor and ensure compliance with our code of ethics, our anti-corruption compliance program and domestic and international anti-corruption laws and regulations, whether in relation to our employees or with our suppliers or customers;
- labor unrest at facilities managed by our third-party manufacturers;
- workplace or human rights violations in certain countries in which our third-party manufacturers or suppliers operate, which may require quarantine of affected products, affect our brand and negatively affect our products' acceptance by consumers;
- overall performance of the equity markets and the economy as a whole;
- unanticipated shifts or declines in profit by geographical region that would adversely impact our tax rate; and
- our failure to implement and maintain the appropriate internal controls over financial reporting which may result in restatements of our financial statements.

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

*** Changes in trade policy in the United States and other countries, including the imposition of tariffs and the resulting consequences, may adversely impact our business, results of operations and financial condition.**

International trade disputes, geopolitical tensions, and military conflicts have led, and continue to lead, to new and increasing export restrictions, trade barriers, tariffs, and other trade measures that can increase our manufacturing and transportation costs, limit our ability to sell to certain customers or markets, limit our ability to procure, or increase our costs for, components or raw materials, impede or slow the movement of our goods across borders, or otherwise restrict our ability to conduct operations. Increasing protectionism, economic nationalism, and national security concerns may also lead to further changes in trade policy. For example, when the U.S. government engaged in extended trade negotiations with China, which resulted in the implementation of tariffs on a significant number of products manufactured in China and imported into the United States, we worked closely with our manufacturing partners to implement ways to mitigate the impact of these tariffs on our supply chain as promptly and reasonably as practicable, including shifting production outside of China. We cannot predict what further actions may be taken with

respect to export regulations, tariffs or other trade regulations between the United States and other countries, what products or companies may be subject to such actions, or what actions may be taken by other countries in retaliation. In addition, actions to mitigate the effect of these tariffs are disruptive on our operations, may not be completely successful and may result in higher long-term manufacturing costs. Moreover, there is no certainty that countries to which we have shifted our manufacturing operations will not be subject to similar tariffs in the future. As a result, we may be required to raise our prices on certain products, which could result in the loss of customers and harm to our revenue, market share, competitive position and operating performance.

Additionally, the imposition of tariffs is dependent upon the classification of items under the Harmonized Tariff System ("HTS") and the country of origin of the item. Determination of the HTS and the origin of the item is a technical matter that can be subjective in nature. Accordingly, although we believe our classifications of both HTS and origin are appropriate, there

[Table of Contents](#)

is no certainty that the U.S. government will agree with us. If the U.S. government does not agree with our determinations, we could be required to pay additional amounts, including potential penalties, and our profitability would be adversely impacted.

If disruptions in our transportation network continue to occur or our shipping costs substantially increase again in the future, we may be unable to sell or timely deliver our products, and our net revenue and gross margin could decrease.

The transportation network is subject to disruption or congestion from a variety of causes, including labor disputes or port strikes, acts of war, terrorism or other geopolitical conflicts, like the Middle East conflict, natural disasters, effects of climate change, pandemics like COVID-19 and congestion resulting from higher shipping volumes. We are highly dependent upon the transportation systems we use to ship our products, including surface and air freight. Our attempts to closely match our inventory levels to our product demand intensify the need for our transportation systems to function effectively and without delay. On a quarterly basis, our shipping volume also tends to steadily increase as the quarter progresses, which means that any disruption in our transportation network in the latter half of a quarter will likely have a more material effect on our business than at the beginning of a quarter. For example, at times during the COVID-19 pandemic, we experienced significant limitations on the availability of key transportation resources and significant increases to the cost of air and ocean freight. When these occur, it has negatively impacted our profitability as we seek to transport an increased number of products from manufacturing locations in Asia to other markets around the world as quickly as possible. Moreover, feeder vessels that move containers to key trans-Pacific terminal locations can be subject to similar impacts due to the timing of container transfers and vessel departure dates. In addition, the global effects of climate change can result in increased frequency and severity of natural disasters that could also disrupt our transportation network. For example, in late November 2020, a giant wave damaged a cargo vessel carrying eight containers of our products, causing a 4-month delay to our shipment which ultimately arrived in Southern California in late March 2021. Furthermore, labor disputes among freight carriers and at ports of entry are common. A port worker strike, work slow-down or other transportation disruption in the ports of Singapore, Rotterdam, Los Angeles or Long Beach, California, where we have significant distribution centers, or East coast or Gulf coast of United States due to the volume of imports coming to the U.S. via ports there, could significantly disrupt our business. For example, at times, during the course of the COVID-19 pandemic, we had experienced disruptions at the ports, due to multiple factors, such as supply and demand imbalance, a shortage of warehouse workers, truck drivers, and transport equipment (tractors and trailers), and other causes, and had suffered from heightened congestion, bottleneck and gridlock, leading to abnormally high transportation delays. In addition, as mentioned above in the risk factor "*Accurately managing our sales channel inventory and product mix within the current environment is challenging, and we have, and may in the future, incur costs associated with excess inventory, or lose sales from having too few products,*" many of our retail and service provider customers have and continue to reduce their target inventory levels to more closely match with product demand. This further intensifies the need for our transportation systems to function effectively and without delay. Significant disruptions to the transportation network could lead to significant disruptions in our business, delays in shipments, increased shipping costs, and revenue and profitability shortfalls which could materially and adversely affect our business and financial results, especially if they were to take place within the last few weeks of any quarter.

Our international freight is regularly subjected to inspection by governmental entities. If our delivery times increase unexpectedly for these or any other reasons, our ability to deliver products on time would be materially adversely affected and would result in delayed or lost revenue as well as customer-imposed penalties. Similarly, transportation network disruptions such as those described in the preceding paragraph, may also lead to an increase in transportation costs. For example, the cost of shipping our products by ocean freight had previously increased to at least eight times historical levels and had a corresponding impact upon our profitability.

Moreover, the cost of shipping our products by air freight is greater than other methods. From time to time in the past, we have shipped products using extensive air freight to meet unexpected spikes in demand, shifts in demand between product categories, to bring new product introductions to market quickly and to timely ship products previously ordered. If we rely more heavily upon air freight to deliver our products, our overall shipping costs will increase. Just as ocean freight costs had previously increased due to the aforementioned supply chain and transportation disruptions, the cost of air freight had previously increased, as well, up to five times historical levels. While transportation costs have recently decreased, if the cost of ocean and air freight were to significantly increase again, it would severely disrupt our business and harm our operating results, and in particular, our profitability.

Expansion of our operations and infrastructure may strain our operations and increase our operating expenses.

We have expanded our operations and are pursuing market opportunities both domestically and internationally in order to grow our sales. This expansion has required enhancements to our existing management information systems, and operational and financial controls. In addition, if we continue to grow, our expenditures would likely be significantly higher than our historical costs. We may not be able to install adequate controls in an efficient and timely manner as our business grows, and our current systems may not be adequate to support our future operations. The difficulties associated with installing and implementing new systems, procedures and controls may place a significant burden on our management, operational and financial resources. In addition, if we grow internationally, we will have to expand and enhance our communications infrastructure. If we fail to continue to improve our management information systems, procedures and financial controls or encounter unexpected difficulties during expansion and reorganization, our business could be harmed.

Table of Contents

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

As part of growing our business, we have made and expect to continue to make acquisitions. If we fail to successfully select, execute or integrate our acquisitions, then our business and operating results could be harmed and our stock price could decline.

From time to time, we will undertake acquisitions to add new product lines and technologies, gain new sales channels or enter into new sales territories. **For example, in August 2018, we acquired Meural Inc., a leader in digital platforms for visual art, to enhance our Connected Home product and service offerings.** Acquisitions involve numerous risks and challenges, including but not limited to the following:

- integrating the companies, assets, systems, products, sales channels and personnel that we acquire;
- higher than anticipated acquisition and integration costs and expenses;
- reliance on third parties to provide transition services for a period of time after closing to ensure an orderly transition of the business;
- growing or maintaining revenues to justify the purchase price and the increased expenses associated with acquisitions;
- entering into territories or markets with which we have limited or no prior experience;
- establishing or maintaining business relationships with customers, vendors and suppliers who may be new to us;
- overcoming the employee, customer, vendor and supplier turnover that may occur as a result of the acquisition;
- disruption of, and demands on, our ongoing business as a result of integration activities including diversion of management's time and attention from the day-to-day operations of our business;
- inability to implement uniform standards, disclosure controls and procedures, internal controls over financial reporting and other procedures and policies in a timely manner;
- inability to realize the anticipated benefits of or successfully integrate with our existing business the businesses, products, technologies or personnel to the extent anticipated;

acquire; and

- potential post-closing disputes.

As part of undertaking an acquisition, we may also significantly revise our capital structure or operational budget, such as issuing common stock that would dilute the ownership percentage of our stockholders, assuming liabilities or debt, utilizing a substantial portion of our cash resources to pay for the acquisition or significantly increasing operating expenses. Our acquisitions have resulted and may in the future result in charges being taken in an individual quarter as well as future periods, which results in variability in our quarterly earnings. In addition, our effective tax rate in any particular quarter may also be impacted by acquisitions. Following the closing of an acquisition, we may also have disputes with the seller regarding contractual requirements and covenants. Any such disputes may be time consuming and distract management from other aspects of our business. In addition, if we increase the pace or size of acquisitions, we will have to expend significant management time and effort into the transactions and the integrations and we may not have the proper human resources bandwidth to ensure successful integrations and accordingly, our business could be harmed.

As part of the terms of acquisition, we may commit to pay additional contingent consideration if certain revenue or other performance milestones are met. We are required to evaluate the fair value of such commitments at each reporting date and adjust the amount recorded if there are changes to the fair value.

We cannot ensure that we will be successful in selecting, executing and integrating acquisitions. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. In addition, if stock market analysts

54

[Table of Contents](#)

or our stockholders do not support or believe in the value of the acquisitions that we choose to undertake, our stock price may decline.

54

[Table of Contents](#)

We invest in companies primarily for strategic reasons but may not realize a return on our investments.

We have made, and continue to seek to make, investments in companies around the world to further our strategic objectives and support our key business initiatives. These investments may include equity or debt instruments of public or private companies, and may be non-marketable at the time of our initial investment. We do not restrict the types of companies in which we seek to invest. These companies may range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. If any company in which we invest fails, we could lose all or part of our investment in that company. If we determine that an other-than-temporary decline in the fair value exists for an equity or debt investment in a public or private company in which we have invested, we will have to write down the investment to its fair value and recognize the related write-down as an investment loss. The performance of any of these investments could result in significant impairment charges and gains (losses) on investments. We must also analyze accounting and legal issues when making these investments. If we do not structure these investments properly, we may be subject to certain adverse accounting issues, such as potential consolidation of financial results.

Furthermore, if the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may seek to dispose of the investment. Our non-marketable equity investments in private companies are not liquid, and we may not be able to dispose of these investments on favorable terms or at all. The occurrence of any of these events could harm our results. Gains or losses from equity securities could vary from expectations depending on gains or losses realized on the sale or exchange of securities and impairment charges related to debt instruments as well as equity and other investments.

Risks Related to Our Products, Technology and Intellectual Property

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

We rely on third parties to obtain non-exclusive patented hardware and software license rights in technologies that are incorporated into and necessary for the operation and functionality of most of our products. In these cases, because the intellectual property we license is available from third parties, barriers to entry into certain markets may be lower for potential or existing competitors than if we owned exclusive rights to the technology that we license and use. Moreover, if a competitor or potential competitor enters into an exclusive arrangement with any of our key third-party technology providers, or if any of these providers unilaterally decide not to do business with us for any reason, our ability to develop and sell products containing that technology would be severely limited. If we are shipping products that contain third-party technology that we subsequently lose the right to license, then we will not be able to continue to offer or support those products. In addition, these licenses often require royalty payments or other consideration to the third-party licensor. Our success will depend, in part, on our continued ability to access these technologies, and we do not know whether these third-party technologies will continue to be licensed to us on commercially acceptable terms, if at all. If we are unable to license the necessary technology, we may be forced to acquire or develop alternative technology of lower quality or performance standards, which would limit and delay our ability to offer new or competitive products and increase our costs of production. As a result, our revenue, margins, market share, and operating results could be significantly harmed.

We also utilize third-party software development companies to develop, customize, maintain and support software that is incorporated into our products. For example, we license software from Bitdefender for our NETGEAR Armor cybersecurity services offering and we license software from Circle Media Labs, Inc., a wholly owned subsidiary of Aura, for our parental controls service offering. If these companies fail to timely deliver or continuously maintain and support the software, as we require of them, we may experience delays in releasing new products or difficulties with supporting existing products and customers. In addition, if these third-party licensors fail or experience instability, then we may be unable to continue to sell products that incorporate the licensed technologies in addition to being unable to continue to maintain and support these products. We do require escrow arrangements with respect to certain third-party software which entitle us to certain limited rights to the source code, in the event of certain failures by the third party, in order to maintain and support such software. However, there is no guarantee that we would be able to fully understand and use the source code, as we may not have the expertise to do so. We are increasingly exposed to these risks as we continue to develop and market more products and services containing third-party software, such as our subscription service offerings related to network security and smart parental controls. If we are unable to license the necessary technology, we may be forced to acquire or develop alternative technology, which could be of lower quality or performance standards. The acquisition or development of alternative technology may limit

55

[Table of Contents](#)

and delay our ability to offer new or competitive products and services and increase our costs of production. As a result, our business, operating results and financial condition could be materially adversely affected.

55

[Table of Contents](#)

**** Product security vulnerabilities, system security risks, data protection breaches, cyber-attacks and improper use of artificial intelligence (“AI”) tools, could disrupt our products, services, internal operations or information technology systems, and any such disruption could increase our expenses, damage our reputation, harm our business and adversely affect our stock price.***

Our products and services may contain **unknown** **could be compromised due to** security vulnerabilities. For example, the firmware, software and open source software that we or our manufacturing partners have installed on our products may be susceptible to hacking or misuse. We devote considerable time and resources to uncovering and remedying these vulnerabilities, using both internal and external resources, but the threats to network and data security are increasingly diverse and sophisticated and we continue to implement additional protections and increase our monitoring and threat intelligence. Despite our efforts and processes to prevent breaches, our systems and products are **potentially** vulnerable to cybersecurity risks, including cyber-attacks such as viruses and worms, vulnerabilities such as

command injection, cross site scripting, credential stuffing attacks, authentication and session management, and stack-based buffer overflow, and other sophisticated attacks or exploits. It is also possible that an attacker could compromise our internal code repository or those of our partners and insert a 'backdoor' that would give them easy access to any of our devices using this code. This particular kind of attack is very sophisticated, relatively new, and hard to defend against. We may not be able to discover these vulnerabilities, and we may not be able to remedy these vulnerabilities in a timely manner, or at all, which may impact our brand and reputation and harm our business. These attacks could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of consumer confidence. If successful, these attacks could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services, and adversely affect our operating results and financial condition. Applicable data privacy and security obligations may require us, or we may voluntarily choose to, notify relevant stakeholders, including affected individuals, customers, regulators, investors and others of security breaches. Such disclosures and related actions can be costly and the disclosure or the failure to comply with such applicable requirements could lead to adverse consequences. Further, under certain circumstances, we may need to prioritize fixing these vulnerabilities or responding to security breaches over new product development, which may impact our revenues and adversely affect our business.

In addition, we offer a comprehensive online cloud management service paired with a number of our products. If malicious actors compromise this cloud service, or if customer confidential information is accessed without authorization, our business and reputation would be harmed. We rely on third-party providers for a number of critical aspects of our cloud services, e-commerce site and customer support, including web hosting services, billing and payment processing, and consequently we do not maintain direct control over the security or stability of the associated systems.

Maintaining the security of our computer information systems and communication systems is a critical issue for us and our customers. Malicious actors may develop and deploy malware that is designed to manipulate our products and systems, including our internal network, or those of our vendors or customers. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our information technology systems, our data or our customers' data. We have established a crisis management plan, business continuity program, information security incident response plan and Generative AI policy. While we regularly test and update these plans, policy and program, there can be no assurance that the plans, policy and program can withstand an actual or serious disruption in our business, including a data protection breach or cyber-attack. While we have established infrastructure and geographic redundancy for our critical systems, our ability to utilize these redundant systems requires further testing and we cannot be assured that such systems are fully functional. For example, much of our order fulfillment process is automated and the order information is stored on our servers. A significant business interruption could result in losses or damages and harm our business. As a result of the COVID-19 pandemic, most of our major offices worldwide are operating under hybrid work model, allowing employees the flexibility to work from home and at the workplace. Work from home arrangements present additional cybersecurity risks, including potential increases in malware and phishing attacks, greater challenges to secure home office data, and potential service degradation or disruption to key internal business applications and third-party services. Although we have taken measures to address these risks, they present challenges that could impact business operations and could cause recovery times to increase. If our computer systems and servers become unavailable at the end of a fiscal quarter, our ability to recognize revenue may be delayed until we are able to utilize back-up systems and continue to process and ship our orders, this could cause our stock price to decline significantly.

We devote considerable internal and external resources to network security, data encryption and other security measures to protect our systems and customer data, but these security measures cannot provide absolute security. In addition, U.S. and foreign regulators have increased their focus on cybersecurity (including related vulnerabilities and risks) and many states, countries and jurisdictions have laws and regulations that may impose significant penalties for failure to comply with these

[Table of Contents](#)

requirements. Compliance with laws and regulations concerning artificial intelligence, privacy, cybersecurity, data governance and data

[Table of Contents](#)

protection is a rigorous and time-intensive process, that continuously evolves and develops, and we may be required to put in place additional mechanisms ensuring compliance with the laws and regulations and incur substantial expenditures. If we fail to comply with any such laws or regulations, we may face significant fines and penalties that could adversely affect our business, financial condition and results of operations. Furthermore, the laws and regulations are not consistent. The applicability and scope of these laws and regulations, as interpreted by courts, regulators, or administrative bodies, remain uncertain and compliance in the event of a widespread data breach or other cybersecurity incident could be costly.

Potential Actual and potential breaches of our security measures **and as well as the accidental loss, inadvertent disclosure or unapproved** dissemination of proprietary information or sensitive or confidential data about us, our employees or our customers, including the potential loss or disclosure of such information or data as a result of improper use of AI tools, employee error or other employee actions, hacking, fraud, social engineering or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, subject us to significant governmental fines, damage our brand and reputation, or otherwise harm our business. **It may be difficult and/or costly to detect, investigate, mitigate, contain and remediate security breaches and our efforts to do so may not be successful. Actions taken by us or third parties with whom we work to detect, investigate, mitigate, contain and remediate a security breach could result in outages, data losses, disruptions to our business and otherwise harm our business. Unauthorized parties may also gain access to other networks, systems and products after a compromise of our networks, systems, and products.**

Our management has spent increasing amounts of time, effort and expense in this area, and in the event of the discovery of significant product or system security vulnerability, or improper use of AI tools or other cybersecurity incidents, we could incur additional substantial expenses and our business and reputation could be harmed. If we or our third-party providers are unable to successfully prevent breaches of security relating to our products, services, systems or customer private information, including customer personal identification information, or if these third-party systems failed for other reasons, it could result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business.

*** If we are unable to successfully leverage AI technology to automate and drive efficiencies in our operations and products and services, our business, reputation, results of operations and financial condition could be harmed.**

We have embarked on an AI transformation effort to take full advantage of automation, artificial intelligence, machine learning and other technologies to drive efficiencies and improve productivity within our Company and to develop and improve our products, services and customer experiences. As we increase our investment in technology, software and systems to support this transformation effort, such investments may not increase productivity, result in more efficient operations or deliver better products, services and customer experiences. In addition, the evolution of these technologies may create unforeseen competitive pressures or cause disruption or delays to our operations, which may harm our business. Our competitors may incorporate AI technologies into their products and services more quickly or more successfully than us and could impair our ability to compete effectively and adversely affect our results of operations. Additionally, AI algorithms and training methodologies may be flawed, and the use of AI has been known to result in, and may in the future result in cybersecurity incidents. Further, the rapid evolution of AI may require the dedication of significant resources to develop, test and maintain AI technologies. If our incorporation of AI technologies does not increase our operational efficiency in accordance with our expectations, or if competition increases for the technology and services provided by third parties, our business, results of operations and financial condition may be harmed. While we have established an AI transformation leadership team to coordinate and oversee our approach to AI adoption, the legal and regulatory landscape surrounding generative AI technologies is rapidly evolving and uncertain including in the areas of intellectual property, discrimination, cybersecurity, privacy and data protection. Compliance with existing, new, and changing laws, regulations, and industry standards relating to AI may limit some uses of AI, impose significant operational costs, and limit our ability to develop, deploy, or use AI technologies. Further, the continued integration of any AI technologies into our products and services may result in new or enhanced governmental or regulatory scrutiny. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or brand and reputational harm.

We make substantial investments in software research and development and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.

We continue to evolve our historically hardware-centric business model towards a model that includes more sophisticated software offerings, including subscription services and applications that complement our products and are intended to drive subscriber growth and future recurring revenue. As such, we have evolved the focus of our organization towards the delivery of more integrated hardware and software solutions for our customers, as well as related services, and we have and will continue

to expend additional resources in this area in the future, including key new hires. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations and insufficient revenue to offset expenses associated with this strategy. Software development is inherently risky for a company such as ours with a historically hardware-centric business model, and accordingly, our efforts in software development may not be successful and could materially adversely affect our financial condition and operating results.

[Table of Contents](#)

If we cannot proportionately decrease our cost structure in response to competitive price pressures, our gross margin and, therefore, our profitability could be adversely affected. In addition, if our software solutions, services, applications, pricing and other factors are not sufficiently competitive, or if there is an adverse reaction to our product and services decisions, we may lose market share in certain areas, which could adversely affect our revenue, profitability and prospects. Software research and development is complex. We must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources before knowing whether our output from these investments will successfully result in meaningful customer demand and retention for our products and services. We must accurately forecast mixes of software solutions and configurations that meet customer requirements, and we may not succeed at doing so within a given product's life cycle or at all. Any delay in the development, production or marketing of a new software solution could result in us not being among the first to market, which could further harm our competitive position. In addition, our regular testing and quality control efforts may not be effective in controlling or detecting all quality issues and defects. We may be unable to determine the cause, find an appropriate solution or offer a temporary fix to address defects. Finding solutions to quality issues or defects can be expensive and may result in additional warranty, replacement and other costs, adversely affecting our profits. If new or existing customers have difficulty with our software solutions or are dissatisfied with our services, our operating margins could be adversely affected, and we could face possible claims if we fail to meet our customers' expectations. In addition, quality issues can impair our relationships with new or existing customers and adversely affect our brand and reputation, which could adversely affect our operating results.

If our products contain defects or errors, we could incur significant unexpected expenses, experience product returns and lost sales, experience product recalls, suffer damage to our brand and reputation, and be subject to product liability or other claims.

Our products are complex and may contain defects, errors or failures, particularly when first introduced or when new versions are released. The industry standards upon which many of our products are based are also complex, experience change over time and may be interpreted in different manners. Some errors and defects may be discovered only after a product has been installed and used by the end-user. As also noted in the risk factor "*We make substantial investments in software research and development and unsuccessful investments could materially adversely affect our business, financial condition and results of operations*" above, we devote considerable time and resources on testing and quality control efforts to detect quality issues and defects, and any reallocation of resources to fix such quality issues and defects could lead to delays in product introductions, which could further harm our competitive position. Additionally, certain software components in our product and corporate systems can be directly updated by our third-party partners. Defects, errors or failures in such updates could impact our customer's experience or cause business interruptions.

In addition, epidemic failure clauses are found in certain of our customer contracts, especially contracts with service providers. If invoked, these clauses may entitle the customer to return for replacement or obtain credits for products and inventory, as well as assess liquidated damage penalties and terminate an existing contract and cancel future or then current purchase orders. In such instances, we may also be obligated to cover significant costs incurred by the customer associated with the consequences of such epidemic failure, including freight and transportation required for product replacement and out-of-pocket costs for truck rolls to end user sites to collect the defective products. Costs or payments we make in connection with an epidemic failure may materially adversely affect our results of operations and financial condition. If our products contain defects or errors, or are found to be noncompliant with industry standards, we could experience decreased sales and increased product returns, loss of customers and market share, and increased service, warranty and insurance costs. In addition, defects in, or misuse of, certain of our products could cause safety concerns, including the risk of property damage or personal injury. If any of these events occurred, our reputation and brand could be damaged, and we could face product liability or other claims regarding our products, resulting in unexpected expenses and adversely impacting our operating results. For instance, if a third party were able to successfully overcome the security measures in our products, such a person or entity could misappropriate customer data,

third party data stored by our customers and other information, including intellectual property and personal information. In addition, the operations of our end-user customers may be interrupted. If that happens, affected end-users or others may file actions against us alleging product liability, tort, or breach of warranty claims.

[Table of Contents](#)

Our user growth, engagement, and monetization of our subscription services on mobile devices depend upon effective operation with mobile operating systems, networks, technologies, products, and standards that we do not control.

The substantial majority of our revenue from our subscription services is generated from use of such services on mobile devices. We are dependent on the interoperability of Armor and our parental controls services and our other products and

[Table of Contents](#)

services with popular mobile operating systems, networks, technologies, products, and standards that we do not control, such as the Android and iOS operating systems and mobile browsers. Any changes, bugs, or technical issues in such systems, or changes in our relationships with mobile operating system partners, handset manufacturers, browser developers, or mobile carriers, or in their terms of service or policies that degrade our products' functionality, reduce or eliminate our ability to update or distribute our products or services, give preferential treatment to competitive products, or charge fees related to the distribution of our products could adversely affect the usage of our subscription services products or our other products and services on mobile devices. We may not be successful in maintaining or developing relationships with key participants in the mobile ecosystem or in developing products and services that operate effectively with these technologies, products, systems, networks, or standards. In the event that it is more difficult for our users to access and use our subscription services products or our other products on their mobile devices, or if our users choose not to access or use our subscription services products or our other products on their mobile devices, our user growth and user engagement and our business could be harmed.

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

We rely upon third parties for a substantial portion of the intellectual property that we use in our products. At the same time, we rely on a combination of copyright, trademark, patent and trade secret laws, nondisclosure agreements with employees, consultants and suppliers and other contractual provisions to establish, maintain and protect our intellectual property rights and technology. Despite efforts to protect our intellectual property, unauthorized third parties may attempt to design around, copy aspects of our product design or obtain and use technology or other intellectual property associated with our products. For example, one of our primary intellectual property assets is the NETGEAR name, trademark and logo. We may be unable to stop third parties from adopting similar names, trademarks and logos, particularly in those international markets where our intellectual property rights may be less protected. Furthermore, our competitors may independently develop similar technology or design around our intellectual property. In addition, we manufacture and sell our products in many international jurisdictions that offer reduced levels of protection and recourse from intellectual property misuse or theft, as compared to the United States. Our inability to secure and protect our intellectual property rights could significantly harm our brand and business, operating results and financial condition.

Financial, Legal, Regulatory and Tax Compliance Risks, Including Recent Impairment Charges

**** We are currently involved in numerous litigation matters in the ordinary course and may in the future become involved in additional litigation, including litigation regarding intellectual property rights, consumer class actions and securities class actions, any of which could be costly and subject us to significant liability.***

The networking industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding infringement of patents, trade secrets and other intellectual property rights. In particular, leading companies in the data communications markets, some of which are our competitors, have extensive patent portfolios with respect to networking technology. From time to time, third parties, including these leading companies, have asserted and may

continue to assert exclusive patent, copyright, trademark and other intellectual property rights against us demanding license or royalty payments or seeking payment for damages, injunctive relief and other available legal remedies through litigation. These also include third-party non-practicing entities who claim to own patents or other intellectual property that cover industry standards that our products comply with. If we are unable to resolve these matters or obtain licenses on acceptable or commercially reasonable terms, we could be sued or we may be forced to initiate litigation to protect our rights. The cost of any necessary licenses or cost to defend litigation could significantly harm our business, operating results and financial condition. We may also choose to join defensive patent aggregation services in order to prevent or settle litigation and avoid the associated significant costs and uncertainties of litigation. These patent aggregation services may obtain, or have previously obtained, licenses for the alleged patent infringement claims against us and other patent assets that could be used offensively against us. The costs of such defensive patent aggregation services, while potentially lower than the costs of litigation, may be significant as well. At any time, any of these non-practicing entities, or any other third-party could initiate litigation against us, or we may be forced to initiate litigation against them, which could divert management attention, be costly to defend or prosecute, prevent us from using or selling the challenged technology, require us to design around the challenged technology and cause the price of our stock to decline. In 2022, a third-party initiated litigation against us in Germany and China, which carries with it the threat of an injunction on the importation of our products into Germany and China, as well as a significant increase in time and resources to defend against. In 2024, another third party filed a case against us in the International Trade Commission and California District Court alleging patent infringement and seeking an exclusion order on importation of purportedly infringing products into the United States as well as damages. In addition, several third-party non practicing entities have initiated litigation against us in China, which also raises novel and unique challenges for us. For example, we have experienced that patent litigation in China proceeds along a faster timeline, is more costly than we anticipated, carries a greater risk of injunction, and suffers from a relative lack of judicial development relative to patent litigation in the United States. In addition, third parties, some of whom are potential competitors, have initiated and may continue to initiate litigation against us, our manufacturers, suppliers, members of our sales channels or our service provider customers or even end user customers, alleging

59

[Table of Contents](#)

or even end user customers, alleging infringement of their proprietary rights with respect to existing or future products. In the event successful claims of infringement are brought by third parties, and we are unable to obtain licenses or independently develop alternative technology on a timely basis, we may be subject to indemnification obligations, be unable to offer competitive products, or be subject to increased expenses. Consumer class-action lawsuits related to the marketing and performance of our home networking products have been asserted and may in the future be asserted against us. Finally, we have been sued in securities class action lawsuits, and may in the future be named in other similar lawsuits. For additional information regarding certain of the lawsuits in which we are involved, see the information set forth in Note 8, *Commitments and Contingencies*, in Notes to Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q. If we do not resolve these claims on a favorable basis, our business, operating results and financial condition could be significantly harmed.

We have been exposed to and may in the future be exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could harm our financial results and cash flows.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our results of operations, financial position and cash flows. Although a portion of our international sales are currently invoiced in United States dollars, we have implemented and continue to implement for certain countries and customers both invoicing and payment in foreign currencies. Our primary exposure to movements in foreign currency exchange rates relates to non-U.S. dollar denominated sales in Europe, Japan and Australia as well as our global operations, and non-U.S. dollar denominated operating expenses and certain assets and liabilities. In addition, weaknesses in foreign currencies for U.S. dollar denominated sales could adversely affect demand for our products. For example, the volatility and strengthening of the U.S. dollar in 2022 had a meaningful negative impact on our international revenue and our profitability. Conversely, a strengthening in foreign currencies against the U.S. dollar could increase foreign currency denominated costs. As a result, we may attempt to renegotiate pricing of existing contracts or request payment to be made in U.S. dollars. We cannot be sure that our customers would agree to renegotiate along these lines. This could result in customers eventually terminating contracts with us or in our decision to terminate certain contracts, which would adversely affect our sales.

We hedge our exposure to fluctuations in foreign currency exchange rates as a response to the risk of changes in the value of foreign currency-denominated assets and liabilities. We may enter into foreign currency forward contracts or other instruments, the majority of which mature within approximately five months. Our foreign

currency forward contracts reduce, but do not eliminate, the impact of currency exchange rate movements. For example, we do not execute forward contracts in all currencies in which we conduct business. In addition, we hedge to reduce the impact of volatile exchange rates on net revenue, gross profit and operating profit for limited periods of time. However, the use of these hedging activities may only offset a portion of the adverse financial effect resulting from unfavorable movements in foreign exchange rates.

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

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

In the past, there have been bankruptcies amongst our customer base, and certain of our customers' businesses face financial challenges that put them at risk of future bankruptcies. Although losses resulting from customer bankruptcies have not been material to date, any future bankruptcies could harm our business and have a material adverse effect on our operating results and financial condition. In addition, recent banking sector troubles and liquidity concerns in the financial services industry have impacted certain of our suppliers. Although such impacts have not resulted in material losses to date, any future bank sector disruptions could harm our business and have a material adverse effect on our operating results and financial condition. Furthermore, to the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, our customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

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

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

- changes in tax laws or the regulatory environment;
- changes in accounting and tax standards or practices;

60

[Table of Contents](#)

- changes in the composition of operating income by tax jurisdiction; and
- our operating results before taxes.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rate has fluctuated in the past and may fluctuate in the future. Future effective tax rates could be affected by changes in the composition of earnings in countries with differing tax rates, changes in deferred tax assets and liabilities, or changes in tax laws. Foreign jurisdictions have increased the volume of tax audits of multinational corporations. Further, many countries continue to consider changes in their tax laws by implementing new taxes such as the digital service tax and initiatives such as the Organization for Economic Co-operation and Development's (OECD) Pillar II global minimum tax. More than 140 countries agreed to enact the Pillar II global minimum tax. While the OECD issued a framework model, each country will enact its own laws to incorporate Pillar II. While Pillar II is a global model, the country by country enactment of different laws to incorporate the framework is complex and there is uncertainty as to how the enactment of these laws will impact the Company. These changes could increase our total tax burden in the future. In addition, the acceleration of employee mobility as a result of the pandemic potentially increases the jurisdictional tax risk of our workforce. Changes in tax laws could affect the distribution of our earnings, result in double taxation and adversely affect our results.

The Tax Cuts and Jobs Act of 2017 included provisions effective for the 2022 tax year that eliminate the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for domestic payments and 15 years for payments to foreign parties. These provisions have not been deferred, modified, or repealed by Congress as was previously anticipated might occur. In years where we are profitable, these provisions have a material impact on our cash taxes which will continue in the future if these provisions are not modified, or repealed by Congress.

We have been audited by the Italy Tax Authority ("ITA") for the 2004 through 2012 tax years. The ITA examination included an audit of income, gross receipts and value-added taxes. We have been in litigation with the ITA for the 2004 through 2012 years. This litigation was appealed by the ITA to the Italian Supreme Court. Our hearing on all years at the Italian Supreme Court was held on March 6, 2024. As of June 30, 2024, decisions Decisions were issued in the Company's favor for the

2007 2006 through 2012 tax years. As of June 30, 2024, decisions Decisions on the 2004 through 2006 tax years were reverted back to the lower court for re-hearing. If we are unsuccessful in defending our tax positions for the remaining years, our profitability will be reduced.

We are also subject to examination by other tax authorities, including state revenue agencies and other foreign governments. While we regularly assess the likelihood of favorable or unfavorable outcomes resulting from examinations by the IRS and other tax authorities to determine the adequacy of our provision for income taxes, there can be no assurance that the actual outcome resulting from these examinations will not materially adversely affect our financial condition and operating results. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.

Historically the computation of our tax provision assumes that we will have sufficient profitability in the respective jurisdictions to continue to record deferred tax assets without a valuation allowance. As of the period ended October 1, 2023, we determined that it was no longer more likely than not that we would have sufficient profitability to realize the U.S. federal and state deferred tax assets. Accordingly, we recorded a full valuation allowance to impair U.S. federal and state deferred tax assets. Future benefit of these deferred tax assets will be realized in the period they are utilized.

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

We are a global company subject to numerous U.S. and foreign laws and regulations. Many of these laws and regulations are continuously evolving and developing, and the interpretations, applications or impact of these laws and regulations on us are uncertain and could be interpreted in ways that harm our business. For example, we manufacture and sell products which contain electronic components, and such components may contain materials that are subject to government regulation in both the locations that we manufacture and assemble our products, as well as the locations where we sell our products. Certain regulations also limit the use of lead in electronic components. To our knowledge, we maintain compliance with all applicable

[Table of Contents](#)

current government regulations concerning the materials utilized in our products, for all the locations in which we operate. Since we operate on a global basis, this is a complex process which requires continual monitoring of regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with all existing regulations. There are areas where new regulations have been enacted which could increase our cost of the components that we utilize or require us to expend additional resources to ensure compliance. For example, the SEC's "conflict minerals" rules apply to our business, and we expended significant resources to ensure compliance. The implementation of these requirements by government regulators and our partners and/or customers could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of certain components used in our products. In addition, the supply-chain due diligence investigation required by the conflict minerals rules require expenditures of resources and management attention regardless of the results of the investigation. If there is an unanticipated new regulation or new interpretations or applications of existing laws and regulations which significantly impacts our use of various components or requires more expensive components, that regulation would have a material adverse impact on our business, financial condition and results of operations.

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

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

In addition to government regulations, many of our customers require us to comply with their own requirements regarding manufacturing, health and safety matters, corporate social responsibility, employee treatment, anti-corruption, use of materials, environmental concerns and other ESG considerations. Some customers may require us to periodically report on compliance with their unique requirements, and some customers reserve the right to audit our business for compliance. We are increasingly subject to requests for compliance with these customer requirements. For example, there has been significant focus from our customers as well as the press regarding corporate social responsibility policies and other ESG considerations. We regularly audit our manufacturers; however, any deficiencies in compliance by our manufacturers may harm our business and our brand. In addition, we may not have the resources to maintain compliance with these customer requirements and failure to comply may result in decreased sales to these customers, which may have a material adverse effect on our business, financial condition and results of operations.

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

[Table of Contents](#)

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

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

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations, including to countries, governments and persons targeted by U.S. embargoes or sanctions. Additionally, the current U.S. administration has been critical of existing trade agreements and may impose more stringent export and import controls. Obtaining the necessary export license or other authorization for a particular sale may be time consuming and may result in delay or loss of sales opportunities even if the export license ultimately is granted. While we take precautions to prevent our solutions from being exported in violation of these laws, including using authorizations or exceptions for our encryption products and implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons and countries, we have not

been able to guarantee, and cannot guarantee that the precautions we take will prevent all violations of export control and sanctions laws, including if purchasers of our products bring our products and services into sanctioned countries without our knowledge. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and incarceration could be imposed on employees and managers for criminal violations of these laws.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our products and services or our end-users' ability to utilize our solutions in their countries. Changes in our products and services or changes in import and export regulations may create delays in the introduction of our products in international markets.

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

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Although we have not recognized any material losses on our cash equivalents and short-term investments, future declines in their market values could have a material adverse effect on our financial condition and operating results. Given the global nature of our business, we have investments with both domestic and international financial institutions. Accordingly, we face exposure to fluctuations in interest rates, which may limit our investment income. If these financial institutions default on their obligations or their credit ratings are negatively impacted by liquidity issues, credit deterioration or losses, financial results, or other factors, the value of our cash equivalents and short-term investments could decline and result in a material impairment, which could have a material adverse effect on our financial condition and operating results.

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

Any additional governmental regulation of imports or exports or failure to obtain required export approval of our encryption technologies could adversely affect our international and domestic sales. The United States and various foreign governments have imposed controls, export license requirements, and restrictions on the import or export of some technologies, particularly encryption technology. In addition, from time to time, governmental agencies have proposed additional regulation of encryption technology, such as requiring the escrow and governmental recovery of private encryption keys. In response to terrorist activity, governments could enact additional regulation or restriction on the use, import, or export of encryption technology. This additional regulation of encryption technology could delay or prevent the acceptance and use of encryption products and public networks for secure communications, resulting in decreased demand for our products and services. In addition, some foreign

Table of Contents

competitors are subject to less stringent controls on exporting their encryption technologies. As a result, they may be able to compete more effectively than we can in the United States and the international Internet security market.

If our goodwill becomes impaired, as occurred in 2022, we may be required to record a significant charge to earnings.

Goodwill is required to be tested for impairment at least annually. Factors that may be considered when determining if the carrying value of our goodwill may not be recoverable include a significant decline in our expected future cash flows or a sustained, significant decline in our stock price and market capitalization.

As a result of our acquisitions, we have significant goodwill recorded on our balance sheets. In addition, significant negative industry or economic trends, such as those that have occurred as a result of the recent economic downturn, including reduced estimates of future cash flows or disruptions to our business could indicate that goodwill might be impaired. If, in any period our stock price decreases to the point where our market capitalization is less than our book value, this too could indicate a potential impairment and we may be required to record an impairment charge in that period. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on projections of future operating performance. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit. For example, in 2022, the market price of our common stock and market capitalization declined and the U.S. WiFi market contracted, which had a significant negative impact on our Connected Home business. As a result, we recognized a goodwill impairment charge in the first quarter of 2022. We have not recognized any impairment charge on our NETGEAR for Business reporting unit. However, we operate in highly competitive environments and projections of future operating results and cash flows may vary significantly from actual results. As a result, we may incur substantial impairment charges to earnings in our financial statements should an impairment of our goodwill be determined on our NETGEAR for Business reporting unit, resulting in an adverse impact on our results of operations.

General Risk Factors

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

Changes in our management team may disrupt our business, strategic and employee relationships, which may delay or prevent the achievement of our business objectives. During the transition periods, there may be uncertainty among investors, employees and others concerning our future direction and performance. For example, we appointed a new Chief Executive Officer effective January 31, 2024 and have made other leadership changes and hires. The failure to successfully transition could adversely affect our results of operations. We do not maintain any key person life insurance policies. Our business model requires extremely skilled and experienced senior management who are able to withstand the rigorous requirements and expectations of our business. Our success depends on senior management being able to execute at a very high level. The loss of our senior management or other key engineering, research, development, sales or marketing personnel, particularly if lost to competitors, could harm our ability to implement our business strategy and respond to the rapidly changing needs of our business. Our future success also depends on our ability to hire for key functions. The market for talent in the technology industry, especially in the areas of software and subscription services is competitive, and we may not have the resources to compete at the same level as larger companies who are able to offer more compelling compensation packages. Therefore, our ability to recruit new talent and retain existing talent may be adversely affected, and as a result our business as a whole may suffer. While we believe that we have mitigated some of the business execution and business continuity risk with our organization into two business segments with separate leadership teams, the loss of any key personnel would still be disruptive and harm our business, especially given that our business is leanly staffed and relies on the expertise and high performance of our key personnel.

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

Our business has been and may continue to be affected by a number of factors that are beyond our control, such as general geopolitical, economic and business conditions, conditions in the financial markets, and changes in the overall demand for Pro AV, networking and smart home products. A severe and/or prolonged economic downturn could adversely affect our customers' financial condition and the levels of business activity of our customers. Weakness in, and uncertainty about, global economic conditions may cause businesses to postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for networking products. Adverse changes in economic conditions, including inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations

[Table of Contents](#)

could adversely impact the demand and sale of our products to end users and the quantity of products our customers decide to purchase from us (or change the mix of products demanded) and make it more challenging to forecast our operating results and make business decisions. For example, during the fourth quarter of 2022, our APAC sales were damped by a sudden economic downturn in China due to sudden, widespread COVID-19 infections and illnesses.

The uncertainty in global and regional economic conditions have also affected the financial markets and financial institutions on which we rely and have resulted in a number of adverse effects including a low level of liquidity in many financial markets, banking sector disruptions, extreme volatility in credit, equity, currency and fixed income markets, instability in the stock market, high inflation and high unemployment. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses. If we are unable to successfully anticipate changing economic, geopolitical and financial conditions, we may be unable to effectively plan for and respond to those changes which could further disrupt our business or limit our ability to access certain assets and materially adversely affect our business and results of operations.

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

Furthermore, uncertainty about, or worsening of economic conditions could adversely affect consumer sentiment and demand for our products and services. Consumer confidence and spending could be adversely affected by financial market volatility, negative financial news, conditions in the real estate, mortgage and

technology markets, declines in income or asset values, changes to fuel and other energy costs, labor reductions, labor and healthcare costs and other economic factors. This could also impact the quantity of products our customers decide to purchase from us and may have a longer-term impact on the inventory levels these customers choose to carry. Lower demands could also impact manufacturing capacity utilization and contribute to further increased component costs. These and other economic factors could materially and adversely affect our revenue and results of operations.

Political events, war, terrorism, public health issues, climate changes, natural disasters, sudden changes in trade and immigration policies, and other circumstances could materially adversely affect us.

Our corporate headquarters are located in Northern California and one of our warehouses is located in Southern California. Substantially all of our critical enterprise-wide information technology systems, including our main servers, are currently housed in colocation facilities in Arizona and different geographic regions in the United States. The majority of our manufacturing occurs in Southeast Asia and mainland China. Each of these regions are known for or susceptible to seismic activity and other natural disasters, such as drought, wildfires, storms, sea-level rise, and flooding. Furthermore, the global effects of climate change have resulted in increased frequency and severity of these extreme weather events and could cause physical damage or disrupt operations. If our manufacturers or warehousing facilities are disrupted or destroyed, we would be unable to distribute our products on a timely basis, which could harm our business. This could also lead to increased costs and decreased revenues.

In addition, health epidemics, war, terrorism, geopolitical uncertainties, social and economic instability, public health issues, sudden changes in trade and immigration policies (such as the higher tariffs on certain products imported from China, U.S. sanctions against Russia as a result of the Russia-Ukraine dispute, the Israel-Hamas conflict, and Red Sea crisis), and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a strong negative effect on us, our suppliers, logistics providers, manufacturing vendors and customers. Our business operations are subject to interruption by natural disasters, fire, power shortages, geopolitical disputes or conflicts, terrorist attacks and other hostile acts, labor disputes, public health issues, and other events beyond our control. In addition, in the past, labor disputes at third-party manufacturing facilities have led to workers going on strike, and labor unrest could materially affect our third-party manufacturers' abilities to manufacture our products.

Such events could decrease demand for our products, make it difficult, more expensive or impossible for us to make and deliver products to our customers or to receive components from our direct or indirect suppliers, and create delays and inefficiencies in our supply chain. Wars or geopolitical conflicts, major public health issues, including pandemics such as COVID-19, could negatively affect us through more stringent employee travel restrictions, additional limitations in freight

[**Table of Contents**](#)

services or increase in freight costs, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in the operations of our manufacturing vendors and component suppliers.

Our stock price has experienced recent volatility and may be volatile in the future and your investment in our common stock could suffer a decline in value.

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

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

- actual or anticipated fluctuations in our operating results or our competitors' operating results;
- actual or anticipated changes in the growth rate of the general networking sector, our growth rates or our competitors' growth rates;
- conditions in the financial markets in general or changes in general economic, political and market conditions, including government efforts to manage economic downturns or control inflation;
- novel and unforeseen market forces and trading strategies, such as the massive short squeeze rally caused by retail investors on companies such as GameStop;
- actual or anticipated changes in governmental regulation, including taxation and tariff policies;
- interest rate or currency exchange rate fluctuations;

- our ability to forecast or report accurate financial results; and
- changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally.

We are required to evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation, including restatements of our issued financial statements, could impact investor confidence in the reliability of our internal controls over financial reporting.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. Such report must contain among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. From time to time, we conduct internal investigations as a result of whistleblower complaints. In some instances, the whistleblower complaint may implicate potential areas of weakness in our internal controls. Although all known material weaknesses have been remediated, we cannot be certain that the measures we have taken ensure that restatements will not occur in the future. Execution of restatements create a significant strain on our internal resources and could cause delays in our filing of quarterly or annual financial results, increase our costs and cause management distraction. Restatements may also significantly affect our stock price in an adverse manner.

Continued performance of the system and process documentation and evaluation needed to comply with Section 404 is both costly and challenging. During this process, if our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective as of the end of a fiscal year or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which may have an adverse effect on our stock price.

[Table of Contents](#)

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Repurchase of Equity Securities by the Company

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
				— 1.7
April 1, 2024 - April 28, 2024	6,358	\$ 15.70	—	1.7
April 29, 2024 - May 26, 2024	915,494	\$ 12.82	765,069	0.9
May 27, 2024 - June 30, 2024	43,193	\$ 13.85	34,769	0.9
Total	965,045	\$ 12.88	799,838	

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
				— 1.7

July 1, 2024 - July 28, 2024	—	\$	—	—	3.9
July 29, 2024 - August 25, 2024	110,768	\$	15.02	98,784	3.8
August 26, 2024 - September 29, 2024	12,993	\$	19.62	—	3.8
Total	123,761	\$	15.50	98,784	

⁽¹⁾ From time to time, our Board of Directors has authorized programs under which we may repurchase shares of our common stock, depending on market conditions, in the open market or through negotiated transactions. On July 16, 2024, the Board of Directors authorized management to repurchase up to 3.0 million shares of our outstanding common stock, incremental to the remaining share of our previous repurchase program.

⁽²⁾ During the three months ended **June 30, 2024** **September 29, 2024**, we repurchased and retired, as reported on trade date, approximately **165,000** **25,000** shares of common stock at a cost of approx **\$2.4 million** **\$0.4 million** to facilitate tax withholding for Restricted Stock Units.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

None. None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Exhibit Index			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation of the registrant	10-Q	8/4/2017	3.1	
3.2	Amended and Restated Bylaws of the registrant	8-K	4/20/2018	3.2	
4.1	Form of registrant's common stock certificate	S-1/A	7/14/2003	4.1	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer				X
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer				X
32.1#	Section 1350 Certification of Principal Executive Officer				X
32.2#	Section 1350 Certification of Principal Financial Officer				X

Exhibit Number	Exhibit Description	Exhibit Index			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of incorporation of the registrant	10-Q	8/4/2017	3.1	

3.2	Amended and Restated Bylaws of the registrant	8-K	4/20/2018	3.2
4.1	Form of registrant's common stock certificate	S-1/A	7/14/2003	4.1
10.1	Office Lease, dated as of September 26, 2024, by and between the registrant and A&M PEAK FIRST STREET, LLC			X
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer			X
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer			X
32.1#	Section 1350 Certification of Principal Executive Officer			X

67

[Table of Contents](#)

32.2#	Section 1350 Certification of Principal Financial Officer	X
101.INS	Inline XBRL Instance Document ■ the instance document does not appear in the Interactive Data File because as its XBRL tags are embedded within the Inline XBRL document. document	X
101.SCH	Inline XBRL Taxonomy Extension Schema ■ Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation With Embedded 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 Documents	X
104*	Cover Page Interactive Data File page formatted as Inline XBRL and contained in ■ Exhibit 101	X
#	This certification is deemed to accompany this Form 10-Q and will not be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section. This certification will not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.	

[Table of Contents](#)**SIGNATURES**

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

NETGEAR, INC.

Registrant

/s/ BRYAN D. MURRAY

Bryan D. Murray

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: **August 2, 2024** November 1, 2024

3553 N. FIRST STREET LEASE

A&M PEAK FIRST STREET, LLC,

a Delaware limited liability company, as Landlord,

and

NETGEAR, INC.,

a Delaware corporation, as Tenant

SUMMARY OF BASIC LEASE INFORMATION

This Summary of Basic Lease Information ("Summary") is hereby incorporated into and made a part of the attached Lease. Each reference in the Lease to any term of this

Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Lease, the terms of the Lease shall prevail.

Any capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Lease.

TERMS OF LEASE(References are to the Lease) **DESCRIPTION**

1. Date: September 26, 2024

2. Landlord: A&M PEAK FIRST STREET, LLC, a Delaware limited liability company

3. Address of Landlord (Section 24.19): c/o Alvarez & Marsal Capital Real Estate, LLC

2276 E. Maple Avenue

El Segundo, CA 90245 Attention: Mark A. Velarde

with a copy to:

Allen Matkins Leck Gamble Mallory & Natsis LLP 865 South Figueroa Street, Suite 2800

Los Angeles, California 90017-2543 Attention: David B. Stone, Esq.

4. Tenant: Netgear, Inc., a Delaware corporation

5. Address of Tenant (Section 24.19): Prior to Lease Commencement Date:

Netgear, Inc.

350 E. Plumeria Drive

San Jose, California 95134

Attention: Director of Workplace Operations with a copy to:

Netgear, Inc.

350 E. Plumeria Drive

San Jose, California 95134 Attention: General Counsel

with a copy to:

Rimon Law, PC

800 Oak Grove Avenue, Suite 250 Menlo Park, CA 94025

Attention: Derek A. Ridgway, Esq.

After Lease Commencement Date:

Netgear, Inc.

3553 N. First Street

San Jose, California 95134

Attention: Director of Workplace Operations with a copy to:

Netgear, Inc.

3553 N. First Street

San Jose, California 95134 Attention: General Counsel

with a copy to:

Rimon Law, PC

800 Oak Grove Avenue, Suite 250 Menlo Park, CA 94025

Attention: Derek A. Ridgway, Esq.

6. Premises (Article 1):

6.1

Premises: The parcel of land situated in the City of San Jose, State of California, described on Exhibit A-1, together with all improvements thereon, including, but not limited to the Building (as defined below) and all parking areas located thereon.

6.2

Building: That certain commercial building located on the Land (as defined in the Lease), containing approximately 89,409 rentable square feet of space, whose street address is 3553 N. First Street, San Jose, California 95134, as depicted on Exhibit A attached hereto.

7. Term (Article 2):

7.1 Lease Term: One hundred thirty-two (132) months.

7.2 Lease Commencement Date: October 1, 2025. Notwithstanding the foregoing, for the

avoidance of doubt, the terms and provisions of this Lease shall be effective as of the date of execution of this

Lease.

7.3 Lease Expiration Date: September 30, 2036.

8. Base Rent (Article 3):

<u>Months of Lease Term*</u>	<u>Annual Base Rent</u>	<u>Monthly Installment of Base Rent</u>	<u>Monthly Base Rent Rate per Rentable Square Foot of Premises</u>
10/1/25 – 9/30/26	\$3,379,660.20	\$281,638.35	\$3.15
10/1/26 – 9/30/27	\$3,476,221.92	\$289,685.16	\$3.24
10/1/27 – 9/30/28	\$3,583,512.72	\$298,626.06	\$3.34
10/1/28 – 9/30/29	\$3,690,803.52	\$307,566.96	\$3.44
10/1/29 – 9/30/30	\$3,808,823.40	\$317,401.95	\$3.55
10/1/30 – 9/30/31	\$3,916,114.20	\$326,342.85	\$3.65
10/1/31 – 9/30/32	\$4,034,134.08	\$336,177.84	\$3.76
10/1/32 – 9/30/33	\$4,152,153.96	\$346,012.83	\$3.87
10/1/33 – 9/30/34	\$4,280,902.92	\$356,741.91	\$3.99
10/1/34 – 9/30/35	\$4,409,651.88	\$367,470.99	\$4.11
10/1/35 – 9/30/36	\$4,538,400.84	\$378,200.07	\$4.23

*Subject to abatement of monthly pursuant to Section 3.2 of the Lease.

9. Tenant's Share of Operating Expenses, Tax 100%.

Expenses and Utilities Costs

(Section 4.2.6):

10. LC Amount (Letter of Credit Rider): \$2,000,000.00, subject to reduction pursuant to the Letter of Credit Rider.11. Brokers (Section 24.25): Jones Lang LaSalle, representing Tenant and Newmark Knight Frank, representing Landlord.12. Parking (Article 23): 100% of the parking spaces within the Surface Parking Areas, consisting of approximately two hundred eighty-one (281) parking spaces13. Option Terms Two (2), five (5) year, renewal option, as more particularly set forth in the Extension Option Rider attached to this Lease.INDEX

Page(s)

ARTICLE 1 REAL PROPERTY, BUILDING AND PREMISES 1

ARTICLE 2 LEASE TERM 2

ARTICLE 3 BASE RENT 3

ARTICLE 4 ADDITIONAL RENT 3

ARTICLE 5 USE OF PREMISES 7

ARTICLE 6 SERVICES AND UTILITIES 9

ARTICLE 7 REPAIRS 10

ARTICLE 8 ADDITIONS AND ALTERATIONS 11

ARTICLE 9 COVENANT AGAINST LIENS 13

ARTICLE 10 INDEMNIFICATION AND INSURANCE 13

ARTICLE 11 DAMAGE AND DESTRUCTION 15

ARTICLE 12 CONDEMNATION 15

ARTICLE 13 COVENANT OF QUIET ENJOYMENT 16

ARTICLE 14	ASSIGNMENT AND SUBLetting	16
ARTICLE 15	SURRENDER; OWNERSHIP AND REMOVAL OF PERSONAL PROPERTY	18
ARTICLE 16	HOLDING OVER	19
ARTICLE 17	ESTOPPEL CERTIFICATES	19
ARTICLE 18	SUBORDINATION	19
ARTICLE 19	TENANT'S DEFAULTS; LANDLORD'S REMEDIES	19
ARTICLE 20	SECURITY DEPOSIT	21
ARTICLE 21	COMPLIANCE WITH LAW	22
ARTICLE 22	ENTRY BY LANDLORD	22
ARTICLE 23	PARKING	23
ARTICLE 24	MISCELLANEOUS PROVISIONS	24

EXHIBITS

A OUTLINE OF FLOOR PLAN OF BUILDING A-1		LEGAL DESCRIPTION
A-2	SITE PLAN	
A-3	DEPICTION OF EV CHARGING LOCATIONS	
B	TENANT WORK LETTER	
C	AMENDMENT TO LEASE	
D	RULES AND REGULATIONS	
E	LIST OF PERMITTED HAZARDOUS MATERIALS	

EXTENSION OPTION RIDER LETTER OF CREDIT RIDER

3553 N. FIRST STREET

LEASE

This Lease, which includes the preceding Summary and the exhibits attached hereto and incorporated herein by this reference (the Lease, the Summary and the exhibits to be known sometimes collectively hereafter as the "Lease"), dated as of the date set forth in Section 1 of the Summary, is made by and between A&M PEAK FIRST STREET, LLC, a Delaware limited liability company ("Landlord"), and NETGEAR, INC., a Delaware corporation ("Tenant").

ARTICLE 1

REAL PROPERTY, BUILDING AND PREMISES

1.1 Real Property, Building and Premises.

1.1.1 Grant of Premises. Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises described in Section 6.1 of the Summary (the "Premises"), including, without limitation, the (i) the building described in Section 6.2 of the Summary (the "Building"), (ii) the surface parking areas servicing the Building (collectively, the "Surface Parking Areas"), (iii) any outside plaza areas, walkways, driveways, courtyards, public and private streets, transportation facilitation areas and other improvements and facilities now or hereafter constructed on the Land (as defined below) that surrounds and/or services the Building, and are designated from time to time by Landlord as common areas appurtenant to or servicing the Building and any such other improvements (collectively, the "Outside Areas"), and (iv) the land upon which any of the foregoing are situated, as more particularly described on Exhibit A-1 attached hereto (the "Land"). The Premises is sometimes collectively referred to herein as, the "Real Property". A site plan of the Real Property is attached hereto as Exhibit A-2. Tenant agrees and acknowledges that (A) Tenant's lease of the Premises is subject to that certain Ground and Rooftop Lease Agreement dated as of April 18, 2002 (the "Verizon Lease"), between Netiq Corporation, a Delaware corporation (Landlord's predecessor-in-interest) and GTE Mobilnet of California Limited Partnership d/b/a Verizon Wireless ("Verizon"), which Verizon Lease relates to a portion of the rooftop of the Building, a portion of the ground area of the Premises, connection and access rights and a twenty-foot right of way relating thereto, and (B) Tenant will be bound by the same provisions that are binding on Landlord under the Verizon Lease.

1.1.2 Tenant's and Landlord's Rights. Although Tenant is leasing the entire Building, Landlord and Landlord's agents, contractors, employees, licensees and invitees shall have the right (including the right of access) to the roof and the exterior faces of all exterior walls of the Building, and shall have the right of access to and use of the risers and conduits of the Building as described below and the right of access to the Building to perform its obligations and exercise its rights under this Lease in the manner provided in Article 22 below. Subject to the terms of this Lease, Tenant shall have 24/7 access to the Premises and Outside Areas. Subject to Landlord's rights in this Section 1.1.2, Tenant is hereby granted possession of the Surface Parking Areas (pursuant to Article 23 below) and the Outside Areas; provided, however, that (i) Tenant's use thereof shall be subject to (A) the provisions of any declarations, reciprocal easement agreements, covenants, conditions and restrictions regarding the use thereof hereafter recorded against the Real Property (if applicable, and as may be amended or otherwise modified, collectively, the "CC&R's"), and (B) such reasonable, non-discriminatory rules and regulations as Landlord may make from time to time that do not materially increase Tenant's obligations or decrease Tenant's rights under the Lease (which shall be provided in writing to Tenant), and (ii) except as otherwise expressly provided in this Lease, Tenant may not go on the roof of Building without advance notice to Landlord and without otherwise being accompanied by a representative of Landlord, if requested by Landlord, except in an emergency. Landlord reserves the right from time to time to use any of the exterior portions of the Building and/or the Real Property and the Outside Areas, and the roof, risers and conduits of the Building for telecommunications and/or any other purposes, and to do any of the following: (1) make any changes, additions, improvements, repairs and/or replacements in or to the Real Property or any portion or elements thereof (including the Outside Areas); (2) close temporarily any of the common areas or other elements of the Real Property (including the Outside Areas) while engaged in making repairs, improvements or alterations to the Real Property; and (3) perform such other acts and make such other changes with respect to the Real Property as Landlord may, in the exercise of good faith business judgment, deem to be appropriate; provided, however, in connection with such use, Landlord shall coordinate the same with Tenant and use commercially reasonable efforts to mitigate any interference with Tenant's operations.

1.2 Condition of Premises; Landlord's Work.

1.2.1 Condition of Premises. Except as expressly set forth in this Lease and in the Tenant Work Letter attached to this Lease as Exhibit B (the "Tenant Work Letter"), Landlord shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the improvement, remodeling or refurbishment of the Premises, and Tenant shall accept the Premises (including, without limitation, the existing Systems and Equipment located in the Building and the Building roof) in its "AS IS" condition on the date of this Lease, the Delivery Date and on the Lease Commencement Date.

1.2.2 Landlord's Work. Notwithstanding Section 1.2.1 above to the contrary, Landlord shall, at Landlord's expense, using Building standard materials and in accordance with Building standards, perform the following work in the Premises (collectively, "Landlord's Work"): (i) upgrade the electrical power serving the Premises to 4,000 amp (277/480V) with a new

transformer and switchgear serving the Premises; (ii) install six (6) dual-head ChargePoint EV charging stations (Leviton Model EVR-Green 4000) in the location depicted on Exhibit A-3 attached hereto, and (iii) restripe the Surface Parking Areas. In connection with such work, Landlord shall coordinate any planned shutdown of operations with Tenant. For purposes of this Lease, Landlord's Work shall be deemed "**Substantially Completed**" upon the completion of the foregoing items substantially in accordance with this Section 1.2, with the exception of any punchlist items. If

1

Landlord shall encounter any delays in causing Landlord's Work to be Substantially Completed as a result of any acts or omissions of Tenant, or its agents, contractors, employees, licensees or invitees pursuant to Tenant's early entry pursuant to Section 2.4 below, Tenant's construction of the Tenant Improvements, as defined in and pursuant to the Tenant Work Letter, or otherwise, such delays shall be referred to herein as "**Tenant Delays**". Notwithstanding the foregoing to the contrary, except as otherwise provided in the Tenant Work Letter, (A) no Tenant Delay shall be deemed to have occurred unless and until Landlord has provided written notice to Tenant (the "**Tenant Delay Notice**") specifying the action or inaction by Tenant which Landlord contends constitutes the Tenant Delay, and (B) if such action or inaction is not cured by Tenant within one (1) business day after receipt of such Tenant Delay Notice (the "**Tenant Delay Grace Period**"), then a Tenant Delay, as set forth in such Tenant Delay Notice, shall be deemed to have occurred commencing as of the expiration of the Tenant Delay Grace Period; provided that Tenant shall only be permitted an aggregate of three (3) days of Tenant Delay Grace Period and, thereafter, a Tenant Delay shall commence upon the delivery of the Tenant Delay Notice to Tenant.

1.2.3 Non-Compliance Notice. If (i) as of the Delivery Date, the base Building systems and equipment serving the Premises, the roof and/or the structural elements of the Building are not in good order, condition and repair (the "**Non-Compliance Condition**"), and (ii) Tenant becomes aware of such Non-Compliance Condition and delivers to Landlord written notice (the "**Non-Compliance Notice**") of such Non-Compliance Condition prior to the date (the "**Non-Compliance Outside Date**") that is twelve (12) months after the Delivery Date, then Tenant's sole remedy shall be that Landlord shall, at Landlord's sole cost and expense (which shall not be included in Operating Expenses), do that which is necessary to correct such Non-Compliance Condition within a reasonable period of time after Landlord's receipt of the Non-Compliance Notice. If Tenant fails to deliver the Non-Compliance Notice to Landlord on or prior to the Non-Compliance Outside Date, then Landlord shall have no obligation to perform such corrective work of such Non-Compliance Condition described hereinabove at Landlord's sole cost and expense (but such release of such obligation shall not relieve Landlord of its other obligations under this Lease).

1.2.4 Acceptance of Inconveniences. Tenant acknowledges that Landlord will be performing Landlord's Work during Tenant's occupancy of the Premises, and Tenant agrees that: (i) such performance of Landlord's Work may render the Premises without power for approximately 2-8 weeks (the "**Power Down Time**"); (ii) Tenant shall cooperate with Landlord and Landlord's schedule of performance of Landlord's Work during such occupancy so that Landlord may timely perform Landlord's Work without unreasonable interference from Tenant (and in connection therewith, Landlord may cause Landlord's Work to be performed during normal business hours as reasonably necessary to complete the same in a timely manner, without any obligation to pay overtime or other premiums); and (iii) Tenant shall accept all inconveniences associated with the performance of Landlord's Work and agrees that the performance of Landlord's Work shall not constitute a constructive eviction of Tenant, nor entitle Tenant to any rent abatement, compensation or other damages from Landlord, nor subject Landlord to any liability, except for any injury to persons or damage to property (but not loss of business or other consequential damages) to the extent caused by Landlord's gross negligence or willful misconduct and not insured or required to be insured by Tenant under the Lease. In connection with the Power Down Time, Landlord shall not be liable for damages, by abatement of Rent or otherwise and the Power Down Time shall not be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Notwithstanding the foregoing, Landlord shall provide temporary power service through PG&E to Tenant during such Power Down Time at Landlord's cost; provided, however, that if temporary power service is not available through PG&E during the Power Down Time, Landlord shall, at Landlord's cost, provide temporary power to the Premises for 8-10 hours per day through a temporary power generator so long as the cost thereof does not exceed

\$15,000.00 per week. In the event that the temporary power is provided by PG&E, Tenant shall pay for the cost of the electricity actually consumed by Tenant during such Power Down Time.

1.3 Rentable Square Feet. The parties hereby confirm and stipulate that the Premises contain the rentable square feet set forth in Section 6.2 of the Summary, and such square footage amount is not subject to adjustment or remeasurement by Landlord or Tenant. Accordingly, there shall be no adjustment in the Base Rent or other amounts set forth in this Lease which are determined based upon rentable square feet of the Premises.

1.4 Triple Net Lease. Landlord and Tenant acknowledge that, except as otherwise provided to the contrary in this Lease, it is the parties intent and agreement that this Lease be a "TRIPLE NET" lease and that as such, the provisions contained in this Lease are intended to pass on to Tenant and/or reimburse Landlord for the costs and expenses reasonably associated with this Lease, the Building and the Real Property, and Tenant's operation therefrom to the end that Landlord shall receive all Rent (as defined below) provided for herein free and undiminished by any expenses, charges, fees, taxes and assessments, and Landlord shall not be obligated to perform any acts, or be subject to any liabilities, or to make any payments, except as otherwise specifically and expressly provided in this Lease. To the extent such costs and expenses payable by Tenant cannot be charged directly to, and paid by, Tenant, such costs and expenses shall be paid by Landlord but reimbursed by Tenant as Additional Rent (as defined below).

ARTICLE 2

LEASE TERM

2.1 Lease Term. The terms and provisions of this Lease shall be effective as of the date of this Lease except for the provisions of this Lease relating to the payment of Rent. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 7.1 of the Summary and shall commence on the date (the "**Lease Commencement Date**") set forth in Section 7.2 of the Summary, and shall terminate on the date (the "**Lease Expiration Date**") set

forth in Section 7.3 of the Summary, unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) month period during the Lease Term, provided that the last Lease Year shall end on the Lease Expiration Date.

2.2 Abatement Penalty. Notwithstanding Section 2.1 above to the contrary, if Landlord is unable to

2

cause Landlord's Work to be Substantially Completed on or before September 1, 2025 (the "**Outside Work Date**"), as such Outside Work Date shall be extended day for day for each day Landlord is delayed in causing Landlord's Work to be Substantially Completed as a result of delays due to Force Majeure (as defined below) and/or Tenant Delays, then Landlord shall, in addition to the Abated Rent (as defined below), abate one (1) day of Base Rent for every one (1) day beyond the Outside Work Date (as so extended) that Landlord fails to cause Landlord's Work to be Substantially Completed, with such abatement (the "**Delay Abatement**") to be credited against Base Rent commencing following the Abatement Period (as defined below). Except as expressly provided in Section 2.3 below, the abatement right afforded to Tenant under this Section 2.2 shall be Tenant's sole and exclusive remedy for Landlord's failure to cause Landlord's Work to be Substantially Completed on or before the Outside Work Date, as it may be extended as provided hereinabove.

2.3 Termination Right. Notwithstanding anything to the contrary contained in this Lease, if Landlord, despite its diligent efforts, fails to cause Landlord's Work to be Substantially Completed on or before July 1, 2026 (the "Work Termination Date"), as such Work Termination Date shall be extended day for day for each day Landlord is delayed in causing Landlord's Work to be Substantially Completed as a result of delays due to Force Majeure and/or Tenant Delays, then either Landlord or Tenant may elect to terminate this Lease by delivering to the other party written termination notice on or prior to the date which is ten (10) days following the Work Termination Date (as may be so extended); provided, however, Tenant may nullify any election by Landlord to terminate this Lease by delivering written notice to Landlord (within ten (10) days after Tenant's receipt of Landlord's termination notice), in which case, (i) Landlord's obligation to provide further Delay Abatement shall be waived as of the termination date indicated in Landlord's termination notice, and (ii) Tenant shall have the right to take over and complete Landlord's Work at Landlord's cost, plus a two percent (2%) supervision and administrative fee on such costs (except that Landlord's total reimbursement obligation shall not exceed \$500,000.00). Except for Tenant's abatement right in Section 2.2 above, the termination right afforded to Tenant under this Section 2.3 shall be Tenant's sole and exclusive remedy for Landlord's failure to cause Landlord's Work to be Substantially Completed on or before the Work Termination Date, as it may be extended as provided hereinabove. Time is of the essence for the delivery of Landlord's and Tenant's termination notice under this Section 2.3; accordingly, if Landlord or Tenant fails to timely deliver such notice, then such party's right to terminate this Lease shall expire and be of no further force or effect as of the date such party fails to timely deliver such termination notice.

2.4 Early Possession. Tenant shall have the right to occupy the Premises prior to the Lease Commencement Date after Landlord's delivery of possession of the Premises to Tenant (with the date upon which Landlord actually delivers possession of the Premises to Tenant being hereinafter referred to as the "Delivery Date") for the purpose of completing alterations to the Premises pursuant to the Tenant Work Letter and/or for occupancy and the commencement of business operations following completion of the alterations under the Tenant Work Letter. The Delivery Date shall occur within thirty (30) days following the date (the "Anticipated Delivery Date") that this Lease is mutually executed and delivered by the parties and Tenant has delivered to Landlord all required Lease Commencement Date deliverables (e.g., the first (1st) months' installment of Base Rent and Estimated Expenses, the Security Deposit, insurance certificates, etc.). During such early occupancy, Tenant agrees to observe and perform all the provisions of this Lease, except those which require payment of Base Rent or Tenant's Share of Operating Expenses, Tax Expenses, and Utilities Costs.

ARTICLE 3

BASE RENT

3.1 Base Rent. Tenant shall pay, without notice or demand, to Landlord or Landlord's agent at such place as Landlord may from time to time designate in writing, in currency or a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, or at Landlord's election, by wire or ACH transfer or as otherwise specified by Landlord, base rent ("Base Rent") as set forth in Section 8 of the Summary, payable in equal monthly installments as set forth in Section 8 of the Summary in advance on or before the first day of each and every month during the Lease Term, without any setoff or deduction whatsoever. Concurrently with Tenant's execution of this Lease, Tenant shall deliver to Landlord the following: (i) the Base Rent payable by Tenant for the Premises for the seventh (7th) full month of the Lease Term; and (ii) the Estimated Expenses (as defined below) payable by Tenant for the Premises for the first (1st) full month of the Lease Term. If any rental payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 Abatement of Base Rent. Notwithstanding anything to the contrary contained herein and so long as Tenant is not then in default under this Lease beyond any applicable notice and cure periods, Landlord hereby agrees to abate Tenant's obligation to pay the monthly installments of Base Rent otherwise payable by Tenant for the Premises (collectively, the "Abated Rent") during the following periods (collectively, the "Abatement Period"): (i) October 1, 2025 through December 31, 2025, and (ii) the following calendar months: October, 2026, October, 2027, October.

2028, October, 2029, October, 2030, October, 2031, October, 2032, October, 2033 and October, 2034. During the Abatement Period, Tenant shall remain responsible for the payment of all of its other monetary obligations under this

3

Lease. In the event of a default by Tenant under the terms of this Lease that results in the early termination of this Lease pursuant to the provisions of Article 19 below, then as a part of the recovery set forth in Article 19 below, Landlord shall be entitled to recover, and Tenant shall pay to Landlord, the unamortized balance of the Abated Rent. For purposes of this Section 3.2, the Abated Rent shall be amortized on a straight-line basis over the scheduled 132- month initial Lease Term, and the unamortized portion thereof shall be determined based upon the unexpired portion of such initial Lease Term as of the date of such early termination.

ARTICLE 4

ADDITIONAL RENT

4.1 Additional Rent. In addition to paying the Base Rent specified in Article 3 above, Tenant shall pay, as additional rent, the sum of the following: (i) Tenant's Share (as such term is defined below) of the annual Operating Expenses, subject however, to the provisions of Section 4.3.4 below; plus (ii) Tenant's Share of the annual Tax Expenses; plus (iii) Tenant's Share of the annual Utilities Costs. Such additional rent, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease (including, without limitation, pursuant to Article 6), shall be hereinafter collectively referred to as the "Additional Rent." The Base Rent and Additional Rent are herein collectively referred to as the "Rent" and shall constitute "Rent" within the meaning of California Civil Code Section 1951(a). All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent. Without limitation on other obligations of Tenant which shall survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 Definitions. As used in this Article 4, the following terms shall have the meanings hereinafter set

forth:

4.2.1 "Calendar Year" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.2 "Expense Year" shall mean each Calendar Year.

4.2.3 "Operating Expenses" shall mean all expenses, costs and amounts of every kind and nature which Landlord shall pay during any Expense Year because of or in connection with the ownership, management, maintenance, repair, restoration or operation of the Real Property, including, without limitation, any amounts paid for: (i) the cost of operating, maintaining, repairing, renovating and managing the utility systems, mechanical systems, sanitary and storm drainage systems, any elevator systems (if applicable) and all other Systems and Equipment (as defined below), and the cost of supplies and equipment and maintenance and service contracts in connection therewith (provided, however, Operating Expenses shall not include any such costs pertaining to the Systems and Equipment located in the Building to the extent Tenant is responsible for directly providing or paying for the cost of such operation, maintenance, repair, renovation and management of such Systems and Equipment located in the Building pursuant to Articles 6 and/or 7 below); (ii) the cost of licenses, certificates, permits and inspections, and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with implementation and operation (by Landlord or any common area association(s) formed for the Real Property) of any transportation system management program or similar program; (iii) the cost of insurance carried by Landlord, in such amounts as Landlord may reasonably determine or as may be required by any mortgagees of any mortgage or the lessor of any ground lease affecting the Real Property; (iv) the cost of landscaping, relamping, supplies, tools, equipment and materials, and all fees, charges and other costs (including consulting fees, legal fees and accounting fees) incurred in connection with the management (but any such property management fees shall not exceed one and a half percent (1.5%) of the gross revenues of the Real Property), operation, repair and maintenance of the Real Property; (v) any equipment rental agreements or management agreements (including the cost of any management fee thereunder); (vi) wages, salaries and other compensation and benefits of all persons engaged in the operation, management, maintenance or security of the Real Property, and employer's Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; (vii) payments (including assessments, costs, dues

and/or expenses) under any easement, license, operating agreement, declaration, restrictive covenant, underlying or ground lease (excluding rent), or instrument pertaining to the sharing of costs by the Real Property, including, without limitation, assessments, costs, dues and/or expenses assessed against the Real Property under the CC&Rs; (viii) the cost of janitorial service, trash removal (provided, however, Operating Expenses shall not include the cost of janitorial services and trash removal services provided to the Premises or the cost of replacing light bulbs, lamps, starters and ballasts for lighting fixtures in the Premises to the extent such services are directly provided and paid for by Tenant pursuant to Section 6.6 below), alarm and security service, if any, window cleaning, replacement of wall and floor coverings, ceiling tiles and fixtures in lobbies, corridors, restrooms and other common or public areas or facilities, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (ix) amortization (including interest on the unamortized cost) of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Real Property; (x) the cost of any capital additions, improvements, repairs or changes made to the Real Property or any portion thereof (A) which are intended as a labor-saving device or to effect other economies in the operation or maintenance of the Real Property, or any portion thereof, or (B) that are required under any governmental law or regulation that is then being enforced by a federal, state or local governmental agency; provided, however, that such cost shall be amortized (including interest on the unamortized cost) over its useful life as Landlord shall determine in accordance with standard real estate management and accounting principles, consistently applied; and (xi) the costs and expenses of complying with, or participating in, conservation, recycling, sustainability, energy efficiency, waste reduction or other programs or practices legally required to be implemented or enacted from time to time at the Building and/or the Real Property, including, without limitation, in connection with any LEED (Leadership in Energy and Environmental Design) rating or compliance system or program, including

4

that currently coordinated through the U.S. Green Building Council or Energy Star rating and/or compliance system or program (collectively, "Conservation Costs"). If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant.

Notwithstanding the foregoing, Operating Expenses shall not, however, include:

(A)advertising and promotional expenditures;

(B)marketing costs, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, agreements, leases, subleases and/or assignments, space planning costs, and other costs and expenses (other than tax expenses) incurred in connection with lease, sublease and/or assignment negotiations and transactions with prospective tenants or other occupants of the Building and/or the Real Property;

(C)costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for any tenants of the Real Property or incurred in renovating or otherwise improving, preparing, decorating, painting or redecorating vacant space for tenants or other occupants of the Real Property;

(D)interest, points, fees and principal payments on any mortgages encumbering the Real Property, and other debt costs, if any, except for interest with respect to capital improvements as provided herein;

(E)depreciation and amortization, except as provided herein and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation and amortization would otherwise have been included in the charge for such third party's services, all as Landlord shall reasonably determine in accordance with standard real estate accounting practices, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life as determined by Landlord, together with interest;

(F)reserves of any kind, including reserves for bad debts;

(G)costs associated with the operation of the business of the partnership or entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building and/or the Real Property, including partnership accounting and legal matters, costs of defending any lawsuits with or claims by any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building and/or the Real Property, costs of any disputes between Landlord and its employees (if any) not engaged in the Real Property operation, disputes of Landlord with Building and/or the Real Property management (except to the extent the expenditure of such outside fees generally benefit all tenants of the Real Property);

(H)the wages and benefits of any employee of Landlord or to subsidiaries or affiliates of Landlord;

(I)costs and overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Real Property to the extent the same exceeds typical costs and overhead and profit increment of such goods and/or services rendered by qualified unaffiliated third parties on a competitive basis (but any such exclusion shall not prohibit the inclusion of any property management fees to the extent permitted pursuant to this Section 4.2.3 hereinabove);

(J)rentals and other related expenses for leasing heat, ventilation and air conditioning systems, elevators, or other items (except when needed in connection with normal repairs and maintenance of the Real Property and/or to an ameliorate an emergency condition at the Real Property) which if purchased, rather than rented, would constitute a capital improvement expressly excluded from Operating Expenses pursuant to this Lease;

(K)any costs for which Landlord has been reimbursed (including in connection with casualty) or condemnation proceeds;

(L)any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(M)costs arising from the gross negligence or willful misconduct of Landlord and/or Landlord's agents, employees, contractors and vendors;

(N)rental for any property management office servicing the Real Property;

(O)Utilities Costs;

(P)Tax Expenses;

5

(Q)costs of Landlord's earthquake insurance premiums in excess of \$60,000 per year;

(R)costs of correcting defects in the initial design or replacement of any structural components of the Building (except to the extent caused by the negligence or willful misconduct of Tenant);

(S)property damage insurance deductible amounts exceeding deductible amounts ordinarily obtained by institutional owners of Comparable Buildings;

(T)costs (including, without limitation, fines, penalties, interest, and costs of repairs, replacements, alterations and/or improvements) incurred in bringing the Real Property into compliance with applicable laws in effect as of the Delivery Date and as interpreted by applicable governmental authorities as of such date, to the extent such violations exist as of the Delivery Date under any applicable laws in effect and as interpreted by applicable governmental authorities as of such date;

(U)costs incurred to comply with applicable laws with respect to the cleanup, removal, investigation and/or remediation (collectively, "Remediation Costs") of any Hazardous Materials (as defined below) in, on or under the Real Property and/or the Building to the extent such Hazardous Materials are: (1) in existence as of the Delivery Date and in violation of applicable laws as evidenced by a notice of such violation from a governmental authority; or (2) introduced onto the Real Property and/or the Building after the Delivery Date by Landlord or any of Landlord's agents, employees, contractors or other tenants in violation of applicable laws in effect at the date of introduction;

- (V) costs of items considered capital improvements, capital repairs, capital replacements, and/or capital equipment (collectively, "Capital Items"), all as determined in accordance with standard real estate accounting practices, except as specifically permitted in Sections 4.2.3(ix) and (x) of this Lease;
- (W) costs arising from Landlord's charitable or political contributions; and
- (X) costs for which Landlord has been compensated by a management fee, to the extent that the inclusion of such costs in Operating Expenses would result in a charge to Tenant in excess of the limitation set forth in Section 4.2.3(iv) above.

4.2.4 "Systems and Equipment" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply heat, ventilation, air conditioning and humidity or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment which serve the Building and/or any other building in the Real Property in whole or in part.

4.2.5 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, assessments, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit assessments, fees and taxes, child care subsidies, fees and/or assessments, job training subsidies, fees and/or assessments, open space fees and/or assessments, housing subsidies and/or housing fund fees or assessments, public art fees and/or assessments, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Real Property), which Landlord shall pay during any Expense Year because of or in connection with the ownership, leasing and operation of the Real Property or Landlord's interest therein. For purposes of this Lease, Tax Expenses shall be calculated as if

(i) the tenant improvements in the Building and any additional buildings added to the Real Property pursuant to Section 1.1.2 above (but only during the period of time that such additional buildings are included by Landlord within the Real Property) were fully constructed, and (ii) the Real Property, the Building and such additional buildings (if any) and all tenant improvements therein were fully assessed for real estate tax purposes.

4.2.5.1 Tax Expenses shall include, without limitation:

- (i) Any tax on Landlord's rent, right to rent or other income from the Real Property or as against Landlord's business of leasing any of the Real Property;
- (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("Proposition 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, conservation, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Real Property's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

6

- (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof;
- (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and
- (v) Any reasonable expenses incurred by Landlord in attempting to protest, reduce or minimize Tax Expenses (but not in excess of the reduction in Tax Expenses achieved as a result thereof).

4.2.5.2 Notwithstanding anything to the contrary contained in this Section 4.2.5, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state net income taxes, and other taxes to the extent applicable to Landlord's net income (as opposed to rents, receipts or income attributable to operations at the Real Property), (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under Section 4.4 below.

4.2.6 "Tenant's Share" shall mean the percentage set forth in Section 9 of the Summary. Tenant's Share was calculated by dividing the number of rentable square feet of the Premises by the total rentable square feet in the Building (as set forth in Section 9 of the Summary), and stating such amount as a percentage.

4.2.7 "Utilities Costs" shall mean all actual charges for utilities for the Building and the Real Property which Landlord shall pay during any Expense Year, including, but not limited to, the costs of water, sewer, and electricity, and the costs of HVAC and other utilities, as well as related fees, assessments and surcharges; provided, however, Utilities Costs shall not include the cost of utilities provided to the Premises since Tenant is responsible for directly paying for all such utilities charges pursuant to Article 6 below. Utilities Costs shall include any costs of utilities which are allocated to the Real Property under any declaration, restrictive covenant, or other instrument pertaining to the sharing of costs by the Real Property or any portion thereof, including any covenants, conditions or restrictions now or hereafter recorded against or affecting the Real Property.

4.3 Calculation and Payment of Additional Rent.

4.3.1 Payment of Operating Expenses, Tax Expenses and Utilities Costs. For each Expense Year ending or commencing within the Lease Term, Tenant shall pay to Landlord, as Additional Rent, the following, which payment shall be made in the manner set forth in Section 4.3.2 below: (i) Tenant's Share of Operating Expenses, but subject to the provisions of Section 4.3.4 below; plus (ii) Tenant's Share of Tax Expenses; plus (iii) Tenant's Share of Utilities Costs.

4.3.2 Statement of Actual Operating Expenses, Tax Expenses and Utilities Costs and Payment by Tenant. Landlord shall endeavor to give to Tenant on or before the first (1st) day of June following the end of each Expense Year, a statement (the "Statement") which shall state the Operating Expenses, Tax Expenses and Utilities Costs incurred or accrued for such preceding Expense Year, and which shall indicate therein Tenant's Share thereof. Within thirty (30) days after Tenant's receipt of the Statement for each Expense Year ending during the Lease Term, Tenant shall pay to Landlord the full amount of the Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs for such Expense Year, less the amounts, if any, paid during such Expense Year as the Estimated Expenses as defined in and pursuant to Section 4.3.3 below. If any Statement reflects that Tenant has overpaid Tenant's Share of Operating Expenses and/or Tenant's Share of Tax Expenses and/or Tenant's Share of Utilities Costs for such Expense Year, then Landlord shall, at Landlord's option, either (i) remit such overpayment to Tenant within thirty (30) days after such applicable Statement is delivered to Tenant, or (ii) credit such overpayment toward the Additional Rent next due and payable to Tenant under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, if the Statement for the Expense Year in which this Lease terminates reflects that Tenant has overpaid and/or underpaid Tenant's Share of the Operating Expenses and/or Tenant's Share of Tax Expenses and/or Tenant's Share of Utilities Costs for such Expense Year, then within thirty (30) days after Landlord's delivery of such Statement to Tenant, Landlord shall refund to Tenant any such overpayment, or Tenant shall pay to Landlord any such underpayment, as the case may be. The provisions of this Section 4.3.2 shall survive the expiration or earlier termination of the Lease Term.

4.3.3 Statement of Estimated Operating Expenses, Tax Expenses and Utilities Costs. Prior to the first day of a new Expense Year, Landlord shall use commercially reasonable efforts to give Tenant a yearly expense estimate statement (the "Estimate Statement") which shall set forth Landlord's reasonable estimate (the "Estimate") of the total amount of Tenant's Share of the Operating Expenses, Tax Expenses and Utilities Costs for the then-current Expense Year shall be, and which shall indicate therein Tenant's Share thereof (the "Estimated Expenses"). The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Expenses under this Article 4. Following Landlord's delivery of the Estimate Statement for the then-current Expense Year, Tenant shall pay, with its next installment of Base Rent due, a fraction of the Estimated Expenses for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.3.3). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate

Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Expenses set forth in the previous Estimate Statement delivered by Landlord to Tenant.

7

4.3.4 Cap on Controllable Expenses. Notwithstanding anything to the contrary contained in this Article 4, the aggregate Controllable Expenses (as hereinafter defined) included in Operating Expenses in each Expense Year during the initial Lease Term after the calendar year, 2026 (the "Comparison Year") shall not increase by more than five percent (5%) on an annual, cumulative and compounded basis, over the actual aggregate Controllable Expenses included in Operating Expenses for the Comparison Year, but with no such limit on the amount of Controllable Expenses which may be included in the Operating Expenses incurred during the Comparison Year or calendar year, 2026. The foregoing cap on Controllable Expenses shall not apply to any extension of the initial Lease Term and shall not apply to Tax Expenses or Utilities Costs. For purposes of this Section 4.3.4, "Controllable Expenses" shall mean all Operating Expenses except: (i) any assessments, including assessment districts and government-mandated charges with respect to the Building or the Real Property, or any part thereof; (ii) insurance carried by Landlord with respect to the Real Property and/or the operation thereof; (iii) increases in wages, salaries and other compensation and benefits paid to Landlord's employees, agents or contractors to the extent (A) such employees, agents or contractors are members of a labor union or are paid on a "prevailing wage" basis, and/or (B) such increases are due to increases in the applicable minimum wage legally required to be paid to such personnel; and

(iv) the costs of capital alterations, capital additions, capital improvements, capital repairs and capital replacements described in Sections 4.2.3(ix) and (x) above.

4.4 Taxes and Other Charges for Which Tenant Is Directly Responsible. Tenant shall reimburse Landlord upon demand for all taxes or assessments required to be paid by Landlord (except to the extent included in Tax Expenses by Landlord), excluding state, local and federal personal or corporate income taxes measured by the net income of Landlord from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when:

4.4.1 said taxes are measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, to the extent the cost or value of such leasehold improvements exceeds the cost or value of a building standard build-out as determined by Landlord regardless of whether title to such improvements shall be vested in Tenant or Landlord;

4.4.2 said taxes are assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Real Property; or

4.4.3 said taxes are assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

4.5 Late Charges. If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after the due date therefor, then Tenant shall pay to Landlord a late charge equal to five percent (5%) of the amount due, plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder; provided, however, that Tenant shall not be required to pay a late charge for the first (1st) late payment in any consecutive twelve (12) month period to the extent Tenant pays the amount due within five (5) business days after receipt of written notice from Landlord that Tenant failed to make such payment when due. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder, at law and/or in equity and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within five (5) business days after the date the same shall be due shall thereafter bear interest until paid at a rate (the "Interest Rate") equal to the lesser of (i) the "Prime Rate" or "Reference Rate" announced from time to time by the Bank of America (or such reasonable comparable national banking institution as selected by Landlord if Bank of America ceases to exist or publish a Prime Rate or Reference Rate), plus four percent (4%), or (ii) the highest rate permitted by applicable law.

4.6 Audit Rights. If Tenant disputes the amount of the Operating Expenses, Tax Expenses and Utilities Costs set forth in the Statement for the particular Expense Year delivered by Landlord to Tenant pursuant to Section 4.3.2 above, Tenant shall have the right, at Tenant's cost, upon thirty (30) days' prior written notice to Landlord, to have Tenant's authorized employees inspect, at Landlord's offices during normal business hours, Landlord's books, records and supporting documents concerning the Operating Expenses, Tax Expenses and Utilities Costs set forth in such Statement; provided, however, Tenant shall have no right to conduct such inspection, have an audit performed by the Accountant (as defined and described hereinbelow), or object to or otherwise dispute the amount of the Operating Expenses, Tax Expenses and Utilities Costs set forth in any such Statement unless Tenant notifies Landlord of such objection and dispute, completes such inspection, and has the Accountant commence such audit within the ninety (90) days, and complete such audit within the six (6) months, immediately following Landlord's delivery of the particular Statement in question (the "Review Period"); provided, further, that notwithstanding any such timely objection, dispute, inspection, and/or audit, and as a condition precedent to Tenant's exercise of its right of objection, dispute, inspection and/or audit as set forth in this Section 4.6, Tenant shall not be permitted to withhold payment of, and Tenant shall timely pay to Landlord, the full amounts as required by the provisions of this Article 4 in accordance with such Statement. However, such payment may be made under protest pending the outcome of any audit which may be performed by the Accountant as described below. In connection with any such inspection by Tenant, Landlord and Tenant shall reasonably cooperate with each other so that such inspection can be performed pursuant to a mutually acceptable schedule and in an expeditious manner. If after such inspection and/or request for documentation, Tenant still disputes the amount of the Operating Expenses, Tax Expenses and Utilities Costs set forth in the Statement, Tenant shall have the right, within the Review Period, to cause a nationally recognized independent certified public accountant (which is not paid on a commission or contingency basis and which has not been engaged by Tenant within the preceding five (5) year period) mutually approved by Landlord and Tenant, which approval shall not be unreasonably withheld or delayed (the "Accountant") to complete an audit of Landlord's books and records to

8

determine the proper amount of the Operating Expenses, Tax Expenses and Utilities Costs incurred and amounts payable by Tenant for the Expense Year which is the subject of such Statement. Such audit by the Accountant shall be final and binding upon Landlord and Tenant. If Landlord and Tenant cannot mutually agree as to the identity of the Accountant within thirty (30) days after Tenant notifies Landlord that Tenant desires an audit to be performed, then the Accountant shall be one of the "Big 4" accounting firms or another nationally-recognized accounting firm (which is not paid on a commission or contingency basis and which has not been engaged by Tenant within the preceding five (5) year period), as selected by Tenant. If such audit reveals that Landlord has over-charged Tenant, then within thirty (30) days after the results of such audit are made available to Landlord, Landlord shall reimburse to Tenant the amount of such over-charge, together with interest on the amount of the over-charge at the Interest Rate. If the audit reveals that the Tenant was under-charged, then within thirty (30) days after the results of such audit are made available to Tenant, Tenant shall reimburse to Landlord the amount of such under-charge. Tenant agrees to pay the cost of such audit unless it is subsequently determined that Landlord's original Statement which was the subject of such audit overstated Operating Expenses, Tax Expenses and Utilities Costs by five percent (5%) or more of the actual Operating Expenses, Tax Expenses and Utilities Costs verified by such audit, in which case Landlord shall reimburse Tenant for the reasonable cost of such audit (but not in excess of two (2) times the amount of the Operating Expenses, Tax Expenses and Utilities Costs so overstated). The payment by Tenant of any amounts pursuant to this Article 4 shall not preclude Tenant from questioning, during the Review Period, the correctness of the particular Statement in question provided by Landlord, but the failure of Tenant to object thereto, conduct and complete its inspection and have the Accountant conduct the audit as described above prior to the expiration of the Review Period for such Statement shall be conclusively deemed Tenant's approval of the

Statement in question and the amount of Operating Expenses, Tax Expenses and Utilities Costs shown thereon. In connection with any inspection and/or audit conducted by Tenant pursuant to this Section 4.6, Tenant agrees to keep, and to cause all of Tenant's employees and consultants and the Accountant to keep, all of Landlord's books and records and the audit, and all information pertaining thereto and the results thereof, strictly confidential, and in connection therewith, Tenant shall cause such employees, consultants and the Accountant to execute such reasonable confidentiality agreements as Landlord may require prior to conducting any such inspections and/or audits.

ARTICLE 5

USE OF PREMISES

5.1 Use. Tenant shall use the Premises for any legal use consistent with the character and zoning for the Real Property, including, without limitation, general office, research and development, assembly, manufacturing, warehouse and administration purposes consistent with the character of the Building as a first-class research and development building, and Tenant shall not use or permit the Premises to be used for any other purpose or purposes whatsoever. Tenant shall not use, or suffer or permit any person or persons to use, the Premises, the Building and/or the Real Property, or any part thereof, for any use or purpose contrary to the provisions of **Exhibit E** attached hereto, or in violation of the laws of the United States of America, the state in which the Real Property is located, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Real Property. Tenant shall be solely responsible for ensuring that the Premises are adequate to fully meet the needs and requirements of its intended use and operation of its business within the Premises, and, further, Tenant shall be solely responsible for complying with all applicable laws and requirements of the City of San Jose and any other local municipal or county governing body or other lawful authorities having jurisdiction over the Real Property. Tenant shall comply with the Rules and Regulations and all recorded covenants, conditions, and restrictions, and the provisions of all ground or underlying leases, now or hereafter affecting the Real Property. Landlord represents that, as of the date of mutual execution and delivery of this Lease, Landlord has not entered into any ground lease affecting the Real Property. Except as otherwise required by law or court order, Landlord shall not enter into or modify any Rules and Regulations or covenants, conditions, and restrictions affecting the Real Property without Tenant's consent that materially increase Tenant's obligations or materially decrease Tenant's rights under the Lease.

5.2 Hazardous Materials.

5.2.1 Restriction on Use: Definition. Except as expressly permitted in Section 5.2.2 below, Tenant shall not use or allow another person or entity to use any part of the Real Property for the storage, use, treatment, manufacture or sale of Hazardous Materials. As used herein, the term "**Hazardous Material(s)**" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the state in which the Real Property is located or the United States Government.

5.2.2 Permitted Use of Hazardous Materials. Notwithstanding Section 5.2.1 above to the contrary, and subject to all other terms and conditions of this Article 5 and Tenant's covenant to strictly comply with all applicable laws and all applicable health and safety standards (collectively, "**Hazardous Materials Laws**") relating to Tenant's use and/or disposal of Hazardous Materials, Tenant may keep and use within the interior of the Premises the following (collectively, the "**Permitted Hazardous Materials**"): (i) ordinary office supplies (such as, for example, liquid paper, printer and copier toner, and glue) which may contain Hazardous Materials; and (ii) the types and quantities of the Hazardous Materials listed on **Exhibit E** attached hereto (the "**Hazardous Materials List**"). Tenant may update the Hazardous Materials List from time to time with Landlord's approval, which may not be unreasonably withheld. However, as a condition to such use of any such Permitted Hazardous Materials, Tenant must, at Tenant's sole cost and expense: (A) use and/or keep such Permitted Hazardous Materials (1) only within the interior of the Premises (other than to transport same to and from the Premises, and/or to dispose of same as provided hereinbelow), (2) in strict compliance with all such Hazardous Materials Laws, and (3) only for their intended purposes; (B) promptly dispose off-site (i.e., outside the Building or the Real Property) all such Hazardous Materials used or kept by Tenant or Tenant's agents, employees, contractors, licensees or invitees (collectively, the "**Tenant Parties**") in compliance with all applicable Hazardous Materials Laws, and shall contract with a properly licensed

9

contractor (who shall be approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed) for such off-site disposal; (C) only if the Hazardous Materials List is expanded after the date of mutual execution and delivery of this Lease, carry Pollution Legal Liability insurance in a form reasonably acceptable to Landlord; and (D) promptly abate, clean-up and remediate all Hazardous Materials which are spilled, leaked and/or otherwise discharged by Tenant or any Tenant Party onto or into any portion of the Building and/or the Real Property to an amount, level and nature reasonably satisfactory to Landlord and in compliance with all Hazardous Materials Laws (subject to Landlord's prior approval of any such actions as provided in Section 5.2.3 below). Prior to the earlier of the Lease Commencement Date or the date that Tenant or any of the Tenant Parties brings into or onto the Real Property and/or the Building any Permitted Hazardous Materials, Tenant shall, at its sole cost and expense, submit to Landlord for Landlord's review and comment, and file, submit to, and/or obtain from, all applicable governmental authorities, all plans, permits, filings, applications, postings and other registrations that are required by applicable laws in connection with Tenant's use, storage and/or disposal of the Permitted Hazardous Materials at or from the Premises (collectively, the "**Tenant's Permits**"), including, without limitation, Hazardous Waste Generator ID Numbers, U.S. EPA and Spill Prevention Control and Countermeasures (SPCC) Plan (U.S. EPA). Immediately upon Tenant's receiving any amendment, change, modification or other action, application or filing affecting any of Tenant's Permits, Tenant shall provide to Landlord, for Landlord's approval, copies of all documents relating thereto. Tenant shall be solely responsible, at its expense, for obtaining and keeping current all of Tenant's Permits and other records relating to Permitted Hazardous Materials as may be required by applicable Hazardous Materials Laws. Tenant further acknowledges and agrees that it shall be solely responsible, at its expense, for the preparation and maintenance of any required waste manifests necessary for the transport and disposal of any Hazardous Materials from the Premises, and Tenant shall be listed therein as the generator of all such materials. Landlord will reasonably cooperate with Tenant to obtain its Tenant's Permits, at no cost to Landlord.

5.2.3 Removal and Remediation. Notwithstanding anything herein or any other provisions of this Lease to the contrary, at the expiration or earlier termination of the Lease Term, Tenant shall, at Tenant's sole cost and expense, remove from the Premises, the Building and the Real Property all of Tenant's trade fixtures, equipment and other personal property used by Tenant in connection with the use, storage and/or disposal by Tenant or the Tenant Parties of Hazardous Materials in, on or at the Premises, Building and/or the Real Property. If Tenant breaches any of its obligations contained in this Section 5.2, or if the presence of any Hazardous Materials in, on, under or about the Premises, Building or the Real Property caused or permitted by Tenant or the Tenant Parties results in any release, leaks, spills, damage to and/or contamination of the Premises, Building or the Real Property (and/or any other properties or improvements located outside the Real Property), then Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises, Building and the Real Property (and such other properties) to substantially the condition existing prior to the introduction of any such Hazardous Materials, provided that Landlord's approval of such actions shall first be obtained; provided, however, Landlord may at its option (but in no event shall be obligated to) elect, after prior notice to Tenant, to conduct any such remediation program, all at Tenant's sole cost and expense to the extent that Tenant would otherwise be liable for same. The design and scope of any such remediation program shall be determined reasonably by Landlord and Landlord's environmental consultants. Landlord represents that during Landlord's period of ownership, to Landlord's actual knowledge, as of the Delivery Date, Landlord has received no notice from any governmental agency that the Real Property is in violation of Hazardous Material Laws; provided, however, that Tenant acknowledges the contents of the following, which have been delivered by Landlord to Tenant: (i) Mitigation of Water Test Results memo prepared by Landlord dated September 20, 2024; (ii) "Lead in Water Survey" report prepared by AEI Consultants dated as of November 5, 2020; and (iii) "Sampling Visit Summary & Lab Result Analysis" prepared by Healthy Building Science, Inc. based on water tests that occurred on April 15, 2024. In addition, Landlord has arranged for water tests at the Premises (currently scheduled to occur on September 23, 2024), which tests shall include, without limitation, the testing of certain new plumbing fixtures that had not yet been installed as of the aforementioned April 15, 2024 test. To the extent that any of the water test results of the scheduled September 23, 2024 test exceed the 15

parts per billion action level established by the United States Environmental Protection Agency ("EPA Action Level"), Landlord shall, at Landlord's cost, undertake such additional measures as Landlord deems reasonably necessary to further mitigate those results below the EPA Action Level, and shall provide Tenant with the subsequent water test results below the EPA Action Level as satisfactory evidence that such additional measures were effective. Upon receiving test results below the EPA Action Level, Landlord shall have no further obligation relating to the water at the Premises.

5.2.4 **Indemnity.** Tenant shall indemnify, defend and hold Landlord and the Landlord Parties, and the Premises, the Building and the Real Property, harmless from and against any and all Claims (as defined below) to the extent arising out of or resulting from (i) the introduction, use, storage, release, leak, spill, disposal and/or discharge of any Hazardous Materials by Tenant or Tenant Parties, and/or (ii) the breach by Tenant of any of its obligations under this Section 5.2, and/or (iii) any damage to or contamination of the Premises, the Building or the Real Property (and/or any other properties or improvements located outside the Real Property) resulting from the foregoing, such Claims to include, without limitation: (A) costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in, on or about the Premises, the Building and/or the Real Property (and/or other properties and improvements located outside the Real Property), and in the air, in the soil or in the ground water; (B) diminution in value, if any, of the Premises, the Building and/or the Real Property (and/or other properties and improvements located outside the Real Property); (C) damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, the Building or the Real Property, including without limitation, damages occasioned by rent abatement and/or any other concession given by Landlord to future tenants of the Real Property in connection with such breach and/or contamination; (D) damages, if any, arising, directly or indirectly, from any adverse impact on developing or marketing the Premises, the Building or the Real Property; and (E) sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees. Notwithstanding anything to the contrary contained in this Lease, Tenant shall have no remediation or indemnification obligations or liability in connection with any Hazardous Materials in existence on the Real Property prior to the Lease Commencement Date or brought onto the Real Property by Landlord or the Landlord Parties or which may migrate into the Real Property through air, water or soil through no fault of Tenant.

10

5.2.5 **Periodic Inspection and Remediation.** Landlord and/or Landlord's environmental consultants shall be entitled, at any time and from time to time prior to and during the Lease Term, at Landlord's expense, except as expressly provided below, to: (i) subject to Article 22 below, enter the Premises to observe and inspect Tenant's operations involving the use of Hazardous Materials; (ii) review Tenant's emergency response plans with respect to Hazardous Materials and Tenant's compliance and preparedness to comply therewith; and (iii) conduct environmental inspections, investigations and studies of the Premises, the Building and the Real Property (including, without limitation, the collection of samples). Notwithstanding the foregoing, if any such inspection discloses (A) contamination of the Premises, the Building and/or the Real Property (and/or other properties and improvements located outside the Real Property), with Hazardous Materials caused or permitted by Tenant or the Tenant Parties, (B) a violation of Hazardous Materials Laws by Tenant or the Tenant Parties, or (C) a breach by Tenant of any of its covenants and obligations in this Section 5.2, Tenant shall be solely responsible for the payment of all costs and expenses incurred in connection with any such inspection. Throughout the Lease Term, Tenant shall maintain accurate and complete records with respect to Tenant's use, storage, handling and disposal of Hazardous Materials in, on or about the Premises, the Building and/or the Real Property, and Tenant shall make such records and all of Tenant's Permits available to Landlord and Landlord's environmental consultants in connection with any inspection or proposed inspection of the Premises, the Building and/or the Real Property. If Landlord discovers that Tenant's Hazardous Materials operations are not in compliance with Hazardous Materials Laws or the provisions of this Section 5.2, or that Tenant is not in compliance with or adequately prepared, in Landlord's reasonable opinion, to comply with Tenant's emergency response plans for Hazardous Materials, then, in addition to Tenant's liability established in Sections 5.2.3 and 5.2.4 above, Tenant shall cause its Hazardous Materials operations to be brought into compliance with all Hazardous Materials Laws, and in compliance with Tenant's emergency response plans, as the case may be, as soon as possible following Tenant's receipt of notice of any such Landlord's non-compliance or non-preparedness, and Tenant shall immediately cease all operations on the Premises involving the use of Hazardous Materials found not to be in compliance with Hazardous Materials Laws and/or such emergency response plans until such operations are brought into compliance therewith.

5.2.6 **Payment of Costs by Tenant.** All sums payable by Tenant pursuant to this Section 5.2 shall constitute Additional Rent payable under the Lease and shall be due and payable within ten (10) days of written demand therefor.

5.2.7 **Survivability.** The obligations of Tenant under this Section 5.2 (including Tenant's indemnity of Landlord in Section 5.2.4 above) shall survive the expiration or earlier termination of this Lease.

5.3 **Asbestos.** Upon request by Tenant, Landlord shall make available for review by Tenant, at Landlord's office, during normal business hours (without warranty) copies of any current inspection reports, test results or other similar documents in Landlord's possession relating to the presence of asbestos at the Building. To the extent any such reports or documents indicate the presence of asbestos at the Building, this Section 5.3 shall constitute notice to Tenant as required by the California Health & Safety Code. In connection with performing any work that may disturb asbestos (to the extent the same exists) at the Building (including the performance of any initial Tenant Improvements, as defined in and pursuant to the Tenant Work Letter attached hereto), Tenant shall comply, at its cost, with any applicable laws and asbestos management plans relating to the Building. Tenant shall also comply with all applicable laws, rules and regulations requiring disclosure to employees and/or invitees of the presence of such asbestos or other Hazardous Materials at or around the Premises, the Building or the Real Property. Landlord has no special knowledge of the general procedures or handling restrictions to minimize or prevent the disturbance, release or exposure to asbestos or of the potential health risks that may result from any exposure to asbestos. Tenant is encouraged to contact local or state public health agencies for further information.

ARTICLE 6

SERVICES AND UTILITIES

6.1 **Tenant's Responsibility.** From and after the Delivery Date, Tenant shall be solely responsible, at its sole cost and expense, for the furnishing of all services and utilities to the Premises (as well as maintenance and repairs of the Premises in accordance with the provisions of Section 7.1 below). In connection with the foregoing, Tenant hereby agrees that (i) except for the completion of Landlord's Work, Landlord shall have absolutely no obligation to provide any such utilities or services or other utilities to the Premises (although Landlord shall maintain and keep in service the existing utility connections located outside the Building and connected to the exterior of the Building as necessary for distribution of such utilities to the Premises by Tenant), (ii) Tenant shall contract directly with the applicable utility providers to provide all such utilities and services to the Premises, which utilities and services shall be separately metered, at Tenant's cost, and (iii) Tenant shall pay for the cost of such utilities consumed at the Premises (and for all services provided to the Premises) directly to the applicable provider thereof. All such services and utilities for the Premises shall be provided in such a manner so as to maintain the Premises and Building in first-class condition consistent with the first-class nature of the Real Property, and if Tenant fails to do so, and such failure shall continue for five (5) days after notice from Landlord (which notice shall not be required in the event of an emergency), Landlord shall have the right to provide such services and/or such utilities and any charges or costs incurred by Landlord in connection therewith shall be deemed Additional Rent due and payable by Tenant within ten (10) days after receipt by Tenant of a written statement thereof from Landlord.

6.2 **Overstandard Tenant Use.** In the event that Tenant shall use, or desire to use, electricity, water, heating and air conditioning or any other utilities for the Premises in quantities that exceed the capacity of the equipment supplying the same to the Building, then, (i) subject to applicable law, and subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall, at Tenant's sole cost and expense, install such supplemental equipment as may be reasonably required to provide such excess capacity, and (ii) Tenant

11

shall pay for the cost of any increased wear and tear on existing Systems and Equipment (and repair and replacement of any such Systems and Equipment in accordance with Section 7.1 below) caused by such excess use.

6.3 Interruption of Use. Tenant agrees that, except as otherwise provided in Section 6.6 below, Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service utilities (including gas, electricity, HVAC, water, telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or the Real Property after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent, except as otherwise provided in Section 6.6 below, or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.4 Additional Services. Landlord shall also have the non-exclusive right, but not the obligation, to provide any additional services which may be requested by Tenant, including, without limitation, locksmithing, and additional repairs and maintenance, provided that prior to Landlord providing any such additional services, Landlord shall estimate the cost for providing such additional services, and if Tenant elects to have Landlord provide such additional services, then Tenant shall pay to Landlord within ten (10) days after billing and as Additional Rent hereunder, the sum of all costs to Landlord of such additional services plus a five percent (5%) administration fee.

6.5 Janitorial Service. Landlord shall not be obligated to provide any janitorial services to the Premises or replace any light bulbs, lamps, starters and ballasts for lighting fixtures within the Premises. Tenant shall be solely responsible, at Tenant's sole cost and expense, for (i) performing all janitorial services, trash removal and other cleaning of the Premises, and (ii) replacement of all light bulbs, lamps, starters and ballasts for lighting fixtures within the Premises, all as appropriate to maintain the Premises in a first-class manner consistent with the first-class nature of the Building and the Real Property. Such services to be provided by Tenant shall be performed by contractors and pursuant to service contracts approved by Landlord. Landlord shall have the right to inspect the Premises upon reasonable notice to Tenant and to require Tenant to provide additional cleaning, if necessary. If Tenant shall fail to provide any of the services described in this Section 6.5 to be performed by Tenant within five (5) days after notice from Landlord, which notice shall not be required in the event of an emergency, Landlord shall have the right to provide such services and any charge or cost incurred by Landlord in connection therewith shall be deemed Additional Rent due and payable by Tenant within ten (10) days after receipt by Tenant of a written statement of cost from Landlord.

6.6 Abatement Event. If (i) Landlord fails to provide services required of Landlord under Sections 7.2 or 22 below, and (ii) such failure causes all or a material portion of the Premises to be untenantable by Tenant and Tenant actually ceases to use all or a material portion of the Premises, (iii) such failure is not the result of a Force Majeure event and is reasonably within Landlord's ability to cure, and (iv) such failure is not the result of the acts and/or omissions of Tenant and/or its agents, contractors, employees, licensees or invitees, then in order to be entitled to receive the benefits of this Section 6.6, Tenant must give Landlord written notice (the "Initial Notice"), specifying such failure to perform by Landlord (the "Abatement Event"). If Landlord has not commenced to cure such Abatement Event within five (5) business days after the receipt of the Initial Notice and is not otherwise excused from such performance by this Lease, then prior to any abatement, Tenant must deliver an additional written notice to Landlord (the "Additional Notice"), specifying such Abatement Event and Tenant's intention to abate the payment of Rent under this Lease. If Landlord does not commence to cure such Abatement Event within five (5) business days of receipt of the Additional Notice and thereafter diligently pursue the cure to completion, Tenant may, upon written notice to Landlord, immediately abate Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs payable under this Lease for that portion of the Premises rendered untenantable and not actually used by Tenant, for the period beginning on the date five (5) business days after the Initial Notice to the earlier of the date Landlord cures such Abatement Event or the date Tenant recommences the use of such portion of the Premises. If Tenant fails to immediately provide the Additional Notice and commence applying any abatement of Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs payable under this Lease for that portion of the Premises rendered untenantable and not actually used by Tenant, then Tenant's right to abate Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be of no further force or effect with respect to the applicable Abatement Event. Except as provided in this Section 6.6, nothing contained herein shall be interpreted to mean that Tenant is excused from paying Rent due hereunder.

ARTICLE 7

REPAIRS

7.1 Tenant's Repairs. Subject to Landlord's repair obligations in Section 7.2 below, and except for any damage by casualty which is not Tenant's obligation to repair pursuant to Article 11 below, Tenant shall, at Tenant's own expense, in a good and workmanlike manner, and with contractors reasonably acceptable to Landlord and subject to Tenant's compliance with the following provisions of this Section 7.1 and the provisions of Section 8.2 below, keep the Premises and every part thereof, including, without limitation, all tenant improvements (including the initial Tenant Improvements), Alterations, additions, equipment, restrooms, fixtures and furnishings therein (including all of the Building's Systems and Equipment located within the Building) and the Systems and Equipment (including, but not limited to, the HVAC equipment, and the switchgear equipment servicing the Building), all walls and wall coverings, doors, windows, glass, plate glass, ceilings, and skylights, and those items set forth on Exhibit F-1 attached hereto, in

12

first-class order, repair and condition at all times following the date Landlord delivers possession of the Premises to Tenant and throughout the Lease Term. Such repair obligations shall include, without limitation, replacement of items as may be necessary to keep same in the condition required hereinabove, notwithstanding that such replacements may be considered capital expenditures in accordance with accounting practices, and shall also include repairs of items above the ceiling, repairs of items below the floors (but not the floor slabs), and/or repairs of items within walls, such as, but not limited to, all plumbing and pipes for restrooms, the equipment providing distribution within the Building of the HVAC from the HVAC equipment on the roof, and the equipment providing distribution within the Building of all electricity and all other utilities required for the Premises (including all electrical panels in equipment rooms or elsewhere within the Building); provided, however, if such replacement is a capital expense, then such replacement shall be made by Landlord as a capital expenditure under Section 4.2.3(x). Landlord shall have approval rights (such approval not to be unreasonably withheld) with respect to repairs and/or replacements which: (i) may affect the roof, the HVAC equipment thereon and/or the elevators; (ii) may affect or consist of any of the structural components of the Building; (iii) which may adversely affect or consist of any of the Building's Systems and Equipment; (iv) which may affect the exterior of the Building or any portion of the Real Property located outside of the Building, or can be seen from outside the Building; and/or (v) which may change the character of the Building as a first-class research and development building (any of such items set forth in clauses (i) through (v) hereinabove shall sometimes be referred to as the "Landlord's Approval Items"). Tenant's repair obligations set forth hereinabove shall include, without limitation, the obligation to promptly and adequately repair all damage to the Building and replace or repair all damaged or broken fixtures and appurtenances (subject, however, to the provisions of Article 11 below regarding casualty damage to the Building); provided however, that, at Landlord's option, or if Tenant fails to make any such repairs within ten (10) days after written notice from Landlord (provided that no notice shall be required in the case of emergency repairs that, if left unresolved, would result in imminent serious injury or damage to persons or property), Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a five percent (5%) administration fee sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements forthwith upon being billed for same. Tenant shall, at its own cost and expense, enter into regularly scheduled preventive maintenance/service contracts (and with maintenance contractors) approved by Landlord for the maintenance and service of all of the items listed in this Section 7.1 above which Tenant is obligated to maintain. Tenant shall deliver to Landlord full and complete copies of all such contracts entered into by Tenant prior to entering into same.

7.2 Landlord's Repairs. Anything contained in Section 7.1 above to the contrary notwithstanding, and subject to Articles 11 and 12 of this Lease, Landlord shall maintain, as part of Operating Expenses (unless expressly excluded therefrom under this Lease), in a good and workmanlike manner, and in a manner consistent with the Comparable Buildings, those portions of the Premises set forth on Exhibit F-2 attached hereto; provided, however, if such maintenance and repairs are caused in part or in whole by the act, neglect, fault of or omission of any duty by Tenant, its agents, servants, employees or invitees, Tenant shall pay to Landlord as Additional Rent, the reasonable cost of such maintenance and repairs. Except as otherwise set forth in Section 6.6 above, Landlord shall not be liable for any failure to make any such repairs, or to perform any maintenance, and there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Real Property, Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant hereby waives and releases its right to make repairs at Landlord's expense under Sections 1941 and 1942 of the California Civil Code, or under any similar law, statute, or ordinance now or hereafter in effect. In the event of a conflict or ambiguity between the provisions of Exhibit F-1 or Exhibit F-2 and the provisions of Section 7.1 above or this Section 7.2, the terms of Section 7.1 above or this Section

7.2 shall control.

7.3 Tenant's Self-Help Rights. Notwithstanding anything to the contrary set forth in this Lease, if

(i) Tenant provides written notice to Landlord of the need for repairs and/or maintenance which are Landlord's obligation to perform under this Lease, and (ii) Landlord fails to undertake such repairs and/or maintenance within thirty (30) days after Landlord's receipt of such notice, or such longer time as is reasonably necessary if more than thirty (30) days are reasonably required to complete such repairs and Landlord commences such repairs within such 30-day period and thereafter diligently attempts to complete same (provided that in cases of emergency involving imminent threat of serious injury or damage to persons or property within the Premises, Landlord shall have only one

(1) business day after Landlord's receipt of such notice, or such later period of time as is reasonably necessary, to commence such corrective action), then Tenant may proceed to undertake such repairs and/or maintenance upon delivery of an additional three (3) business days' notice to Landlord that Tenant is taking such required action (but no such additional notice shall be required in the event of any such emergency involving imminent threat of serious injury or damage to persons or property within the Premises). If such repairs and/or maintenance were required under the terms of this Lease to be performed by Landlord and are not performed by Landlord prior to the expiration of such additional three (3)-business day notice period (or after the initial notice period with respect to any such emergency involving imminent threat of serious injury or damage to persons or property within the Premises) (the "Outside Repair Period"), then Tenant shall be entitled to reimbursement by Landlord of Tenant's actual, reasonable, and documented out-of-pocket costs and expenses paid by Tenant to third parties in performing such maintenance and/or repairs. Such reimbursement shall be made within thirty (30) days after Landlord's receipt of invoice from Tenant setting forth such costs and expenses; provided, however, that notwithstanding the foregoing to the contrary, if

(A) Landlord delivers to Tenant prior to the expiration of the Outside Repair Period, a written objection to Tenant's right to receive any such reimbursement based upon Landlord's good faith claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease, or (B) Landlord delivers to Tenant, within ten (10) days after Landlord's receipt of Tenant's invoice, a written objection to the payment of such invoice based upon Landlord's good faith claim that such charges are excessive (in which case, Landlord shall reimburse Tenant, within such ten (10)-day period, the amount Landlord contends would not be excessive), then Tenant shall not be entitled to such reimbursement, but Tenant, as its sole remedy, may proceed to institute a lawsuit to determine and collect the amount, if any, of such reimbursement. If Tenant prevails in such lawsuit and receives a monetary judgment against Landlord, then Landlord shall pay the amount of such monetary judgment to Tenant within thirty (30) days after the date such judgment is issued. If Tenant undertakes such repairs and/or maintenance, Tenant shall use only qualified contractors

13

which normally and regularly perform similar work in the Comparable Buildings. Tenant shall comply with the other terms and conditions of this Lease if Tenant takes the required action, except that Tenant is not required to obtain Landlord's consent for such repairs.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 Landlord's Consent to Alterations. Tenant may not make any improvements, alterations, additions or changes to the Premises (collectively, the "Alterations") without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than twenty (20) days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord; provided, however, Landlord may withhold its consent in its sole and absolute discretion with respect to any Alterations which would constitute Landlord Approval Items set forth in clauses (i), (ii), (iii) or (v) in Section 7.1 above. Notwithstanding the foregoing to the contrary, Tenant may make non-structural alterations, additions or improvements to the interior of the Building (collectively, the "Acceptable Changes") without Landlord's consent, provided that (i) Tenant delivers to Landlord written notice of such Acceptable Changes at least ten (10) business days prior to the commencement thereof, (ii) the cost of all Acceptable Changes do not in the aggregate exceed \$75,000.00 in any consecutive twelve

(12) month period (but there shall be no cap on the cost of any purely cosmetic or decorative interior non-structural changes made to the Premises [such as, for example, painting and carpeting work]), (iii) such Acceptable Changes shall be performed by or on behalf of Tenant in compliance with the other provisions of this Article 8, (iv) such Acceptable Changes do not require the issuance of a building permit or other governmental approval, (v) such Acceptable Changes are not Landlord Approval Items, and (vi) such Acceptable Changes shall be performed by qualified contractors and subcontractors which normally and regularly perform similar work in the Comparable Buildings. Tenant shall pay for all overhead, general conditions, fees and other costs and expenses of the Alterations, and shall pay to Alvarez & Marsal Capital Real Estate, LLC (i.e., the asset manager of Landlord) a review fee of two percent (2%) of the cost of the Alterations; provided, however, no such administrative fee shall be charged with respect to any Acceptable Changes. Notwithstanding anything to the contrary contained in this Lease, the construction of the initial tenant improvements to the Premises and any supervision fees payable by Tenant shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 8.

8.2 Manner of Construction. Landlord may impose, as a condition of its consent to all Alterations or repairs of the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen approved by

Landlord; provided, however, Landlord may impose such requirements as Landlord may determine, in its sole and absolute discretion, with respect to any Landlord Approval Items set forth in clauses (i), (ii),

(iii) or (v) in Section 7.1 above (including designating specific contractors to perform such work which are other than the regular maintenance contractors approved by Landlord in accordance with Section 7.1 above). Tenant shall construct such Alterations and perform such repairs in compliance with any and all applicable rules and regulations of any federal, state, county or municipal code or ordinance (including, without limitation, California Energy Code, Title 24) and pursuant to a valid building permit (if required), issued by the city in which the Real Property is located, and in conformance with Landlord's construction rules and regulations. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. If Tenant makes any Alterations, Tenant agrees to carry or cause its contractor to carry "Builder's All Risk" insurance in an amount reasonably approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 below immediately upon completion thereof. For any Alterations costing more than \$200,000.00, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee. Upon completion of any Alterations, Tenant shall (i) if required, cause a Notice of Completion to be recorded in the office of the Recorder of the county in which the Real Property is located in accordance with the terms of Section 3182 of the Civil Code of the State of California or any successor statute, (ii) deliver to the management office of the Building a reproducible copy of the "as built" drawings of the Alterations, and (iii) deliver to Landlord evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials.

8.3 Landlord's Property. All Alterations, improvements, fixtures (other than Tenant's trade fixtures) and/or equipment which may be installed or placed in or about the Premises shall be at the sole cost of Tenant and shall be and become the property of Landlord, unless, prior to the expiration or earlier termination of the Lease Term, Landlord provides written notice to Tenant requiring Tenant to remove the same. If Tenant is required to remove any such alterations or improvements (including those portions of the initial Tenant Improvements pertaining to the operation of laboratory use within the Premises) pursuant to the foregoing provisions of this Section 8.3, then Tenant shall remove same on or before the expiration or earlier termination of the Lease Term and repair any damage resulting from such removal; provided, however, with respect to alterations, additions or improvements made or caused to be made by Tenant with Landlord's consent, Tenant shall have no obligation to remove such alterations, additions or improvements unless at the time Landlord approved the final working drawings for any alterations, additions and improvements, Landlord, by written notice to Tenant, identified those alterations, additions and improvements which Landlord would require Tenant to remove at the expiration or earlier termination of this Lease, in which event Tenant shall remove such identified alterations, additions and improvements on or before the expiration of the Lease Term and repair any damage resulting from such removal. Notwithstanding any provision herein to the contrary, Tenant shall not be required to remove those portions of the Tenant Improvements pertaining to the operation of laboratory

14

use within the Premises. If Tenant fails to complete such removal and/or to repair any damage caused by such removal of any such alterations, additions and improvements made by Tenant on the Premises, Landlord may do so and may charge the actual and reasonable cost thereof to Tenant (together with a five percent (5%) supervision and administration fee), and Tenant shall reimburse Landlord for such costs within ten (10) days after being billed for the same.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Real Property, the Building or the Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only, and no work performed by, through, under or for Tenant pursuant to this Lease shall be deemed to be for the immediate use or benefit of Landlord to the end that no mechanic's or other liens shall be allowed against the estate of Landlord by reason of any consent given by Landlord to Tenant to improve the Premises. Landlord shall have the right at all times to post and keep posted on the Premises any notice which it deems necessary for protection from such liens. Tenant shall not cause or permit any lien of mechanics or materialmen or others to be placed against the Real Property, the Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching or notice of any lien, Tenant shall cause it to be immediately released and removed of record. If any such lien is not released and removed within ten (10) business days after notice of such lien is delivered by Landlord to Tenant, then Landlord may, at its option, take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien shall be deemed Additional Rent under this Lease and shall immediately be due and payable by Tenant.

ARTICLE 10

INDEMNIFICATION AND INSURANCE

10.1 Indemnification and Waiver. Tenant hereby assumes all risk of damage to property and injury to persons, in, on, or about the Premises from any cause whatsoever and agrees that Landlord, and its members, partners and subpartners, and their respective officers, agents, property managers, servants, attorneys, employees, and related entities (collectively, "Landlord Parties") shall not be liable for, and are hereby released from any responsibility for, any damage to property or injury to persons or resulting from the loss of use thereof, which damage or injury is sustained by Tenant or by other persons claiming through Tenant. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from and against any and all losses, costs, damages, expenses, claims and liabilities, including without limitation court costs and reasonable attorneys' fees (collectively, "Claims") to the extent incurred in connection with or arising from any cause in, on or about the Premises (including, without limitation, Tenant's installation, placement and removal of Alterations, improvements (including the initial Tenant Improvements), fixtures and/or equipment in, on or about the Premises), and any acts, omissions or negligence of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, licensees or invitees of Tenant or any such person, in, on or about the Premises, the Building and the Real Property; provided, however, that the terms of the foregoing indemnity shall not apply to (i) any Claims to the extent caused by the gross negligence or willful misconduct of Landlord or the Landlord Parties and not insured or required to be insured by Tenant under this Lease, or (ii) any loss of or damage to Landlord's property to the extent Landlord has waived such loss or damage pursuant to Section 10.4 below. Tenant's agreement to indemnify Landlord pursuant to this Section 10.1 is not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to this Lease. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any Claims occurring prior to such expiration or termination.

10.2 Tenant's Compliance with Landlord's Property and Casualty Insurance. Tenant shall, at Tenant's expense, comply as to the Premises with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises causes any increase in the premium for such insurance policies, then Tenant shall reimburse Landlord for any such increase.

10.3 Tenant's Insurance. Tenant shall maintain the following coverages in the following amounts at all times following the date (the "Insurance Start Date") which is the earlier of (i) Tenant's entry into the Premises (including without limitation, to perform any work therein), or (ii) the Lease Commencement Date, and continuing thereafter throughout the Lease Term:

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage arising out of Tenant's operations, assumed liabilities or use of the Premises, including a Broad Form Commercial General Liability endorsement covering the insuring provisions of this Lease and the performance by Tenant of the indemnity agreements set forth in Section 10.1 above, (and with owned [if applicable] and non-owned automobile liability coverage, and host liquor liability coverage if alcoholic beverages are served on the Premises) for limits of liability not less than the following amounts:

Bodily Injury and \$5,000,000 each occurrence

Property Damage Liability \$10,000,000 annual aggregate

Personal Injury Liability \$5,000,000 each occurrence

\$10,000,000 annual aggregate 0% Insured's participation

15

10.3.2 Physical Damage Insurance covering (i) all furniture, trade fixtures, equipment, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, and (ii) the Building, including all improvements (including the initial Tenant Improvements), alterations and additions to the Premises now existing or hereafter made to the Building. Such insurance shall be written on a "physical loss or damage" basis under a "special form" policy, for the full replacement cost value new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include a vandalism and malicious mischief endorsement, sprinkler leakage coverage, and earthquake sprinkler leakage coverage.

10.3.3 Worker's Compensation and Employer's Liability or other similar insurance pursuant to all applicable state and local statutes and regulations.

10.3.4 Loss-of-income, business interruption and extra-expense insurance in such amounts as will reimburse Tenant for direct and indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of loss of access to the Premises or to the Building as a result of such perils, for not less than 12 months following an insured casualty, and include a 180-day extended period of indemnity. The business interruption coverage shall be written on the "special form".

10.3.5 Tenant shall carry automobile liability insurance having a combined single limit of not less than Two Million Dollars (\$2,000,000.00) per occurrence and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired or non-owned automobiles.

10.3.6 Form of Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall: (i) name Landlord, Landlord Parties, Landlord's mortgagee, and any other Landlord specifies, as an additional insured; (ii) specifically cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 above; (iii) be issued by an insurance company having a rating of not less than A-X in AM Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in California; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; (v) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior written notice shall have been given to Landlord and any mortgagor or ground or underlying lessor of Landlord; (vi) contain a severability or separation of insureds clause reasonably acceptable to Landlord; (vii) if the policy contains a cross suits exclusion, there shall be an exception for additional insureds, or the exclusion should be limited to named insured versus named insured only; and (viii) with respect to the insurance required in Sections 10.3.1 and 10.3.2 above, have deductible amounts not exceeding Twenty-Five Thousand Dollars (\$25,000.00). Tenant shall deliver such policies or certificates thereof to Landlord on or before the Insurance Start Date and at least five (5) business days before the expiration dates thereof. If Tenant shall fail to procure such insurance, or to deliver such policies or certificate, within such time periods, then Landlord may, at its option, in addition to all of its other rights and remedies under this Lease, and without regard to any notice and cure periods set forth in Section 19.1, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within ten (10) days after delivery of bills therefor. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms of this Lease under an umbrella and/or blanket insurance policy, provided such umbrella and/or blanket policy expressly affords coverage for the Premises and Landlord, as required by this Lease.

10.4 Subrogation. Landlord and Tenant agree to have their respective insurance companies issuing property damage insurance waive any rights of subrogation that such companies may have against Landlord or Tenant, as the case may be. Landlord and Tenant hereby waive any right that either may have against the other on account of any loss or damage to their respective property to the extent such loss or damage insured under property damage insurance policies carried by the waiving party under this Lease (or would have been covered had the waiving party maintained such insurance as so required under this Lease). If either party fails to carry the amounts and types of insurance required to be carried by it pursuant to this Article 10, in addition to any remedies the other party may have under this Lease, such failure shall be deemed to be a covenant and agreement by such party to self-insure with respect to the type and amount of insurance which such party so failed to carry, with full waiver of subrogation with respect thereto.

10.5 Additional Insurance Obligations. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10, and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be (i) reasonably requested by Landlord, and/or any mortgagee or ground lessor for the Real Property; provided, however, that in no event shall such increased coverage be in excess of that required by landlords of the Comparable Buildings for tenants leasing comparable-sized space to Tenant in the Comparable Buildings.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 Repair of Damage to Premises by Landlord. Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any common areas of the Building or Real Property serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the base, shell, and core of the Building and such common areas of the Real Property. Such restoration shall be to substantially the same condition of the base,

16

shell, and core of the Building and common areas of the Real Property prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Real Property and/or the Building, or the lessor of a ground or underlying lease with respect to the Building (if any), or any other modifications to the common areas deemed desirable by Landlord, provided access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's

insurance required under Sections 10.3.2 above, and Landlord shall repair any damage to the tenant improvements and alterations installed within the Building and shall return such tenant improvements and alterations to their original condition; provided that if the costs of such repair of such tenant improvements and Alterations by Landlord exceeds the amount of insurance proceeds received by Landlord therefor from Tenant's insurance carrier, as assigned by Tenant, the excess costs of such repairs shall be paid by Tenant to Landlord prior to Landlord's repair of the damage. If Landlord elects not to rebuild and/or restore the Premises, Tenant shall be entitled to retain, and shall not be obligated to assign to Landlord, that portion of the insurance proceeds payable to Tenant under Tenant's insurance required under Sections 10.3.2 above that pertain solely to Tenant's coverage for improvements and/or alterations within the Premises that are paid for solely by Tenant with monies that are other than any tenant improvement allowances provided to Tenant by Landlord (provided, however, for avoidance of doubt, Tenant shall assign to Landlord all other insurance proceeds as set forth hereinabove). In connection with such repairs and replacements of any such tenant improvements and alterations, Tenant shall, prior to Landlord's commencement of such improvement work, submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall designate the contractors to perform such improvement work (as such contractors may be approved by Tenant, with any such approval not to be unreasonably withheld, conditioned or delayed). Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or common areas necessary to Tenant's occupancy, and if such damage is not the result of the willful misconduct of Tenant or Tenant's employees, contractors, licensees, or invitees, Landlord shall allow Tenant a proportionate abatement of Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs, during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Tenant as a result thereof.

11.2 Termination Rights. Within sixty (60) days after Landlord becomes aware of such damage, Landlord shall notify Tenant in writing ("Landlord's Damage Notice") of the estimated time, in Landlord's reasonable judgment, required to substantially complete the work Landlord is required to perform pursuant to Section 11.1 above (the "Landlord's Restoration Work"). Notwithstanding Section 11.1 above to the contrary, Landlord may elect not to rebuild and/or restore the Premises, the Building and/or any other portion of the Real Property and instead terminate this Lease by notifying Tenant in writing of such termination within sixty (60) days after the date Landlord becomes aware of such damage, such notice to include a termination date giving Tenant ninety

(90) days to vacate the Premises, but Landlord may so elect only if the Building shall be damaged by fire or other casualty or cause, and one or more of the following conditions is present: (i) Landlord's Restoration Work cannot, in the reasonable opinion of Landlord as set forth in Landlord's Damage Notice, be substantially completed within one hundred eighty (180) days after the date of such damage (when such repairs are made without the payment of overtime or other premiums, unless Tenant agrees, in writing, prior to Landlord's determination, to be responsible for any such increase in costs, and pays such costs upon request); (ii) the holder of any mortgage on the Real Property and/or the Building or ground or underlying lessor with respect to the Real Property and/or the Building shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (iii) the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies (unless Tenant agrees, in writing, prior to Landlord's determination, to be responsible for any such incremental amounts that are not covered, and deposits such amounts with Landlord upon request). If

(A) Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, (B) the damage constitutes a Tenant Damage Event (as defined below), and (C) Landlord's Restoration Work cannot, in the reasonable opinion of Landlord as set forth in Landlord's Damage Notice, be substantially completed within two hundred ten (210) days after the date of the damage, then Tenant may elect to terminate this Lease by delivering written notice thereof to Landlord within fifteen (15) days after Tenant's receipt of Landlord's Damage Notice, which termination shall be effective as of the date of such termination notice to Landlord. As used herein, a "Tenant Damage Event" shall mean damage to all or any part of the Premises or any common areas of the Building providing access to the Premises by fire or other casualty, which damage (1) is not the result of the negligence or willful misconduct of Tenant or any of Tenant's employees, agents, contractors, licensees or invitees, (2) substantially interferes with Tenant's use of or access to the Premises and (3) would entitle Tenant to an abatement of Rent pursuant to Section 11.1 above. In addition, if (x) the Premises, the Building or any portion of the Real Property is destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term, (y) Tenant has not exercised any Extension Option that is still in effect, and does not exercise any such Extension Option within thirty (30) days after the date of Landlord's Damage Notice, and (z) Landlord's Restoration Work is reasonably estimated by Landlord in Landlord's Damage Notice to require more than sixty (60) days or the remainder of the Lease Term (whichever is less) to complete, then notwithstanding anything contained in this Article 11, Landlord shall have the option to terminate this Lease, and to the extent that such destruction or damage also constitutes a Tenant Damage Event, Tenant shall have the option to terminate this Lease, by giving written termination notice to the other party of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice. Upon any such termination of this Lease pursuant to this Section 11.2, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of termination, and both parties hereto shall thereafter be discharged of all further obligations under this Lease, except for those obligations which expressly survive the expiration or earlier termination of the Lease Term.

11.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or any other portion of the Real Property, and any statute or regulation of the state in which the Real Property is located, including, without limitation, Sections 1932(2) and 1933(4) of the California

Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or any other portion of the Real Property.

ARTICLE 12

CONDEMNATION

12.1 Permanent Taking. If the whole or any substantial part of the Building or the Real Property shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any part of the Building or the Real Property, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking, condemnation, deed or other instrument. If more than fifteen percent (15%) of the rentable square feet of the Building is taken, or if access to the Building or the Surface Parking Areas is substantially impaired, or if the portion of the Building that is taken substantially interferes with Tenant's use of the Premises for the permitted uses set forth in Section 5.1 above, then Tenant shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking. Landlord shall be entitled to receive the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claim does not diminish the award available to Landlord, or its ground lessor or mortgagee with respect to the Real Property, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

12.2 Temporary Taking. Notwithstanding anything to the contrary contained in this Article 12, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 13

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 14

ASSIGNMENT AND SUBLetting

14.1 Transfers. Except as otherwise provided in Section 14.7 below, Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably conditioned or withheld as provided in Section

14.2 below, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment or other such foregoing transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the use of the Premises by any persons other than Tenant and its employees (all of the foregoing are hereinafter sometimes referred to collectively as "Transfers" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferee"). If Tenant shall desire Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "Transfer Notice") shall include (i) the proposed effective date of the Transfer, (ii) a description of the portion of the Premises to be transferred (the "Subject Space"), (iii) all of the terms of the proposed Transfer, the name and address of the proposed Transferee, and a copy of all existing and/or proposed documentation pertaining to the proposed Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and (v) such other information as Landlord may reasonably require. Except as provided in Section 14.7 below, any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a default by Tenant under this Lease. Whether or not Landlord shall grant consent, within thirty (30) days after written request by Landlord, Tenant shall reimburse Landlord for its review and processing fees, and any reasonable legal fees incurred by Landlord in connection with Tenant's proposed Transfer, not to exceed Three Thousand Five Hundred Dollars (\$3,500.00) per proposed Transfer.

14.2 Landlord's Consent. Landlord shall not unreasonably withhold or condition its consent to any proposed Transfer on the terms specified in the Transfer Notice, and shall notify Tenant whether the proposed

Transferee is approved or reasonably disapproved within thirty (30) days after Landlord's receipt of Tenant's Transfer Notice. The parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply, without limitation as to other reasonable grounds for withholding consent:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Real Property;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under

this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof;

14.2.4 The Transfer will result in more than a reasonable and safe number of occupants per floor within the Subject Space;

14.2.5 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities involved under the Lease on the date consent is requested, as reasonably determined by Landlord;

14.2.6 The proposed Transfer would cause Landlord to be in violation of another agreement to which Landlord is a party;

14.2.7 The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, right of expansion, right of first offer, or other similar right held by Tenant (or will allow the Transferee to occupy space leased by Tenant pursuant to any such right).

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 below), Tenant may within six (6) months after Landlord's consent, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 above, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the

Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 below).

14.3 Transfer Premium. Except as provided in Section 14.7 below, if Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any Transfer Premium (as defined below) received by Tenant from such Transferee. "Transfer Premium" shall mean all rent, additional rent or other consideration payable by such Transferee in excess of the Rent and Additional Rent payable by Tenant under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any reasonable changes, alterations and improvements to the Premises in connection with the Transfer (but only to the extent approved by Landlord), (ii) any reasonable brokerage commissions in connection with the Transfer, (iii) any reasonable attorneys' fees paid by Tenant in connection with the Transfer, and (iv) the costs of any reasonable changes, alterations and improvements to the Premises made or paid for by Tenant in connection with the Transfer (but only to the extent approved by Landlord pursuant to Article 8 above) (collectively, the "Subleasing Costs"). Transfer Premium shall also include, but not be limited to, key money and bonus money paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer.

14.4 Landlord's Option as to Subject Space. Notwithstanding anything to the contrary contained in this Article 14, but subject to Section 14.7 below, Landlord shall have the option, by giving written notice to Tenant (the "Recapture Notice") within thirty (30) days after receipt of any Transfer Notice (i) relating to a sublease or assignment of the entire Premises, or (ii) during the last two (2) years of the then-current Lease Term, to recapture the Subject Space; provided, however, if Tenant notifies Landlord within ten (10) days after Tenant's receipt of Landlord's Recapture Notice that Tenant revokes Tenant's Transfer Notice, such recapture by Landlord in Landlord's Recapture Notice shall be ineffective, but Tenant shall not be entitled to proceed with the contemplated Transfer which was the subject of Tenant's original Transfer Notice, and Tenant shall again be required to submit a new Transfer Notice to Landlord with respect to any contemplated Transfer, as provided above in this Article 14. Such recapture notice shall terminate this Lease as of the date stated in the Transfer Notice as the effective date of the proposed Transfer until the last day of the term of the Transfer as set forth in the Transfer Notice. If Landlord declines, or fails to elect in a timely manner to recapture the Subject Space under this Section 14.4, then, provided Landlord has consented to the proposed Transfer, Tenant shall be entitled to proceed to transfer the Subject Space to the proposed Transferee, subject to provisions of the last paragraph of Section 14.2 above.

14.5 Effect of Transfer. If Landlord consents to a Transfer: (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified; (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee; (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord; and

(iv) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from liability under this Lease. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant

relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency and Landlord's costs of such audit.

14.6 Additional Transfers. Except as provided in Section 14.7 below, for purposes of this Lease, the term "Transfer" shall also include: (i) if Tenant is a partnership or limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of more than fifty percent (50%) of the partners or members, or transfer of more than fifty percent (50%) of the partnership or membership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof; and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant, (B) the sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of more than an aggregate of fifty percent (50%) of the value of the unencumbered assets of Tenant within a twelve (12) month period. The terms of this Section 14.6 shall not apply so long as Tenant is a publicly traded company.

14.7 Permitted Transfers to Affiliates. Notwithstanding the foregoing provisions of this Article 14 to the contrary, the assignment or subletting by Tenant of all or any portion of this Lease or the Premises to (i) a parent or subsidiary of Tenant, or (ii) any person or entity which controls, is controlled by or under common control with Tenant, or (iii) any entity which purchases all or substantially all of the assets and/or stock of Tenant, or (iv) a successor to Tenant or any of the foregoing entities by purchase, merger, consolidation or reorganization (all such persons or entities described in (i), (ii), (iii) and (iv) being sometimes hereinafter referred to as "Affiliates") shall not be deemed a Transfer under this Article 14, and thus shall not be subject to the requirement of obtaining Landlord's consent thereto in Section 14.2 above, or Landlord's right to receive any Transfer Premium pursuant to Section 14.3 above, or recapture right in Section 14.4 above, provided that:

14.7.1 any such Affiliate was not formed, and such transaction was not entered into, as a subterfuge to (i) avoid the obligations of this Article 14, or (ii) adversely affect the ability of Tenant to satisfy its obligations under this Lease;

14.7.2 Tenant gives Landlord at least five (5) business days' prior notice of any such assignment or sublease to an Affiliate, unless Tenant is precluded from giving notice pursuant to confidentiality requirements, in which event Tenant shall give Landlord notice as soon as possible;

14.7.3 the successor of Tenant and Tenant have as of the effective date of any such assignment or sublease a tangible net worth, in the aggregate, computed in accordance with generally accepted accounting principles (but excluding goodwill as an asset), which is sufficient to meet the obligations of Tenant under this Lease;

14.7.4 any such assignment or sublease shall be subject and subordinate to all of the terms and provisions of this Lease, and such assignee or sublessee shall assume, in a written document reasonably satisfactory to Landlord and delivered to Landlord upon or prior to the effective date of such assignment or sublease, all the obligations of Tenant under this Lease with respect to the Subject Space which is the subject of such Transfer (other than the amount of Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs payable by Tenant with respect to a sublease); and

14.7.5 Tenant shall remain fully liable for all obligations to be performed by Tenant under this

Lease.

"Control", as used in this Section 14.7, shall mean the possession, direct or indirect, of the power to cause the direction of the management and policies of a person or entity, or ownership of any sort, whether through the ownership of voting securities, by contract or otherwise.

ARTICLE 15

SURRENDER; OWNERSHIP AND REMOVAL OF PERSONAL PROPERTY

15.1 Surrender of Premises. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises.

15.2 Removal of Tenant Property by Tenant. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all telephone, data, and other cabling and wiring installed or caused to be installed by Tenant, all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises.

and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and the Building resulting from such removal.

15.3 Removal of Tenant's Property by Landlord. Whenever Landlord shall re-enter the Premises as provided in this Lease, any personal property of Tenant not removed by Tenant upon the expiration of the Lease Term, or within forty-eight (48) hours after a termination by reason of Tenant's default as provided in this Lease, shall be deemed abandoned by Tenant and may be disposed of by Landlord in accordance with Sections 1980 through 1991 of the California Civil Code and Section 1174 of the California Code of Civil Procedure, or in accordance with any applicable laws or judicial decisions which may supplement or supplant those provisions from time to time.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other term, covenant and agreement contained herein. Landlord hereby expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) days following a request in writing by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be in the form as may be required by any prospective mortgagee or purchaser of the Real Property (or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's Mortgagee or Landlord's prospective mortgagees. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. If Tenant fails to timely execute and deliver such estoppel certificate or other instruments, which failure continues for two (2) business days after Landlord provides a second (2nd) request in writing by Landlord, it shall (i) constitute an acceptance of the Premises, (ii) an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception and , (iii) be a material default of the provisions of this Lease. In addition, Tenant shall be liable to Landlord, and shall indemnify Landlord from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, including attorneys' fees, arising or accruing directly or indirectly, from any failure of Tenant to execute or deliver to Landlord any such estoppel certificate within two (2) business days after such second (2nd) request in writing by Landlord. Upon request from time to time, Tenant agrees to provide to Landlord, within ten (10) days after Landlord's delivery of written request therefor, current financial statements for Tenant, dated no earlier than one (1) year prior to such written request, certified as accurate by Tenant or, if available, audited financial statements prepared by an independent certified public accountant with copies of the auditor's statement. If any guaranty is executed in connection with this Lease, Tenant also agrees to deliver to Landlord, within ten (10) days after Landlord's delivery of written request therefor, current financial statements of the guarantor in a form consistent with the foregoing criteria. Notwithstanding the foregoing to the contrary, if Tenant is a public company whose stock is publicly held and traded through a national stock exchange, then Tenant shall not have the obligation to deliver to Landlord financial statements as provided hereinabove so long as Tenant's financial statements are made readily available to Landlord and can be accessed by the general public via the internet.

ARTICLE 18

SUBORDINATION

This Lease is subject and subordinate to all present and future ground leases of the Real Property and to the lien of any mortgages or trust deeds, now or hereafter in force against the Real Property, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages or trust deeds, or the lessors under such ground lease, require in writing that this Lease be superior thereto. Landlord represents that, as of the date of mutual execution and delivery of this Lease, Landlord has not entered into any mortgages or deeds of trust affecting the Real Property. Tenant covenants and agrees if any proceedings are brought for the foreclosure of any such mortgage, or if any ground lease is terminated, to attorn, without any deductions or set-offs whatsoever, to the purchaser upon any such foreclosure sale, or to the lessor of such ground lease, as the case may be, if so requested to do so by such purchaser or lessor, and to recognize such purchaser or lessor as the lessor under this Lease. Notwithstanding any contrary provision in this Article 18, a condition precedent to the subordination of this Lease to any future ground or underlying lease or to the lien of any future Mortgage is that Landlord shall obtain for the benefit of Tenant a commercially reasonable subordination, non-disturbance and attornment agreement ("Future SNDA")

from the mortgagee under such future mortgage or the lessor under such future lease, to the effect that no steps or proceedings taken by reason of Landlord's default under such future mortgage or lease shall terminate this Lease, nor shall Tenant be named a defendant in any proceedings for foreclosure of such mortgage or termination of any such lease, nor be disturbed by virtue of such step or proceedings, as long as there shall be no uncured default by Tenant under this Lease. Tenant shall, within ten (10) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably request to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, or ground leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

ARTICLE 19

TENANT'S DEFAULTS; LANDLORD'S REMEDIES

19.1Events of Default by Tenant. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1Any failure by Tenant to pay when due any Rent or any other monetary sums required to be paid thereunder, which failure continues for five (5) calendar days after written notice thereof from Landlord; provided, however, that Tenant shall not be entitled to more than one (1) notice for monetary defaults during any consecutive twelve (12) month period, and if, after such notice, any Rent or other sum is not paid when due, a default and breach of this Lease shall be considered to have occurred without further notice; provided, further, that any such notice given pursuant to this Section 19.1.1 shall be in lieu of, and not in addition to, any statutory notice required under California Code of Civil Procedure, Section 1161, or any similar or successor; or

19.1.2Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; provided however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 or any similar or successor law; and provided further that if the nature of such default is such that the same cannot reasonably be cured within a fifteen (15)-day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default as soon as possible; or

19.1.3 Abandonment or vacation of the Premises by Tenant.

19.2Landlord's Remedies Upon Default. Upon the occurrence of any such default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever:

19.2.1Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

- (i) the worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus
- (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus
- (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus
- (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; plus

(i) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the Interest Rate set forth in Section 4.5 above. As used in Section 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

22

19.2.2Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3Landlord may, but shall not be obligated to, make any such payment or perform or otherwise cure any such obligation, provision, covenant or condition on Tenant's part to be observed or performed (and may enter the Premises for such purposes). In the event of Tenant's failure to perform any of its obligations or covenants under this Lease, and such failure to perform poses a material risk of injury or harm to persons or damage to or loss of property, then Landlord shall have the right to cure or otherwise perform such covenant or obligation at any time after such failure to perform by Tenant, whether or not any such notice or cure period set forth in Section 19.1 above has expired. Any such actions undertaken by Landlord pursuant to the foregoing provisions of this Section 19.2.3 shall not be deemed a waiver of Landlord's rights and remedies as a result of Tenant's failure to perform and shall not release Tenant from any of its obligations under this Lease.

19.3Payment by Tenant. Tenant shall pay to Landlord, within ten (10) days after delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with Landlord's performance or cure of any of Tenant's obligations pursuant to the provisions of Section 19.2.3 above; and (ii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 19.3 shall survive the expiration or sooner termination of the Lease Term.

19.4Sublessees of Tenant. Whether or not Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. If Landlord elects to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.5Waiver of Default. No waiver by Landlord of any violation or breach by Tenant of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach by Tenant of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by Landlord in enforcement of one or more of the remedies herein provided upon a default by Tenant shall not be deemed or construed to constitute a waiver of such default. The acceptance of any Rent

hereunder by Landlord following the occurrence of any default, whether or not known to Landlord, shall not be deemed a waiver of any such default, except only a default in the payment of the Rent so accepted.

19.6 Efforts to Relet. For the purposes of this Article 19, Tenant's right to possession shall not be deemed to have been terminated by efforts of Landlord to relet the Premises, by its acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests hereunder. The foregoing enumeration is not exhaustive, but merely illustrative of acts which may be performed by Landlord without terminating Tenant's right to possession.

ARTICLE 20

INTENTIONALLY DELETED

ARTICLE 21

COMPLIANCE WITH LAW

21.1 Compliance with Law. Tenant shall not do anything or suffer anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated. At its sole cost and expense, Tenant shall promptly comply with all such governmental measures, other than the making of structural changes or changes to the Building's life safety system or any alterations that are Capital Items (collectively the "Excluded Changes"); provided, however, to the extent such Excluded Changes are required due to or triggered by Tenant's improvements or alterations to and/or manner of use of the Premises, Landlord shall perform such work, at Tenant's cost (which shall be paid by Tenant to Landlord within ten (10) days after Tenant's receipt of invoice therefor from Landlord). In addition, Tenant shall fully comply with all present or future legally required programs intended to manage parking, transportation or traffic in and around the Real Property, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant.

21.2 CASp. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises, the Building and the Real Property have not undergone inspection by a Certified Access Specialist (CASp). In addition, the following notice is hereby provided pursuant to Section 1938(e) of the California Civil Code:

23

"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."

In furtherance of and in connection with such notice: (i) Tenant, having read such notice and understanding Tenant's right to request and obtain a CASp inspection and with advice of counsel, hereby elects not to obtain such CASp inspection and forever waives its rights to obtain a CASp inspection with respect to the Premises, the Building and/or the Real Property to the extent permitted by applicable laws now or hereafter in effect; and (ii) if the waiver set forth in clause (i) hereinabove is not enforceable pursuant to applicable laws now or hereafter in effect, then Landlord and Tenant hereby agree as follows (which constitute the mutual agreement of the parties as to the matters described in the last sentence of the foregoing notice): (A) Tenant shall have the one-time right to request for and obtain a CASp inspection of the Premises, which request must be made, if at all, in a written notice delivered by Tenant to Landlord on or before the date which is thirty (30) days after the earlier to occur of (1) the Delivery Date, and (2) the Lease Commencement Date; (B) any CASp inspection timely requested by Tenant shall be conducted (1) between the hours of 9:00 a.m. and 5:00 p.m. on any business day, (2) only after ten (10) days' prior written notice to Landlord of the date of such CASp inspection, (3) in a professional manner by a CASp designated by Landlord and without any testing that would damage the Premises, the Building or the Real Property in any way, and (4) at Tenant's sole cost and expense, including, without limitation, Tenant's payment of the fee for such CASp inspection, the fee for any reports prepared by the CASp in connection with such CASp inspection (collectively, the "CASp Reports") and all other costs and expenses in connection therewith; (C) Tenant shall deliver a copy of any CASp Reports to Landlord within two (2) business days after Tenant's receipt thereof; (D) Tenant, at its sole cost and expense, shall be responsible for making any improvements, alterations, modifications and/or repairs to or within the Premises to correct violations disclosed by such CASp inspection; and (E) if such CASp inspection identifies any improvements, alterations, modifications and/or repairs necessary to correct violations of construction-related accessibility standards relating to those items of the Building and Real Property located outside the Premises that are Landlord's obligation to repair as set forth in this Lease, then Landlord shall perform such improvements, alterations, modifications and/or repairs as and to the extent required by applicable laws to correct such violations, and Tenant shall reimburse Landlord for the cost of such improvements, alterations, modifications and/or repairs within ten (10) business days after Tenant's receipt of an invoice therefor from Landlord.

ARTICLE 22

ENTRY BY LANDLORD

Upon not less than one (1) business days' prior notice (except no such prior notice shall be required in case of emergency), Landlord reserves the right, at all reasonable times, to enter the Premises to: (i) inspect them; (ii) show the Premises to (A) prospective purchasers or mortgagees, (B) prospective tenants (but only during the last twelve (12) months of the Lease Term hereof or any renewal thereof), or (C) the ground lessors; (iii) post notices of non-responsibility; or (iv) alter, improve or repair the Premises or the Building if necessary to comply with current building codes or other applicable laws, or for structural alterations, repairs or improvements to the Building, or as Landlord may otherwise reasonably desire or deem necessary. Notwithstanding anything to the contrary contained in this Article 22, Landlord may enter the Premises at any time, without notice to Tenant, in emergency situations and/or to perform other services required of Landlord pursuant to this Lease. Except as otherwise set forth in this Article 22, all such entries shall be subject to the following: (1) except as otherwise expressly set forth in this Lease, Landlord shall provide not less than one (1) business days' prior verbal or written notice to Tenant (except in the case of emergencies, when no notice shall be required), and Landlord shall use commercially reasonable efforts to schedule entries into the Premises under this Section 22 with Tenant (except if not reasonably practicable in emergencies)

so that Tenant, at Tenant's option, may provide an employee or a representative of Tenant to accompany Landlord; (2) at Tenant's option, the Landlord representative making such entry shall be accompanied by a representative of Tenant if such representative is made available by Tenant for such purpose, provided, however, if Tenant shall not be personally present to open and permit an entry into the Premises at any time when such entry by Landlord is necessary or permitted thereunder, Landlord may enter by means of master key without liability to Tenant, except for any failure to exercise due care for Tenant's property, and without affecting this Lease; (3) Landlord shall use commercially reasonable efforts to minimize any unreasonable interference with Tenant's access to, and use and occupancy of, the Premises for the permitted uses set forth in Section 5.1 of this Lease as a result of the exercise of Landlord's rights set forth in this Article 22; and (4) with respect to repairs and alterations to the Premises, if requested by Tenant, Landlord shall use commercially reasonable efforts to make such repairs and alterations after normal business hours (except if required by applicable laws, government regulations and/or emergencies), provided that Landlord shall not be required to employ labor at overtime rates. Any such entries shall be without the abatement of Rent and shall include the right to take such reasonable steps as required to accomplish the stated purposes. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, except as otherwise provided in Section 6.6 above. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to enter without notice and use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises.

24

ARTICLE 23

PARKING

Throughout the Lease Term, Tenant shall have the right to exclusively use, free of parking charges, all of the Surface Parking Areas. Tenant's continued right to use the parking spaces is conditioned upon (i) Tenant abiding by (A) the Parking Rules and Regulations which are in effect on the date hereof, as set forth in the attached Exhibit D and all modifications and additions thereto which are prescribed from time to time for the orderly operation and use of the Surface Parking Areas by Landlord, (B) unless contrary to the express provisions of this Lease, all rules and regulations which are prescribed from time to time by any common area association of the Real Property (if any) having rights over the Surface Parking Areas, and (C) all recorded covenants, conditions and restrictions affecting the Building and/or the Real Property (including, without limitation, the CC&R's), and (ii) upon Tenant's cooperation in seeing that Tenant's employees and visitors also comply with the Parking Rules and Regulations (and all such modifications and additions thereto, as the case may be), any such other rules and regulations and covenants, conditions and restrictions. Landlord specifically reserves the right to change the size, configuration, design, layout, location and all other aspects of the Surface Parking Areas with Tenant's consent, not to be unreasonably withheld, Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, with advance notice to Tenant, temporarily close-off or restrict access to the Surface Parking Areas, portions thereof and/or temporarily relocate Tenant's parking spaces to other parking structures and/or surface parking areas within a reasonable distance of the Premises without charge to Tenant (collectively, the "Other Parking Facilities"), as reasonably necessary for the purpose of facilitating any such construction and/or alterations and/or repairs of the Surface Parking Areas (but during any such construction and/or alterations and/or repairs, Landlord shall make available to Tenant at the Surface Parking Areas or such Other Parking Facilities the number of unreserved parking spaces allocated to Tenant as set forth in Section 12 of the Summary). Any parking tax or other charges imposed by governmental authorities in connection with the use of such parking shall be paid directly by Tenant or the parking users, or, if directly imposed against Landlord, Tenant shall reimburse Landlord for all such taxes and/or charges within ten (10) days after Landlord's demand therefor. The parking rights provided to Tenant pursuant to this Article 23 are provided solely for use by Tenant's own personnel and such rights may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval, except in connection with an assignment of this Lease or sublease of the Premises made in accordance with Article 14 above.

ARTICLE 24

MISCELLANEOUS PROVISIONS

24.1 Terms; Captions. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

24.2 Binding Effect. Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 above.

24.3 No Waiver. No waiver of any provision of this Lease shall be implied by any failure of a party to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by a party of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

24.4 Modification of Lease. If any current or prospective mortgagor or ground lessor for the Real Property requires modifications to this Lease, which modifications will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are required therefor and deliver the same to Landlord within ten (10) days following the request therefor. If Landlord or any such current or prospective mortgagor or ground lessor require execution of a short form of Lease for recording, containing, among other customary provisions, the names of the parties, a description of the Premises and the Lease Term, Tenant shall execute such short form of Lease and to deliver the same to Landlord within ten (10) days following the request therefor.

24.5Transfer of Landlord's Interest. Landlord has the right to transfer all or any portion of its interest in the Real Property, the Building and/or in this Lease, and upon any such transfer, Landlord shall, upon the assumption in writing by the successor landlord of Landlord's obligations arising under this Lease after the effective date of such transfer automatically be released from all liability under this Lease and Tenant shall look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer. The liability of any transferee of Landlord shall be limited to the interest of such transferee in the Real Property and such transferee shall be without personal liability under this Lease, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. Landlord may also assign its interest in this Lease to a

25

mortgage lender as additional security but such assignment shall not release Landlord from its obligations hereunder and Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

24.6Recording. Except as provided in Section 24.4 above, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant, and the recording thereof in violation of this provision shall make this Lease null and void at Landlord's election.

24.7Landlord's Title; Air Rights. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease.

24.8Exterior Signs. During the Lease Term, subject to the approval of all applicable governmental entities and the approval of any architectural review committee and/or owner's association applicable to the Real Property, and subject to all applicable laws and all recorded covenants, conditions and restrictions affecting the Building and/or the Real Property (including, without limitation, the CC&R's), Landlord hereby grants Tenant the exclusive right to have the name "Netgear" and/or logo (but no other markings) displayed on the following (collectively, the "Exterior Signs"): (i) one (1) strip of a monument sign for the Building to be installed (the "Signage Monument"), in a location to be designated by Landlord; (ii) wayfinding signage within the Real Property (the "Wayfinding Signs"); and (iii) two (2) signs to be installed on the façade on the exterior of the Building (the "Façade Signs") in locations to be designated by Tenant and reasonably approved by Landlord. The design, size, graphics, materials, colors and all other specifications with respect to the Exterior Signs shall be (A) consistent with the exterior of the Building and the quality and appearance of the Building, and (B) designated by Tenant, subject to Landlord's prior approval thereof, and the approval of all applicable governmental authorities and the approval of any architectural review committee and/or owner's association applicable to the Real Property. Tenant shall, at Tenant's sole cost and expense, (1) install the Exterior Signs, and (2) maintain and repair the Exterior Signs and the Signage Monument. The signage rights granted to Tenant under this Section 24.8 are personal to the original Tenant executing this Lease (the "Original Tenant") and any Affiliate to which Tenant's entire interest in this Lease has been assigned pursuant to Section 14.7 above (each, an "Affiliate Assignee"), and may not be assigned or exercised by or to, or used by, any person or entity other than the Original Tenant or such Affiliate Assignee, as the case may be. In addition, Tenant shall only have such right to the Façade Sign and the Signage Monument when the Original Tenant or such Affiliate Assignee, as the case may be, is in actual and physical possession of at least seventy five percent (75%) of the rentable square footage of the Premises. Upon termination or expiration of this Lease, or upon the earlier termination of Tenant's signage rights under this Section 24.8, Landlord shall have the right to permanently remove the Exterior Signs and to restore and repair all damage to the Building and the Signage Monument resulting from such removal, and Tenant shall pay to Landlord, within ten (10) days after demand, all costs incurred in connection with such removal, restoration and repair.

24.9Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venture or joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

24.10Application of Payments. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

24.11 Time of Essence. Time is of the essence of this Lease and each of its provisions.

24.12Partial Invalidity. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

24.13No Warranty. In executing and delivering this Lease, Tenant has not relied on any representation, including, but not limited to, any representation whatsoever as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the Exhibits attached hereto.

24.14Landlord Exculpation. Notwithstanding anything in this Lease to the contrary, and notwithstanding any applicable law to the contrary, the liability of Landlord and the Landlord Parties under this Lease (including any successor landlord) and any recourse by Tenant against Landlord or the Landlord Parties shall be limited solely and exclusively to an amount which is equal to the ownership interest of Landlord in the Real Property (excluding any proceeds thereof), and neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant.

24.15Entire Agreement. There are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter

26

thereof, and none thereof shall be used to interpret or construe this Lease. This Lease and any side letter or separate agreement executed by Landlord and Tenant in connection with this Lease and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, and none of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Lease.

24.16 Intentionally Deleted.

24.17Force Majeure. Notwithstanding anything to the contrary contained in this Lease, any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, governmental laws, regulations or restrictions, civil commotions, casualty, actual or threatened public health emergency (including, without limitation, epidemic, pandemic, famine, disease, plague, quarantine, and other significant public health risk), governmental edicts, actions, orders, declarations or restrictions (including (i) any states of emergency and quarantines imposed by a governmental entity or agency, and (ii) any government imposed shelter-in-place orders, stay at home orders and/or restrictions on travel related thereto that preclude Tenant, or Landlord, their agents, contractors or employees from accessing the Premises, as applicable), breaches in cybersecurity, and other causes beyond the reasonable control of the party obligated to perform, regardless of whether such other causes are (A) foreseeable or unforeseeable or (B) related to the specifically enumerated events in this Section 24.17 (collectively, the "Force Majeure") shall excuse the performance of such party for a

period equal to any such prevention, delay or stoppage. If this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure. Any party claiming Force Majeure shall notify the other party in writing of such Force Majeure event, and may not claim more than five (5) days of retroactive days of Force Majeure delay. Notwithstanding anything to the contrary in this Lease, no event of Force Majeure shall (1) excuse Tenant's obligations to pay Base Rent, Additional Rent and/or other charges as and when due pursuant to this Lease;

- (2) be grounds for Tenant to abate any portion of Base Rent due pursuant to this Lease, or entitle either party to terminate this Lease, except as allowed pursuant to [Articles 11](#) and [12](#) above;
- (3) excuse Tenant's obligations under [Articles 5](#) and [21](#) above and/or the Tenant Work Letter, (4) extend the time period for Tenant to vacate the Premises following the expiration of the Lease Term, (5) excuse Tenant's obligations under [Section 10.2](#) to maintain the required insurance, or (6) extend or delay the occurrence of the Lease Commencement Date or extend the Lease Term.

24.18 Waiver of Redemption by Tenant. Tenant hereby waives for Tenant and for all those claiming under Tenant all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

24.19 Notices. All notices, demands, statements or communications (collectively, "Notices") given or required to be given by either party to the other hereunder shall be in writing, shall be (i) sent by United States certified or registered mail, postage prepaid, return receipt requested, (ii) sent by nationally recognized overnight delivery service, or (iii) delivered personally (A) to Tenant at the appropriate address set forth in Section 5 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord; or (B) to Landlord at the addresses set forth in Section 3 of the Summary, or to such other firm or to such other place as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given on the date it is mailed as provided in this Section 24.19 or upon the date personal delivery is made or rejected. If Tenant is notified of the identity and address of Landlord's mortgagee or ground lessor, Tenant shall give to such mortgagee or ground lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail, and such mortgagee or ground lessor shall be given a reasonable opportunity to cure such default prior to Tenant's exercising any remedy available to Tenant.

24.20 Joint and Several. If there is more than one person or entity executing this Lease as Tenant, the obligations imposed upon such persons and entities under this Lease are and shall be joint and several.

24.21 Authority. Landlord and Tenant each hereby represents and warrants to the other that such party is a duly formed and existing entity qualified to do business in the state in which the Real Property is located and that such party has full right and authority to execute and deliver this Lease and that each person signing on behalf of such party is authorized to do so. Landlord and Tenant each confirms that it is not in violation of any executive order or similar governmental regulation or law, which prohibits terrorism or transactions with suspected or confirmed terrorists or terrorist entities or with persons or organizations that are associated with, or that provide any form of support to, terrorists. Landlord and Tenant each further confirms that it will comply throughout the Term of this Lease, with all governmental laws, rules or regulations governing transactions or business dealings with any suspected or confirmed terrorists or terrorist entities, as identified from time to time by the U.S. Treasury Department's Office of Foreign Assets Control or any other applicable governmental entity.

24.22 Jury Trial. LANDLORD AND TENANT HEREBY AGREE THAT TO THE EXTENT PERMITTED BY APPLICABLE LAWS NOW OR HEREAFTER IN EFFECT, IF EITHER PARTY COMMENCES LITIGATION AGAINST THE OTHER FOR THE SPECIFIC PERFORMANCE OF THIS LEASE, FOR DAMAGES FOR THE BREACH HEREOF OR OTHERWISE FOR ENFORCEMENT OF ANY REMEDY HEREUNDER, THE PARTIES HERETO AGREE TO AND HEREBY DO WAIVE ANY RIGHT TO A TRIAL BY JURY.

24.23 Attorneys' Fees. In the event of any such commencement of litigation, the substantially prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

24.24 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the state in which the Real Property is located.

24.25 Submission of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

24.26 Brokers. Landlord and Tenant each hereby represents and warrants to the other party that it (i) has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 11 of the Summary (collectively, the "Brokers"), and (ii) knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Landlord agrees to pay a commission to the Brokers with respect to this Lease pursuant to a separate agreement between and/or among Landlord and the Brokers. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent in connection with this Lease other than the Brokers.

24.27 Independent Covenants. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord; provided, however, that the foregoing shall in no way impair the right of Tenant to commence a separate action against Landlord for any violation by Landlord of the provisions hereof so long as notice is first given to Landlord and any holder of a mortgage or deed of trust covering the Building, the Real Property or any portion thereof, of whose address Tenant has theretofore been notified, and an opportunity is granted to Landlord and such holder to correct such violations as provided above.

24.28 "Intentionally Deleted."

24.29 Confidentiality. Tenant acknowledges that the contents of this Lease (specifically including, but not limited, to the Base Rent abatement provisions and the amount of the Abated Rent set forth in Section 3.2 above) are confidential information. Tenant shall keep such information confidential and shall not disclose such confidential information to any person or entity other than Tenant's and Tenant's Affiliates' legal, accounting, and space planning consultants, employees, contractors, prospective tenants and assignees, respectively, who need to know such information, or as otherwise required by law (collectively, the "Authorized Parties"), and shall instruct the Authorized Parties to keep such information confidential.

24.30 Landlord's Construction. Except as specifically set forth in this Lease or in the Tenant Work Letter:

- (i) Landlord has no obligation to alter, remodel, improve, renovate, repair or decorate the Premises, the Building, the Real Property, or any part thereof; and (ii) no representations or warranties respecting the condition of the Premises, the Building or the Real Property have been made by Landlord to Tenant. Tenant acknowledges that prior to and during the Lease Term, Landlord (and/or any common area association) may wish to complete construction and/or demolition work pertaining to various portions of the Real Property, including without limitation, the landscaping and other facilities within or as part of the Real Property as Landlord (and/or such common area association) shall from time to time desire (collectively, the "Construction"). In connection with such Construction, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Real Property, including portions of the common areas, or perform work in the Building and/or the Real Property, which work may create noise, dust or leave debris in the Building and/or the Real Property. Tenant hereby agrees that such Construction and Landlord's actions in connection with such Construction shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from such Construction, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from such Construction or Landlord's actions in connection with such Construction, or for any inconvenience or annoyance occasioned by such Construction or Landlord's actions in connection with such Construction; provided, however, Landlord shall carry out such work diligently and reasonably, and shall use commercially reasonable efforts to minimize any unreasonable interference with Tenant's access to, and use and occupancy of, the Premises for the permitted uses set forth in Section 5.1 of this Lease as a result the making of any repairs, alterations or improvements by Landlord in accordance with this Section 24.30 (provided Landlord shall not be required to employ labor at overtime rates).

24.31 Cannabis. Tenant agrees that the Premises shall not be used for the use, growing, producing, processing, storing (short or long term), distributing, transporting, or selling of cannabis, cannabis derivatives, or any cannabis containing substances ("Cannabis"), nor shall Tenant permit, allow or suffer, any of Tenant's officers, employees, agents, servants, licensees, subtenants, concessionaires, contractors and invitees to bring onto the Premises, the Building and/or the Real Property, any Cannabis. Without limiting the foregoing, the prohibitions in this Section 24.31 shall apply to all Cannabis, whether such Cannabis is legal for any purpose whatsoever under state or federal law or both. Notwithstanding anything to the contrary, any failure by Tenant to comply with each of the terms, covenants, conditions and provisions of this Section 24.30 shall automatically and without the requirement of

28

any notice be a default that is not subject to cure, and Tenant agrees that upon the occurrence of any such default, Landlord may elect, in its sole discretion, to exercise all of its rights and remedies under this Lease, at law or in equity with respect to such default.

24.32 Electronic Signatures. Each of the parties to this Lease (i) has agreed to permit the use from time to time, where appropriate, of telecopy or other electronic signatures (including, without limitation, DocuSign) in order to expedite the transaction contemplated by this Lease, (ii) intends to be bound by its respective telecopy or other electronic signature, (iii) is aware that the other will rely on the telecopied or other electronically transmitted signature, and (iv) acknowledges such reliance and waives any defenses to the enforcement of this Lease and the documents affecting the transaction contemplated by this Lease based on the fact that a signature was sent by telecopy or electronic transmission only.

24.33 Counterparts. This Lease may be executed in several counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

24.34 Rooftop Equipment. Subject to (i) the approval of all applicable governmental agencies,

(ii) Tenant's compliance with all applicable laws and the provisions of this Section 24.34 and the other provisions of this Lease, and (iii) the provisions of, and Tenant's compliance with and obtaining all approvals required under, all covenants, conditions and restrictions recorded against the Project, Tenant shall have the right during the Lease Term, as may be extended (at Tenant's sole cost and expense but without any obligation to pay Landlord any rent or license fees with respect thereto), to: (A) install on the roof of the Building in a location designated by Tenant and reasonably approved by Landlord (collectively, the "Equipment Area"), one (1) satellite antenna not exceeding three (3) feet in height (the "Antenna Equipment") and supplemental cooling equipment therefor ("Supplemental Cooling Equipment"); and (B) install such connection equipment, such as conduits, cables, feeders and materials (collectively, the "Connecting Equipment") in the existing risers, shafts, ducts, conduits, chases, utility closets and other facilities of the Building as is reasonably necessary to connect the Antenna Equipment and Supplemental Cooling Equipment to Tenant's machinery and equipment in the Premises. Subject to Section 24.34.2 below and all of the terms and conditions of this Lease, and subject to all applicable laws and such reasonable rules and regulations as Landlord may impose from time to time, Tenant shall also have the right of access twenty-four (24) hours per day, seven (7) days per week to the areas where the Antenna Equipment, Supplemental Cooling Equipment and Connecting Equipment (all collectively referred to herein as the "Rooftop Equipment") are located for the purposes of maintaining, repairing, testing and replacing the same. Tenant shall also have the right of access twenty-four (24) hours per day, seven (7) days per week to the areas where the HVAC equipment is located for the purposes of performing its maintenance obligations under this Lease.

24.34.1 Installation. The installation of the Rooftop Equipment shall constitute alterations and shall be performed in accordance with and subject to the provisions of Article 8 of this Lease (or the Tenant Work Letter if installed by Tenant during the construction of the initial Tenant Improvements for the Premises) including, without limitation, Tenant's obligation to obtain Landlord's prior consent to the size and other specifications of the Rooftop Equipment, and the Rooftop Equipment shall be treated for all purposes of this Lease as if the Rooftop Equipment were Tenant's personal property. In no event shall Tenant be permitted to void any roof or other warranties pertaining to the Building in connection with the installation of the Rooftop Equipment. For purposes of determining Landlord's and Tenant's respective rights and obligations with respect to its use of the roof as herein provided, the portions of the Equipment Area (and any other portions of the roof where the Rooftop Equipment is actually located) shall be deemed to be a portion of Tenant's Premises; consequently, all of the provisions of this Lease respecting Tenant's obligations hereunder shall apply to the installation, use and maintenance of the such portions of the roof by Tenant (including, without limitation, provisions relating to compliance with requirements as to insurance, indemnity, repairs and maintenance), and all such provisions shall also apply, to the extent appropriate, to the installation, use and maintenance of the Rooftop Equipment. Landlord shall have no obligation to make any changes, improvements or alterations to the areas where any of the Rooftop Equipment is located.

24.34.2 Tenant's Covenants. Tenant shall install, use, maintain and repair the Rooftop Equipment so as not to cause damage to the Building or the Systems and Equipment. In addition, Tenant shall (i) be solely responsible for any damage caused as a result of the Rooftop Equipment, (ii) promptly pay any tax, license or permit fees charged pursuant to any requirements in connection with the installation, maintenance or use of the Rooftop Equipment and comply with all precautions and safeguards recommended by all governmental authorities, and

(iii) make necessary repairs, replacements or maintenance of the Rooftop Equipment. Further, Tenant, at Tenant's sole cost and expense, shall maintain such equipment and install such fencing and other protective equipment on or about the Rooftop Equipment as Landlord may reasonably require. Tenant shall indemnify, defend and hold Landlord and the Landlord Parties harmless from and against any and all Claims arising out of Tenant's failure to comply with the provisions of this Section 24.34.

24.34.3 Landlord's Obligations. Except as specifically set forth herein, Landlord shall not have any obligations with respect to the Rooftop Equipment or compliance with any requirements relating thereto nor shall Landlord be responsible for any damage that may be caused to the Rooftop Equipment, except to the extent caused by the negligence or willful misconduct of Landlord or the Landlord Parties and not insured or required to be insured by Tenant under this Lease. Landlord makes no representation that the Rooftop Equipment and related Connecting Equipment will be able to receive or transmit communication signals without interference or disturbance, and Tenant agrees that Landlord shall not be liable to Tenant therefor.

24.34.4 Hazardous Materials/Inspections. Tenant shall not use any Hazardous Materials in connection with the Rooftop Equipment other than limited reasonable quantities of Hazardous Materials reasonably necessary and customarily used for the operation of the Rooftop Equipment and used, stored and disposed of by Tenant in accordance with all applicable laws and the highest safety standards for such use, storage and disposal. Landlord

29

shall have the right, after providing Tenant with written notice, to conduct such tests and/or inspections of the Rooftop Equipment as Landlord may determine are reasonably necessary from time to time to ensure that Tenant is complying with the terms of this Section 24.34, and Tenant shall pay for the reasonable cost of such tests if Hazardous Materials use is found to have occurred in violation of this Lease.

24.34.5 Default. If any of the conditions set forth in this Section 24.34 are not complied with by Tenant, then without limiting Landlord's rights and remedies it may otherwise have under this Lease, Tenant shall, upon written notice from Landlord, have the option either to: (i) immediately discontinue its use of the particular items of the Rooftop Equipment which are non-compliant, remove the same, and make such repairs and restoration as required under Section 24.34.6 below, or (ii) correct such noncompliance either (A) immediately after

receipt of such notice in cases of emergency, or (B) within ten (10) days after receipt of such notice in non-emergency situations (or such longer period as may be reasonably necessary to correct such noncompliance in such non-emergency situations, so long as Tenant commences to correct such noncompliance within such ten (10) day period and thereafter proceeds with due diligence to correct such noncompliance). If Tenant elects the option described in clause (ii) of the immediately preceding sentence and Tenant fails to correct such noncompliance within the applicable time period described in clause (ii), then Tenant shall immediately discontinue its use of the particular items of the Rooftop Equipment which are non-compliant and remove the same.

24.34.6 Removal at End of Term. Upon the expiration or earlier termination of this Lease, Tenant shall, subject to the reasonable control of and direction from Landlord, remove the Rooftop Equipment, repair any damage caused thereby, and restore the roof and other facilities of the Building to their condition existing prior to the installation of the Rooftop Equipment.

24.34.7 Default; Rights Personal. Notwithstanding the foregoing provisions of this Section 24.34 to the contrary, Tenant's rights under this Section 24.34: (i) are personal to the Original Tenant and any Affiliate Assignee, as the case may be; (ii) may only be exercised by the Original Tenant and any Affiliate Assignee, as the case may be, and shall only be utilized when the Original Tenant is in actual and physical possession of any portion of the Premises; and (iii) may not be transferred to or used by any person or entity other than the Original Tenant and any Affiliate Assignee, as the case may be, except that Tenant may permit subtenants under subleases entered into by Tenant pursuant to Article 14 above to use the Rooftop Equipment for their telecommunications needs in their Subject Space.

24.35 Emergency Generator. Subject to (i) the approval of all applicable governmental agencies,

(ii) Tenant's compliance with all applicable laws and the provisions of this Section 24.35 and the other provisions of this Lease, and (iii) the provisions of, and Tenant's compliance with and obtaining all approvals required under, all covenants, conditions and restrictions recorded against the Real Property, from and after the Delivery Date, Tenant shall have the right, at Tenant's sole cost and expense and subject to the provisions of this Section 24.35, to install one

(1) back-up emergency generator in a location reasonably approved by Landlord within the Outside Areas (the "Generator Site"), together with such platforms, fencing, enclosures, sheds and other related materials and equipment, as shall be approved by Landlord prior to installation (collectively, the "Generator"). The Generator shall be of such size and specifications as shall be approved by Landlord prior to installation, which approval may be granted or denied in Landlord's reasonable discretion. In addition, Tenant shall have the right, subject to available capacity of the Building, to install such connection equipment, such as conduits, cables, risers, feeders and materials (collectively, the "Connecting Equipment") in the shafts, ducts, conduits, chases, utility closets and other facilities of the Building as is reasonably necessary to connect the Generator to the Premises, and Tenant's other machinery and equipment therein, subject, however, to the provisions of Section 24.35.3 below. Tenant shall also have the right of access to the areas where the Generator and any such Connecting Equipment are located for the purposes of maintaining, repairing, testing and replacing the same.

24.35.1 Generator Equipment. The installation of the Generator and related Connecting Equipment (hereby referred to together and/or separately as the "Generator Equipment") shall be performed in accordance with and subject to the provisions of Article 8 above, and the Generator Equipment shall be treated for all purposes of this Lease as if the same were Tenant's personal property. For the purposes of determining Tenant's obligations with respect to its use of the Generator Site and Generator Equipment herein provided, the Generator Site shall be deemed to be a portion of the Premises (provided, however, that the Generator Site shall not be considered part of the Premises for purposes of calculating Rent); consequently, all of the provisions of this Lease respecting Tenant's obligations hereunder shall apply to the installation, use and maintenance of the Generator Site (including, without limitation, provisions relating to compliance with requirements as to insurance, indemnity, repairs and maintenance), and all such provisions shall also apply, to the extent appropriate, to the installation, use and maintenance of the Generator Equipment.

24.35.2 Tenant's Covenants. Tenant shall install, use, maintain and repair the Generator Equipment so as not to damage or interfere with the operation of the Building or Real Property or any portion thereof, including, without limitation, the Generator Site, the Systems and Equipment, and any other generators, power sources, or similar equipment located in or on the Real Property; and Tenant hereby agrees to indemnify, defend and hold harmless from and against any and all Claims arising out of Tenant's failure to comply with the provisions of this Section 24.35.

24.35.3 Landlord's Obligations. Landlord shall not have any obligations with respect to the Generator Site, the Generator Equipment or compliance with any requirements relating thereto, nor shall Landlord be responsible for any damage that may be caused to the Generator Equipment, except to the extent caused by the gross negligence or willful misconduct of Landlord and not insured or required to be insured by Tenant under this Lease. Landlord makes no representation that the Generator Equipment will be able to supply sufficient power to the Premises, and Tenant agrees that Landlord shall not be liable to Tenant therefor.

30

24.35.4 Condition of Generator Site. Tenant shall accept the Generator Site in its "AS-IS" condition, without any representations or warranties made by Landlord concerning same (including, but not limited to, the purposes for which such areas are to be used by Tenant), and Landlord shall have no obligation to contract or pay for any improvements or other work in or for the Generator Site, and Tenant shall be solely responsible, at its sole cost and expense, for (i) preparing the Generator Site for the installation of the Generator Equipment, and

(ii) constructing any improvements or performing any other work in such areas pursuant to and in accordance with the provisions of this Section 24.35. Tenant, at Tenant's sole cost and expense, shall maintain the Generator Equipment and install such enclosures, fencing and other protective equipment on or about the Generator Equipment as Landlord may reasonably determine.

24.35.5 Repairs. Tenant shall (i) be solely responsible for any damage caused as a result of the Generator Equipment, (ii) promptly pay any tax, license and/or permit fees charged pursuant to any requirements in connection with the installation, maintenance or use of the Generator Equipment and comply with all precautions and safeguards recommended by all governmental authorities, and (iii) make necessary repairs, replacements to or maintenance of the Generator Equipment and Generator Site. Tenant shall have the work which is Tenant's obligation to perform under this Section 24.35 (including, without limitation, all installation, modification and maintenance of the Generator Equipment) performed promptly and diligently in a first-class, workmanlike manner, by contractors and subcontractors approved by Landlord.

24.35.6 Installation. Tenant shall install and operate the Generator Equipment in compliance with all applicable laws. Prior to the installation of the Generator Equipment, or the performance of any modifications or changes thereto, Tenant shall comply with the following:

24.35.6.1 Tenant shall submit to Landlord in writing all plans for such installations, modifications or changes for Landlord's approval, which approval shall be granted or denied in Landlord's sole and absolute discretion;

24.35.6.2 prior to commencement of any work, Tenant shall obtain the required approvals of all federal, state and local governmental authorities; Tenant shall promptly deliver to Landlord written proof of compliance with all applicable laws in connection with any work related to the Generator Equipment, including, but not limited to, a signed-off permit from the City of San Jose;

24.35.6.3 all of such work shall conform to Landlord's design specifications for the Building, Real Property and the Generator Site and Landlord's requirements, including, but not limited to, weight and loading requirements, and shall not adversely affect the structural components of the Building or interfere with any systems and equipment located in, upon or serving the Real Property or the Generator Site; and

24.35.6.4 the Generator Equipment shall be clearly marked to show Tenant's name, address, telephone number and the name of the person to contact in case of emergency.

24.35.7 Hazardous Materials. Tenant shall not use any Hazardous Materials in connection with the Generator Equipment, except that Tenant may use diesel fuel stored in a double walled steel tank (the "Fuel Tank") contained within the back-up emergency generator installed as part of the Generator Equipment (the exact location and size of such Fuel Tank

shall be approved by Landlord), as long as such fuel and such Fuel Tank are kept, maintained and used in accordance with all applicable laws and the highest safety standards for such use, and so long as such fuel is always stored only within the Fuel Tank. Tenant shall promptly, at Tenant's expense, take all investigatory and all remedial action required by applicable laws and reasonably recommended by Landlord, whether or not formally ordered or required by applicable laws, for the cleanup of any spill, release or other contamination of the Generator Site and/or the Real Property to the extent caused or contributed to by Tenant's use of the Generator Equipment (including, without limitation, the fuel described hereinabove), or pertaining to or involving any such fuel or other Hazardous Materials brought onto the Generator Site by Tenant or any of Tenant's agents, employees, contractors, licensees or invitees. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all Claims to the extent arising out of or involving any Hazardous Materials brought onto the Generator Site by or for Tenant in connection with Tenant's activities under this Section 24.35. Tenant's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant or any of Tenant's agents, employees, licensees or invitees, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

24.35.8 Security. Physical security of the Generator Site and the Generator Equipment is the sole responsibility of Tenant, who shall bear the sole cost, expense and liability of any security services, emergency alarm monitoring and other similar services in connection therewith. Landlord shall not be liable to Tenant for any direct, indirect, consequential or other damages arising out of or in connection with the physical security, or lack thereof, of the Generator Site or Generator Equipment.

24.35.9 Testing. The Generator Equipment shall be routinely tested and inspected by a qualified contractor selected by Tenant and reasonably approved by Landlord, at Tenant's expense, in accordance with testing and inspection service contracts reasonably approved by Landlord. Tenant will provide Landlord with copies of certificates and other documentation related to the testing of the Generator Equipment. Testing hours are restricted, however, to those specific hours reasonably set and determined by Landlord from time to time.

24.35.10 Default. If Tenant fails to perform any of its obligations under this Section 24.35, and does not correct such noncompliance within five (5) business days after receipt of notice thereof from Landlord or such longer period as may be reasonably necessary to correct such noncompliance, so long as Tenant commences to correct such noncompliance within such five (5) business day period and thereafter proceeds with due diligence to correct

31

such noncompliance, then Tenant shall be deemed in default under this Lease, notwithstanding any other notice or cure provided in Article 19 above or otherwise in this Lease, and in addition to all other remedies Landlord may have under this Lease, Tenant shall, upon notice from Landlord, immediately discontinue its use of that portion of the Generator Equipment to which such noncompliance relates, and make such repairs and restoration as required under Section 24.35.11 below with respect thereto.

24.35.11 End of Term. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Generator Equipment, including, without limitation all electrical switch gear, underground conduit and feeders, architectural enclosure and/or modifications to the Generator Site, in place and in good operating condition, in compliance with all applicable laws, and free of Hazardous Materials. If, in Landlord's reasonable discretion, the Generator Equipment is not in good working order, then Landlord shall be permitted to require Tenant to, subject to the control of and direction from Landlord, cause the Generator Equipment to be in good working order, and if good working order cannot be reasonably achieved and is not achieved by Tenant prior to the expiration or earlier termination of this Lease, then Landlord may require Tenant to remove the Generator Equipment, including, without limitation all electrical switch gear, underground conduit and feeders, architectural enclosure and/or modifications to the Generator Site, repair any damage caused thereby, and restore the Generator Site and other facilities of the Building and Real Property to their condition substantially existing prior to the installation of the Generator Equipment. Any and all removal of the Generator Equipment shall be performed by certified and licensed contractors previously approved in writing by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed) and in accordance with a previously approved removal plan, in a workmanlike manner, without any interference, damage or destruction to any other equipment, structures or operations at the Generator Site, the Building or the Real Property and/or any equipment of other licensees or tenants. If Tenant fails to timely make such removal and/or restoration, then Landlord may perform such work at Tenant's cost, which cost shall be immediately due and payable to Landlord upon Tenant's receipt of invoice therefor from Landlord.

24.35.12 Rights Personal. Notwithstanding the foregoing provisions of this Section 24.35 to the contrary, Tenant's rights under this Section 24.35: (i) are personal to the Original Tenant and any Affiliate Assignee, as the case may be; (ii) may only be exercised by the Original Tenant or such Affiliate Assignee, as the case may be, and shall only be utilized when the Original Tenant or such Affiliate Assignee, as the case may be, is in actual and physical possession of the Premises; and (iii) may not be transferred to or used by any person or entity other than the Original Tenant or such Affiliate Assignee, as the case may be.

[Remainder of Page Intentionally Left Blank; Signature Pages to Follow]

32

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

"Landlord":

A&M PEAK FIRST STREET, LLC,

a Delaware limited liability company

By: /s/ Hugh Hilton

Name: Hugh Hilton

Its: Authorized Signatory

"Tenant":

NETGEAR, INC.,

a Delaware corporation

By: /s/ Bryan Murray

Name: Bryan Murray

Its: CFO

By: /s/ Kirsten Daru

Name: Kirsten Daru

Its: General Counsel

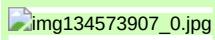
*** If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.

83

EXHIBIT A

OUTLINE OF FLOOR PLAN OF PREMISES

First Floor



Second Floor

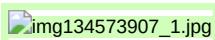
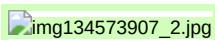


EXHIBIT A-1

LEGAL DESCRIPTION



35

EXHIBIT A-2

SITE PLAN

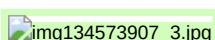
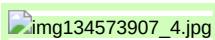


EXHIBIT A-3

LOCATION OF EV CHARGING STATIONS



3

EXHIBIT B

TENANT WORK LETTER

This Tenant Work Letter ("Tenant Work Letter") shall set forth the terms and conditions relating to the construction of the Premises. All references in this Tenant Work Letter to "the Lease" shall mean the relevant portions of the Lease to which this Tenant Work Letter is attached as Exhibit B.

SECTION 1

GENERAL CONSTRUCTION OF THE PREMISES

On the Delivery Date, Landlord shall tender possession of the Premises to Tenant in its presently existing, "as-is" condition, subject to the terms of the Lease. Tenant shall install in the Premises certain Tenant Improvements (as defined below) pursuant to the provisions of this Tenant Work Letter. Except (i) as otherwise expressly provided in the Lease and (ii) for Landlord's obligation to disburse the Tenant Improvement Allowance as described below, Landlord shall not be obligated to make or pay for any alterations or improvements to the Premises, Building or Real Property.

SECTION 2

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance in the amount of up to, but not exceeding, a total of \$11,454,990.00 (collectively, the "Tenant Improvement Allowance"), comprised of: (i) \$9,834,990.00 (i.e., \$110.00 per rentable square foot of the Premises) (the "Premises Tenant Improvement Allowance") to help Tenant pay for the costs of the design, permitting and construction of Tenant's initial improvements that are permanently affixed to the Premises (the "Premises Tenant Improvements"), (ii) \$1,500,000.00 (the "HVAC Tenant Improvement Allowance") to help Tenant pay for the costs to install HVAC equipment to serve the Building (the "HVAC Tenant Improvements"), and (iii) \$120,000.00, (the "FF&E Allowance") to help reimburse Tenant for the costs actually incurred and paid for by Tenant for purchasing, moving and installing furniture, trade fixtures and equipment in the Premises (the "FF&E Work", and together with the Premises Tenant Improvements and the HVAC Tenant Improvements, collectively, the "Tenant Improvements"); provided, however, that Tenant must submit all Draw Requests (as defined below) to Landlord on or prior to the date that is eighteen (18) months after the Delivery Date (the "Outside Date"), and Landlord shall have no obligation to disburse (i) any portion of the applicable Tenant Improvement Allowance with respect to the costs of any Tenant Improvements incurred by Tenant prior to the date of mutual execution and delivery of the Lease or after the Outside Date, and/or (ii) any portion of the applicable Tenant Improvement Allowance with respect to any Draw Requests delivered by Tenant after the Outside Date (or with respect to any other request by Tenant for Landlord to disburse the applicable Tenant Improvement Allowance after the Outside Date). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount that exceeds the Tenant Improvement Allowance. Except as otherwise provided hereinbelow, Tenant shall not be entitled to receive any cash payment or credit against Rent or otherwise for any unused portion of the Tenant Improvement Allowance that is not used to pay for the Tenant Improvement Allowance items (as defined below). Tenant may not cross-fund between the Premises Improvement Allowance, the HVAC Improvement Allowance and the FF&E Allowance, except as otherwise expressly provided in Section 2.2.1.11 below; provided, however, that Tenant may use the Premises Improvement Allowance to pay for HVAC Tenant Improvements. Notwithstanding the foregoing to the contrary, if the total costs that are incurred in connection with the design, permitting and construction of the Tenant Improvements are less than the Tenant Improvement Allowance, then Tenant may elect by written notice (the "Credit Notice") delivered to Landlord prior to the Outside Date, to receive a portion of the then-unused balance of the Tenant Improvement Allowance in an amount up to, but not exceeding, \$3,129,315.00 as a credit against the Base Rent payable by Tenant under the Lease ("Base Rent Credit Amount"). If Tenant fails to deliver the Credit Notice prior to the Outside Date, then any such unused amounts of the Tenant Improvement Allowance shall revert to Landlord and Tenant shall have no further rights with respect thereto. If Tenant properly and timely elects to have the Base Rent Credit Amount applied as a credit to the Base Rent, then the Base Rent Credit Amount shall be applied to the next monthly installment(s) of Base Rent otherwise due and payable by Tenant for the Premises, until the Base Rent Credit Amount is fully applied. In addition to the Allowance, Landlord shall, within thirty (30) days after Landlord's receipt of an invoice and paid receipts therefor from Tenant, reimburse Tenant for all actual, out-of-pocket costs incurred and paid for by Tenant for the preparation of a test fit or initial space plan for the Tenant Improvements in an amount up to, but not exceeding, \$13,411.35 (the "Test-Fit Allowance"); provided, however, that Landlord shall have no such obligation to disburse the Test-Fit Allowance to Tenant unless Landlord receives such invoice and paid receipts on or prior to the Outside Date.

2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 Tenant Improvement Allowance Items. Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to Landlord's disbursement process as described below) only for the following items and costs (collectively, the "Tenant Improvement Allowance Items"):

1

2.2.1.1 Payment of (i) the fees of the Architect and the Engineers (as such terms are defined below), and (ii) the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the Construction Drawings (as defined below);

2.2.1.2 The payment of plan check, permit and license fees relating to construction of

the Tenant Improvements;

2.2.1.3 The cost of construction of the Tenant Improvements, including, without limitation, contractors' fees and general conditions, testing and inspection costs, costs of utilities, trash removal, parking and hoists, and the costs of after-hours freight elevator usage.

2.2.1.4 The cost of any changes in the Base, Shell and Core work when such changes are required by the Construction Drawings (including if such changes are due to the fact that such work is prepared on an unoccupied basis), such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.1.5 The cost of (i) any changes to the Construction Drawings by Landlord or Tenant, and (ii) any changes to the Construction Drawings or Tenant Improvements required by applicable laws and building codes (collectively, "Code");

2.2.1.6 Sales and use taxes;

2.2.1.7 The costs and expenses associated with complying with all national, state and local codes, including, but not limited to, California Energy Code, Title 24, including, without limitation, all costs associated with any lighting or HVAC retrofits required thereby;

2.2.1.8 The Coordination Fee (as defined below);

2.2.1.9 actual and documented out-of-pocket costs incurred and paid for by Tenant in connection with moving into the Premises; and

2.2.1.10 All other costs to be expended by Landlord in connection with the design, permitting and construction of the Tenant Improvements.

2.2.1.11 In addition, up to thirty percent (30%) of the Tenant Improvement Allowance can be utilized by Tenant for the FF&E Work, cabling and equipment (i.e., the entire \$120,000.00 FF&E Allowance plus an additional \$3,316,497.00 of the remainder of the Tenant Improvement Allowance).

2.2.2 Disbursements Prior to Final Retention.

2.2.2.1 To receive disbursements of the Tenant Improvement Allowance prior to disbursement of the Final Retention (as defined below), Tenant shall deliver to Landlord, on or before the twenty-fifth (25th) day of each calendar month during the construction of the Tenant Improvements, the following (collectively, a "Draw Request"): (i) a request for payment of the Contractor, as defined below (or reimbursement to Tenant if Tenant has already paid the Contractor or any other person or entity entitled to payment, and Tenant delivers to Landlord paid receipts evidencing such payment by Tenant), approved by Tenant, in a form required by the construction contract and reasonably approved by Landlord, showing the schedule, by trade, of percentage of completion of the Tenant Improvements, and detailing the portion of the work completed and the portion not completed; (ii) invoices from all of Tenant's Agents (as defined below) for labor rendered and materials delivered to the Premises; and (iii) executed unconditional mechanic's lien releases, except as otherwise described below, from all of Tenant's Agents for the portion of the Tenant Improvements which is the subject of the Draw Request which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Sections 8132 through 8138 (which releases with respect to Landlord's "pro rata share" of such Draw Request may be conditional mechanic's lien releases and at Tenant's option, such releases may be conditional or unconditional mechanic's lien releases with respect to Tenant's "pro rata share", if applicable, of such Draw Request), together with unconditional mechanic's lien releases with respect to any previous Draw Request that did not contain unconditional lien releases. Tenant's Draw Request shall be deemed Tenant's acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant's Draw Request as between Landlord and Tenant.

2.2.2.2 On or before the thirtieth (30th) day following Landlord's receipt of the applicable monthly Draw Request from Tenant, Landlord shall deliver a check to the Contractor made payable to the Contractor (and/or a separate check made payable directly to Tenant for that portion, if any, of the requested amount representing reimbursement to Tenant of amounts previously paid directly by Tenant to the Contractor or any other person or entity entitled to payment as described in Section 2.2.2.1(i) above) in payment of the lesser of (i) the amounts so requested by Tenant in the Draw Request, as set forth in Section 2.2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "Final Retention") (provided, however, that no such retention shall be duplicative of the retention Tenant would otherwise withhold [but will not withhold] pursuant to its construction contract with the Contractor, and no such retention shall be applicable to the Non-Construction Allowance Items, as defined below), and (ii) the balance of any remaining available portion of the Tenant Improvement Allowance (not including the Final Retention), provided that Landlord does not dispute any Draw Request based on material non-compliance of any work with the Approved

Working Drawings. If Landlord identifies any such material non-compliance with the Approved Working Drawings, Landlord shall provide Tenant with a detailed statement identifying the same, and Tenant shall cause such work to be corrected to eliminate such material non-compliance.

2.2.2.3 Notwithstanding the foregoing to the contrary, if there is an Over-Allowance Amount required to be paid by Tenant pursuant to Section 4.2 below for any such monthly disbursement pertaining to an applicable Draw Request, Landlord shall only be required to make a disbursement equal to Landlord's pro rata share of the Tenant Improvement Allowance (less a ten percent (10%) retention) and only after Tenant has paid its pro rata share of the Over-Allowance Amount for such Draw Request and all previous Draw Requests directly to the Contractor and/or any other party entitled to payment. For purposes hereof, Landlord's pro rata share for each such disbursement amount of the Tenant Improvement Allowance shall equal the percentage resulting from dividing the Tenant Improvement Allowance (less sums already disbursed for any Non-Construction Allowance Items) by the total cost of the Tenant Improvement Allowance Items (less sums already disbursed for any Non-Construction Allowance Items) as estimated in the Final Costs Statement as defined in and delivered pursuant to Section 4.2.1 below (as may be revised from time to time), and Tenant's pro rata share for each

such disbursement of the Over-Allowance Amount shall equal the Over-Allowance Amount divided by such total cost of the Tenant Improvement Allowance Items (less sums already disbursed for any Non-Construction Allowance Items).

2.2.2.4 Notwithstanding the foregoing provisions of this Section 2.2.2 to the contrary, with respect to fees and expenses of the Architect, Engineers and any other pre-construction items pertaining to the Tenant Improvements for which the payment scheme set forth hereinabove is not applicable (collectively, the "Non- Construction Allowance Items"), Landlord shall make disbursements of the Tenant Improvement Allowance therefor on a monthly basis following Landlord's receipt of invoices and other reasonable evidence that Tenant has incurred the costs for the applicable Non-Construction Allowance Items (unless Landlord has received a preliminary notice in connection with such costs, in which event conditional lien releases must be submitted in connection with such costs) and such other information and documentation reasonably required by Landlord. Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work furnished or materials supplied as set forth in Tenant's payment request.

2.2.3 Final Retention. Subject to the provisions of this Tenant Work Letter, the Final Retention shall be paid by Landlord following the completion of construction of the Tenant Improvements and Tenant's compliance with the provisions of Section 4.3 below. The Final Retention shall be made directly to the Contractor (except a separate check shall be delivered and made payable to Tenant for that portion, if any, of the Final Retention representing reimbursement to Tenant of amounts previously paid directly by Tenant to the Contractor or any other person or entity entitled to payment as described in Section 2.2.2.1(i) above). It shall be a condition precedent to Landlord's obligation to pay the Final Retention that (A) Tenant delivers to Landlord properly executed unconditional mechanics' lien releases in compliance with California Civil Code Sections 8132 through 8138 (provided, however, that final conditional mechanics' lien releases will be required from the Contractor for the Final Retention), and

(B) Landlord has not determined and notified Tenant in writing that material substandard work exists.

2.2.4 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Tenant shall retain the architect/space planner (the "Architect") and engineering consultants (the "Engineers") approved by Landlord, which approval shall not be unreasonably withheld, to prepare the Construction Drawings. The Engineers shall prepare all plans and engineering working drawings relating to the structural, acoustical, mechanical, electrical, plumbing, HVAC, lifesafety, sprinkler and any other work required in the Premises. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "Construction Drawings." All Construction Drawings shall comply with the drawing format and specifications reasonably determined by Landlord, and shall be subject to Landlord's approval. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 Final Space Plan. A preliminary space plan is attached hereto as Schedule 1. Tenant shall supply Landlord with two (2) copies signed by Tenant of its final space plan for the Premises before any architectural working drawings or engineering drawings have been commenced. The final space plan (the "Final Space Plan") shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein. Landlord may request clarification or more specific drawings for special use items not included in the Final Space Plan. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan for the Premises if the same is unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly (i) cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require, and (ii) deliver such revised Final Space Plan to Landlord.

3.3 Final Working Drawings. After the Final Space Plan has been approved by Landlord and Tenant,

Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and cause the Architect to compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits for the Tenant Improvements (collectively, the "Final Working Drawings"), and shall submit the same to Landlord for Landlord's approval. Tenant shall supply Landlord with two (2) copies signed by Tenant of such Final Working Drawings. Landlord shall advise Tenant within ten (10) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same is unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly (i) revise the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith, and (ii) deliver such revised Final Working Drawings to Landlord.

3.4 Approved Working Drawings. The Final Working Drawings shall be approved by Landlord (the "Approved Working Drawings") prior to the commencement of construction of the Premises by Tenant. After approval by Landlord of the Final Working Drawings, Tenant shall promptly submit the same to the appropriate governmental authorities for all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which approval shall not be unreasonably withheld.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Tenant's Selection of Contractor and Tenant's Agents.

4.1.1 The Contractor. Tenant shall retain the general contractor (the "Contractor") to construct the Tenant Improvements approved by Landlord, which approval shall not be unreasonably withheld.

4.1.2 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, and the Contractor to be known collectively as "Tenant's Agents") must be approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed. Tenant may use non-union labor for the Tenant Improvements, except to the extent not permitted by applicable laws affecting the Premises.

4.2 Construction of Tenant Improvements by Tenant's Agents.

4.2.1 Construction Contract; Cost Budget. Prior to Tenant's execution of the construction contract and general conditions with Contractor (the "Contract"), Tenant shall submit the Contract to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. No changes (including change orders), modifications or alterations to the Contract may be made without the prior written consent of Landlord (other than change orders that do not materially change the scope of work, but Tenant shall be required to notify Landlord thereof prior to the undertaking of such work), which consent shall not be unreasonably withheld (and in connection therewith, Tenant agrees to deliver a copy of any such changes [including change orders], modifications or alterations to Landlord together with Tenant's request for Landlord's consent thereto). Prior to the commencement of the construction of the Tenant Improvements, and after Tenant has accepted all bids for the Tenant Improvements, Tenant shall provide Landlord with a detailed breakdown, by trade, of the final costs to be incurred, or which have been incurred, as set forth more particularly in Sections 2.2.1.1 through 2.2.1.9 above, in connection with the design, permitting and construction of the Tenant Improvements to be performed by or at the direction of Tenant or the Contractor (which costs form a basis for the amount of the Contract, if any) (the "Final Costs"). If the Final Costs specified on the Final Costs Statement exceed the Tenant Improvement Allowance by more than Five Hundred Thousand Dollars (\$500,000.00) (the "Over-Allowance Amount"), then Tenant shall pay directly to the Contractor with respect to each Draw Request, Tenant's pro rata share of such Over-Allowance Amount as determined pursuant to Section 2.2.2 above, and such payment by Tenant shall be a condition to Landlord's obligation to disburse or pay Landlord's pro rata portion of the Tenant Improvement Allowance (other than for any Non-Construction Allowance Items). If, after the Final Costs Statement has been delivered by Landlord to Tenant, the costs relating to the design, permitting and construction of the Tenant Improvements shall change, such changes shall be incorporated into the last approved Final Costs Statement and Landlord's and Tenant's pro rata share of such additional costs shall be adjusted to take into account such changes.

4.2.2 Tenant's Agents.

4.2.2.1 Landlord's General Conditions for Tenant's Agents and Tenant Improvement Work.

Tenant's and Tenant's Agents' construction of the Tenant Improvements shall comply with the following:

8

9 Tenant and Tenant's Agents shall coordinate with the work of Landlord's base building contractor and subcontractors with respect to the Base, Shell and Core or any other work in the Building.

4.2.2.2 Coordination Fee. Tenant shall pay a logistical coordination fee (the "Coordination Fee") to Landlord in an amount equal to the product of (i) two percent (2%), and (ii) the sum of the Tenant Improvement Allowance, which Coordination Fee shall be for services relating to the coordination of the construction of the Tenant Improvements. The Coordination Fee shall be paid monthly to Landlord (and subtracted from) disbursements of Tenant Improvement Allowance.

4

4.2.2.3 Indemnity. Tenant's indemnity of Landlord as set forth in the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them (including, without limitation, reimbursing Landlord for any deductible payment required in connection with an insurance claim made by Landlord), or in connection with Tenant's non-payment of any amount arising out of the Tenant Improvements and/or Tenant's disapproval of all or any portion of any request for payment. Such indemnity by Tenant, as set forth in the Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Landlord's performance of any ministerial acts reasonably necessary (i) to permit Tenant to complete the Tenant Improvements, and (ii) to enable Tenant to obtain any building permit or certificate of occupancy for the Premises.

4.2.2.4 Insurance Requirements.

4.2.2.4.1 General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and the Contractor shall carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in the Lease. Tenant shall cause Contractor to require its subcontractors and consultants to carry commercially reasonable public liability insurance, including coverage for property damage, as is prudent in the industry.

4.2.2.4.2 Special Coverages. Tenant shall carry or cause Contractor to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Tenant Improvements, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord, and in form and with companies as are required to be carried by Tenant as set forth in the Lease.

4.2.2.4.3 General Terms. Certificates for all insurance carried pursuant to Section 4.2.2.4 shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the Contractor's equipment is moved onto the site. All such policies of insurance must contain a provision that the company writing said policy will give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. If the Tenant Improvements are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. All policies carried under this Section 4.2.2.4 shall insure Landlord and Tenant, as their interests may appear, as well as Contractor and Tenant's Agents, and shall name as additional insureds Landlord's Property Manager, Landlord's Asset Manager, and all mortgagees and ground lessors of the Real Property. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 4.2.2.3 of this Tenant Work Letter.

4.2.3 Governmental Compliance. The Tenant Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances, regulations and associated requirements (including, without limitation, California Energy Code, Title 24), as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

4.2.4 Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all times, provided however, that Landlord's failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements constitute Landlord's approval of the same. Should Landlord disapprove any portion of the Tenant Improvements, Landlord shall notify Tenant in writing of such disapproval and shall specify the items disapproved. Any defects or deviations in, and/or disapproval by Landlord of, the Tenant Improvements during the course of construction or applicable warranty period shall be rectified at no expense to Landlord, provided however, that if Landlord determines that a defect or deviation exists or disapproves of any matter in connection with any portion of the Tenant Improvements and such defect, deviation or matter might adversely affect the mechanical, electrical, plumbing, HVAC or life-safety systems of the Building, the structure or exterior appearance of the Building or any other tenant's use of such other tenant's leased premises, Landlord may, take such action as Landlord deems necessary, at Tenant's expense and without incurring any liability on Landlord's part, to correct any such defect, deviation and/or matter, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the defect, deviation and/or matter is corrected to Landlord's satisfaction.

4.2.5 Meetings. Commencing upon the execution of the Lease, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings shall be held at a location designated by Tenant in the vicinity of the Building or by video-teleconferencing, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord's request, certain of Tenant's Agents shall attend such meetings. In addition, minutes shall be taken at all such meetings, a copy of which minutes shall be promptly delivered to Landlord. One such meeting each month shall include the review of Contractor's current request for payment.

4.3 Notice of Completion; Copy of "As Built" Plans. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause a Notice of Completion to be recorded in the office of

the Recorder of the County in which the Real Property is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense, or require Tenant's Contractor to do the same. At the conclusion of construction,

(i) Tenant shall cause the Architect and Contractor (A) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (B) to certify to the best of their knowledge that the "record-set" of as-built drawings are true and correct, which certification shall survive the expiration or termination of the Lease, (C) to deliver to Landlord as-built drawings in PDF and CAD format via an FTP site or comparable e-file transfer link, and (D) to deliver to Landlord the Approved Working Drawings in PDF and CAD format via an FTP site or comparable e-file transfer link, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guarantees, and operating manuals and information relating to the improvements, equipment, and systems in the Premises, and all other items included in the Contractor's Rules and Regulations Closing Package Requirements.

4.4 Coordination by Tenant's Agents with Landlord. Upon Tenant's delivery of the Contract to Landlord under Section 4.2.1 of this Tenant Work Letter, Tenant shall furnish Landlord with a schedule setting forth the projected date of the completion of the Tenant Improvements and showing the critical time deadlines for each phase, item or trade relating to the construction of the Tenant Improvements.

4.5 Roof Access. Tenant shall have access to the roof during the design and construction of the Tenant Improvements in accordance with the terms of the Lease.

SECTION 5

MISCELLANEOUS

5.1 Tenant's Representative. Tenant has designated Wylea Kirkpatrick as its sole representative with respect to the matters set forth in this Tenant Work Letter, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

5.2 Landlord's Representative. Landlord has designated Mark Velarde as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

5.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" or the term "days" shall mean and refer to calendar days (as opposed to business days). If any item requiring approval is timely disapproved by Landlord or Tenant, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord or Tenant, as applicable.

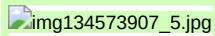
5.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease, if (i) an event of default by Tenant of this Tenant Work Letter or the Lease has occurred at any time on or before the substantial completion of the Tenant Improvements, (ii) Landlord receives notice of a lien affecting the Premises and/or Real Property or any portion thereof that relates to the construction of the Tenant Improvements, and/or (iii) Tenant fails to timely deliver any items required pursuant to Section 2.2.2.1 above and/or timely pay any Over-Allowance Amount, then (A) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, at law and/or in equity Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause the cessation of construction of the Tenant Improvements and any other work required to be performed by Landlord pursuant to this Tenant Work Letter (in which case, a Tenant Delay shall occur for any delay in the substantial completion of the Tenant Improvements caused by such work stoppage, without any Tenant Delay Notice or Tenant Delay Grace Period being applicable), and (B) all other obligations of Landlord under the terms of this Tenant Work Letter shall be deferred, until such time as such default is cured and/or violation described hereinabove is resolved, as the case may be (in which case, a Tenant Delay shall occur for any delay in the substantial completion of the Tenant Improvements caused by such inaction by Landlord, without any Tenant Delay Notice or Tenant Delay Grace Period being applicable). In addition, if the Lease is terminated prior to the Lease Commencement Date, due to a default by Tenant as described in Section 19.1 of the Lease or under this Tenant Work Letter, in addition to any other remedies available to Landlord under the Lease, at law and/or in equity, Tenant shall pay to Landlord, as Additional Rent under the Lease, within five (5) days after Tenant's receipt of a statement therefor, all costs (if any) incurred by Landlord (including any portion of the Tenant Improvement Allowance disbursed by Landlord) and not reimbursed or otherwise paid by Tenant through the date of such termination in connection with the Tenant Improvements to the extent planned, installed and/or constructed as of such date of termination, including, but not limited to, any costs related to the removal of all or any portion of the Tenant Improvements and restoration costs related thereto.

5.5 Electronic Mail. Any notices, demands, statements or communications given, or required to be given, by one party to the other pursuant to this Tenant Work Letter, may be given: (i) by e-mail to Tenant at "wkirkpatrick@netgear.com", Attention: Wylea Kirkpatrick, and (ii) by e-mail to Landlord at "[aeweinbaum@amcapitalre.com](mailto:aweinbaum@amcapitalre.com)", Attention: Adam Weinbaum and mvelarde@amcapitalre.com", Attention: Mark Velarde; or such other e-mail address as Tenant or Landlord may provide to the other, in writing, as the case may be.

6

SCHEDULE 1

PRELIMINARY SPACE PLAN



7

EXHIBIT C

INTENTIONALLY DELETED

EXHIBIT D

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations and the Parking Rules and Regulations.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Tenant may rekey the Premises, as long as Tenant shall provide a copy of all keys or access cards to locked doors (excluding secured areas) for Landlord's access during an emergency.
2. All doors opening to the exterior of the Building shall be kept closed outside of business hours except for normal ingress and egress to the Premises, unless electrical hold backs have been installed. Sidewalks, doorways, passages, entrances, vestibules, halls, stairways and other common areas shall not be obstructed by Tenant.
3. Tenant and its employees and agents shall ensure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Tenant shall pay for the costs of all access cards provided to Tenant's employees and all replacements thereof for lost, stolen and/or damaged cards. Landlord and its agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building and/or the Real Property of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building and/or the Real Property during the continuance of same by any means it deems appropriate for the safety and protection of life and property.
4. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property in any case. All damage done to any part of the Building, its contents, occupants and/or visitors by moving or maintaining any such safe or other property shall be the sole responsibility of Tenant and any expense of said damage or injury shall be borne by Tenant.
5. The bringing in, moving and removing of furniture, freight, packages, supplies, equipment or merchandise from and in the Building shall be done in compliance with applicable laws. Tenant shall assume all risk for damage to articles moved and injury to any persons resulting from such activity described herein.
6. No signs, advertisements or notices shall be painted or affixed to windows, doors or other parts of the Building, except those of such color, size, style and in such places as are first approved in writing by Landlord. Landlord shall have the right to remove any signs, advertisements, and notices not approved in writing by Landlord without notice to and at the expense of Tenant.
7. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.
8. Tenant shall not overload the floor of the Premises. Tenant shall not mark, drive nails or screws, or drill into the partitions, woodwork or plaster or in any way deface the exterior of the Premises or any part thereof without Landlord's consent first had and obtained, except as otherwise permitted pursuant to the terms of the Lease.
9. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines of any description other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord. Tenant shall not install, operate or maintain in the Premises or in any other area of the Building, electrical equipment that would overload the electrical system beyond its capacity for proper, efficient and safe operation as determined solely by Landlord.
10. Tenant shall not use any method of heating or air conditioning other than that which may be supplied by Landlord, without the prior written consent of Landlord. Tenant shall not furnish cooling or heating to the Premises, including, without limitation, the use of electronic or gas heating devices, portable coolers or space heaters, without Landlord's prior written consent, and any such approval will be for devices that meet federal, state and local code; provided, however, that Landlord hereby consents to Tenant's use of "move n cools" in the Premises.
11. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises, the Building and/or about the Real Property, except for those substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all applicable Laws, rules and regulations. Tenant shall not, without Landlord's prior written consent, use, store, install, spill, remove, release or dispose of, within or about the Premises or any other portion of the Real Property, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq.

-
12. Except as otherwise expressly permitted under the Lease, Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner that constitutes a legal nuisance.
13. Tenant shall not bring into or keep within the Real Property, the Building or the Premises any animals (except those assisting handicapped persons and other service animals).
14. Tenant shall not use or occupy the Premises in any manner or for any purpose which might injure the reputation or impair the present or future value of the Premises, the Building and/or the Real Property. Tenant shall not use, or permit any part of the Premises to be used, for lodging, sleeping or for any illegal purpose.
15. The Premises shall not be used for the storage of merchandise or for any improper, objectionable or immoral purposes.
16. Landlord will approve where and how telephone wires and other cabling are to be introduced to the Premises. No boring or cutting for wires shall be allowed without the consent of Landlord. The location of telephone, call boxes and other office equipment and/or systems affixed to the Premises shall be subject to the approval of Landlord.
17. Landlord reserves the right to exclude or expel from the Building and/or the Real Property any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations or cause harm to Real Property occupants and/or property.
18. All contractors, contractor's representatives and installation technicians performing work in the Building or at the Real Property shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld, and shall be required to comply with Landlord's standard rules, regulations, policies and procedures, which may be revised from time to time.
19. Tenant at all times shall maintain the entire Premises in a neat and clean, first class condition, free of debris. Tenant shall not place items, including, without limitation, any boxes, files, trash receptacles or loose cabling or wiring, in or near any window to the Premises which would be visible anywhere from the exterior of the Premises.
20. Tenant shall cooperate and comply with, participate in, and assist in the implementation of (and take no action that is inconsistent with, or which would result in Landlord, the Building and/or the Real Property failing to comply with the requirements of) any conservation, sustainability, recycling, energy efficiency, and waste reduction programs, environmental protection efforts and/or other programs that are in place and/or implemented from time to time at the Building and/or the Real Property, including, without limitation, any required reporting, disclosure, rating or compliance system or program (including, but not limited to, any LEED [Leadership in Energy and Environmental Design] rating or compliance system, including those currently coordinated through the U.S. Green Building Council).
21. Tenant shall store all its recyclables, trash and garbage within the trash enclosures located at the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of recyclables, trash and garbage in the city in which the Real Property is located without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate.
22. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.
23. Tenant shall assume any and all responsibility for protecting the Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed, when the Premises are not occupied, or when the entry to the Premises is not manned by Tenant on a regular basis.
24. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises without the prior written consent of Landlord. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and bulb color approved by Landlord.
25. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.
26. Tenant shall comply with any non-smoking ordinance adopted by any applicable governmental authority. Neither Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Premises and/or the common areas, unless the common areas have been declared a designated smoking area by Landlord, nor shall the above parties allow smoke from the Premises to emanate into the common areas or any other part of the Building. Landlord shall have the right to designate the Building (including the Premises) as a non-smoking building.

-
27. Tenant shall not take any action which would violate Landlord's labor contracts or which would cause a work stoppage, picketing, labor disruption or dispute, or interfere with Landlord's business or with the rights and privileges of any person lawfully at the Real Property ("Labor Disruption"). If Tenant's use of non-union labor to install or perform the Tenant Improvements and/or any Alterations in the Premises results in a Labor Disturbance, Landlord shall notify Tenant thereof and Landlord and Tenant shall reasonably coordinate and cooperate with each other to allow Tenant to continue to use non-union labor in a manner which does not result in any further Labor Disturbance. If, following Landlord's and Tenant's coordination and cooperation efforts, Tenant's use of non-union labor continues to cause a Labor Disturbance which Landlord and Tenant are unable to reasonably mitigate, then Tenant will hire only union labor for the specific trade(s) resulting in the Labor Disturbance.
28. No tents, shacks, temporary or permanent structures of any kind shall be allowed on the Real Property, except for occasional temporary use of canopies for sun protection. No personal belongings may be left unattended in any common areas.
29. Landlord shall have the right to prohibit the use of the name of the Building or the Real Property or any other publicity by Tenant that in Landlord's sole opinion may impair the reputation of the Building or the Real Property or the desirability thereof. Upon written notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.
30. Landlord shall have the right to designate and approve standard window coverings for the Premises and to establish rules to assure that the Building presents a uniform exterior appearance. Tenant shall ensure, to the extent reasonably practicable, that window coverings are closed on windows in the Premises while they are exposed to the direct rays of the sun.

31. Tenant shall comply with all Building security procedures as Landlord may reasonably effectuate.
32. Tenant shall at all times cooperate with Landlord in preserving a first-class image for the Building.

PARKING RULES AND REGULATIONS

1. Tenant shall not store or permit its employees to store any automobiles in the Surface Parking Areas without the prior written consent of Landlord (such consent not to be unreasonably withheld); provided, however, that Tenant's employees may, from time to time, park their personal cars at the Premises overnight. Except for emergency repairs, Tenant and its employees shall not perform any work on any automobiles while located in the Surface Parking Areas or on the Real Property.
2. Tenant (including Tenant's employees and agents) will use the parking spaces solely for the purpose of parking passenger model cars, small vans and small trucks and occasional mobile car washing services and will comply in all respects with any rules and regulations that may be promulgated by Landlord from time to time with respect to the Surface Parking Areas.
3. All directional signs and arrows must be observed.
4. The speed limit shall be 5 miles per hour.
5. Parking spaces reserved for handicapped persons must be used only by vehicles properly designated.

6. Parking is prohibited in all areas not expressly designated for parking, including without limitation:
 - (a) areas not striped for parking;
 - (b) aisles;
 - (c) where "no parking" signs are posted;
 - (d) ramps; and
 - (e) loading zones.
7. Parking managers or attendants are not authorized to make or allow any exceptions to these Parking Rules and Regulations.
8. Washing, waxing, cleaning or servicing of any vehicle by the customer and/or its agents is prohibited, except for occasional mobile car washing services.
9. Tenant agrees to acquaint all persons to whom Tenant assigns a parking space with these Parking Rules and Regulations.

10. Landlord shall not be liable for loss of or damage to any vehicle or any contents of such vehicle or accessories to any such vehicle, or any property left in the Surface Parking Areas, resulting from fire, theft, vandalism, accident, conduct of other users of the Surface Parking Areas and other persons, or any other casualty or cause. Further, Tenant understands and agrees that: (i) Landlord will not be obligated to provide any traffic control, security protection for the Surface Parking Areas; (ii) Tenant uses the Surface Parking Areas at its own risk; and (iii) Landlord will not be liable for personal injury or death, or theft, loss of or damage to property. Tenant indemnifies and agrees to hold Landlord and Landlord's contractors, agents and employees harmless from and against any and all claims, demands, and actions arising out of the use of the Surface Parking Areas by Tenant and Tenant's employees, agents, contractors, guests and invitees.

3

whether brought by any of such persons or any other person.

11. Tenant will ensure that any vehicle parked in any of the parking spaces will be kept in proper repair and will not leak excessive amounts of oil or grease or any amount of gasoline. If any of the parking spaces are at any time used (i) for any purpose other than parking as provided above, (ii) in any way or manner reasonably objectionable to Landlord, or (iii) by Tenant after default by Tenant under the Lease, Landlord, in addition to any other rights otherwise available to Landlord, may consider such default an event of default under the Lease.

12. Landlord will not be liable to Tenant for any unavailability of Tenant's designated spaces, if any, nor will any unavailability entitle Tenant to any refund, deduction, or allowance. Tenant will not park in any numbered space or any space designated as: RESERVED, HANDICAPPED, VISITORS ONLY, or LIMITED TIME PARKING (or similar designation).

13. If the Surface Parking Areas are damaged or destroyed, or if the use of the Surface Parking Areas is limited or prohibited by any governmental authority, or the use or operation of the Surface Parking Areas is limited or prevented by strikes or other labor difficulties or other causes beyond Landlord's reasonable control, Tenant's inability to use the parking spaces will not subject Landlord to any liability to Tenant and will not relieve Tenant of any of its obligations under the Lease and the Lease will remain in full force and effect. Tenant will pay to Landlord upon demand, and Tenant indemnifies Landlord against, any and all loss or damage to the Surface Parking Areas, or any equipment, fixtures, or signs used in connection with the Surface Parking Areas and any adjoining buildings or structures caused by Tenant or any of its employees and agents.

14. Tenant has no right to assign or sublicense any of its rights in the parking spaces, except as part of a permitted assignment or sublease of the Lease; however, Tenant may allocate the parking spaces among its employees.

Tenant shall be responsible for the observance of all of the Rules and Regulations and Parking Rules and Regulations in this Exhibit D by Tenant's employees, agents, clients, customers, invitees and guests. Landlord may waive any one or more of the Rules and Regulations and/or Parking Rules and Regulations for the benefit of any particular occupant of the Surface Parking Areas, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations and/or Parking Rules and Regulations in favor of any other occupant of the Surface Parking Areas, nor prevent Landlord from thereafter enforcing any such Rules or Regulations and/or Parking Rules and Regulations against any or all other occupants of the Surface Parking Areas. Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations and/or the Parking Rules and Regulations, or to make such other and further reasonable Rules and Regulations and/or Parking Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, the Building and the Real Property, and for the preservation of good order therein, as well as for the convenience of other occupants therein. Tenant shall be deemed to have read these Rules and Regulations and Parking Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises. In the event of a conflict between the terms of this Exhibit D and the Lease, the terms of the Lease shall prevail.

4

EXHIBIT E

LIST OF PERMITTED HAZARDOUS MATERIALS

- | | |
|---|-----------------------------------|
| 4 | 3D printer ink (under 55 gallons) |
| 5 | Cutting fluid (under 55 gallons) |

EXHIBIT F-1

CERTAIN OF TENANT'S MAINTENANCE AND REPAIR OBLIGATIONS

Item	Description of Service
------	------------------------

All interior non-structural portions of the Premises	Maintain, repair, and restore as needed
Below-deck ceiling insulation (if equipped)	Maintenance, repair, and replacement of insulation materials that are suspended just below the roof deck
Carpentry – Doors, cabinets, counters, etc.	Maintenance, repair, and replacement of doors and millwork
Dock doors, dock levelers, dock bumpers and seal, dock lights and other dock equipment	General maintenance, repair, and replacement
Electric service (after main feed, above slab)	General maintenance, repair, and replacement
Elevator systems	Maintenance and repair of elevator systems
Energy and Communications Related Improvements	General maintenance, repair, and replacement
Exterior signage—Tenant installed	Maintain and update Tenant-installed signage as needed
Fire sprinkler and fire protection systems	Inspections, testing, compliance, repair, maintenance, and non-capital replacement of (1) those portions of the Base F/LS System that are on the Premises, and (2) any Tenant- installed supplemental fire/life safety systems, as well as any capital repairs and replacements of (2). Tenant to provide Landlord with copies of maintenance, repair and replacement logs upon Landlord's request.
Fire protection system monitoring	Monitoring of all applicable portions of fire protection systems and fire water supply
Fixtures	General maintenance, repair, and replacement.
Generator	Maintenance, repair, testing, inspections, permits
HVAC	Maintenance, repair and replacement of HVAC systems exclusively serving Premises in accordance with the terms of the Lease and manufacturer's recommended standards.
Interior lighting	Maintenance, repair, and replacement of fixtures, bulbs and ballasts.
Interior/exterior pest control	As needed
Interior sump pump or lift stations	General maintenance, repair, and replacement.
Interior walls and floor coverings	Maintenance, repair, and replacement of walls and flooring surfaces (non-structural)
Janitorial	Janitorial services, if desired
Kitchen appliances	General maintenance, repair, and replacement
Plumbing – Above slab	General maintenance, repair, and replacement.
Suspended ceilings and hard lid ceilings	General maintenance, repair and replacement
Trash and recycling	As needed
Window washing	Washing of exterior and interior
Security and access systems	As needed

EXHIBIT F-2

LANDLORD'S MAINTENANCE AND REPAIR OBLIGATIONS

Item	Description of Service
Backflow devices, if any	Necessary testing, inspecting, maintenance, and permit management
Catch basins (parking lot and drive aisles)	Permits, regulatory compliance, maintenance, restoration
Electrical system	Maintenance, repair, and replacement of transformer, electrical switchgear, and other components of the electrical system located outside the Premises or subgrade
Elevator systems	Replacement of elevator systems
Exterior building lighting	Maintenance, repair, and replacement of exterior lighting affixed to building

Exterior curbs and bollards	Maintenance, repair, and replace
Exterior fencing	Maintain, repair, and replace gates and fences around Premises
Exterior glazing	Repair and replace broken and/or damaged glass and seals
Exterior paint	Exterior touch-up paint of Building as needed to maintain a uniform aesthetic
Exterior pumps	General maintenance and repair
Exterior signage — Landlord installed	Repair and replace Real Property signage (excluding Tenant's signage) as needed to maintain professional aesthetic
Exterior walls	Ensure integrity and conduct repair
Ground irrigation	Maintenance and replacement of system elements, as needed
Gutters, scuppers, downspouts, and storm water systems	Preventative maintenance and repair
Landscaping	Regular maintenance and replacement (including mowing and tree trimming, but excluding any large-scale replacement of the existing landscaping not approved in writing by Tenant)
Parking lots and drive surfaces	Preventative maintenance, restoration, sealing, striping, and replace sections as needed based on useful life and performance requirements
Parking lot lighting	Maintenance, repair and replacement
Parking lot sweeping	Maintenance sweeping for debris removal
Roof	Annual inspections, and maintenance and repair of roof and roof membrane (including roof deck and structural components) and skylights
Roof replacement	Replacement of roof deck and structural components
Roof membrane and above- deck roof components	Replacement
Slab and foundation	Capital repairs and capital replacements
Structure of building	Maintain and repair, as needed
Subgrade utility lines	Maintenance, repair, and replacement of all subgrade utility lines, including sewer, plumbing, pumps, and lift stations, if any
Swales and retention/detention ponds	Permits, regulatory compliance, maintenance, restoration

EXTENSION OPTION RIDER

This Extension Option Rider ("Extension Rider") is attached to and made a part of the Lease by and between Landlord and Tenant. The agreements set forth in this Extension

Rider shall have the same force and effect as if set forth in the Lease. To the extent the terms of this Extension Rider are inconsistent with the terms of the Lease, the terms of this Extension Rider shall control.

1. Extension Option. Landlord hereby grants Tenant two (2) consecutive options (each, an "Extension Option") to extend the then-current Lease Term for a period of sixty (60) months (each, an "Option Term"), which Extension Options shall each be exercisable only by written Exercise Notice (as defined below) delivered by Tenant to Landlord as provided below. Upon the proper exercise of the applicable Extension Option, the then-current Lease Term shall be extended for the applicable Option Term. Notwithstanding the foregoing, at Landlord's option, in addition to any other remedies available to Landlord under the Lease, at law or in equity, the applicable Extension Option shall not be deemed properly exercised if as of the date of delivery of the applicable Exercise Notice (as defined below) by Tenant for such applicable Extension Option, Tenant has previously been in default under the Lease beyond all applicable notice and cure periods. Each Extension Option is personal to the Original Tenant and any Affiliate Assignee, as the case may be, and may only be exercised by the Original Tenant or such Affiliate Assignee, as the case may be (and not any other assignee, sublessee or other transferee of Tenant's interest in the Lease) if the Original Tenant or such Affiliate Assignee, as the case may be, occupies at least seventy five percent (75%) of the rentable square footage of the Premises as of the date of Tenant's delivery of the Exercise Notice for such applicable Extension Option.

2. Option Rent. The annual Base Rent payable by Tenant during the applicable Option Term (the "Option Rent") shall be equal to the Fair Market Rental Rate for the Premises. As used herein, the "Fair Market Rental Rate" shall mean the annual base rent at which tenants, as of the commencement of the applicable Option Term, will be leasing full building, non-sublease space comparable in size, location and quality to the Premises for a comparable term as the applicable Option Term, which comparable space is located in other comparable first-class single story research and development buildings with at least 4,000 amps of power in the North San Jose, California market (collectively, the "Comparable Buildings"), taking into consideration (i) the exterior amenity feature at the Premises, and (ii) all free rent and other out-of-pocket concessions generally being granted at such time for such comparable space for the applicable Option Term (including, without limitation, any tenant improvement allowance provided for such comparable space, with the amount of such tenant improvement allowance to be provided for the Premises during the applicable Option Term to be determined after taking into account the age, quality and layout of the tenant improvements in the Premises as of the commencement of the applicable Option Term with consideration given to the fact that the improvements existing in the Premises are specifically suitable to Tenant). All other terms and conditions of the Lease shall apply throughout the applicable Option Term; however, Tenant shall, in no event, have the option to extend the Lease Term beyond the second (2nd) Option Term described in Section 1 above.

3. Exercise of Option. Each Extension Option shall be exercised by Tenant, if at all, only in the following manner: (i) Tenant shall deliver written notice ("Interest Notice") to Landlord not more than twelve (12) months nor less than ten (10) months prior to the expiration of the initial Lease Term, or the first Option Term, as the case may be, stating that Tenant may be

interested in exercising the applicable Extension Option;

(ii) Landlord, after receipt of the applicable Tenant's Interest Notice, shall deliver notice (the "Option Rent Notice") to Tenant not less than ten (10) business days after Tenant delivers the Interest Notice to Landlord, setting forth the applicable Option Rent; and (iii) if Tenant wishes to exercise the applicable Extension Option, Tenant shall, on or before the date (the "Exercise Date") which is nine (9) months prior to the expiration of the initial Lease Term, or the first Option Term, as the case may be, exercise the applicable Extension Option by delivering written notice ("Exercise Notice") thereof to Landlord. Concurrently with Tenant's delivery of the applicable Exercise Notice, Tenant may object, in writing, to Landlord's determination of the Fair Market Rental Rate for the applicable Option Term set forth in the Option Rent Notice therefor, in which event such Fair Market Rental Rate shall be determined pursuant to Section 4 below. If Tenant timely delivers the applicable Exercise Notice for the applicable Extension Option but fails to timely object in writing to Landlord's determination of the Fair Market Rental Rate set forth in the applicable Option Rent Notice therefor, then Tenant shall be deemed to have accepted Landlord's determination thereof and the following provisions of Section 4 shall not apply with respect to such applicable Option Term. Tenant's failure to deliver the applicable Interest Notice or applicable Exercise Notice on or before the applicable delivery dates therefore specified hereinabove shall be deemed to constitute Tenant's waiver of such applicable Extension Option and any subsequent Extension Option.

4. Determination of Option Rent. If Tenant timely and appropriately objects in writing pursuant to Section 3 above with respect to the Fair Market Rental Rate for the Premises initially determined by Landlord in the applicable Option Rent Notice, then Landlord and Tenant shall attempt to agree upon the applicable Fair Market Rental Rate, using their best good-faith efforts. If Landlord and Tenant fail to reach agreement by the date (the "Outside Agreement Date") which is twenty (20) days following Tenant's delivery of the applicable Exercise Notice, then each party shall submit to the other party a separate written determination of the Fair Market Rental Rate within ten (10) business days after the applicable Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with the provisions of Sections 4.1 through 4.7 below. The failure of Tenant or Landlord to submit a written determination of the applicable Fair Market Rental Rate within such 10-business day period shall conclusively be deemed to be such party's approval of such applicable Fair Market Rental Rate submitted within such 10-business day period by the other party.

4.1 Landlord and Tenant shall each appoint one (1) arbitrator who shall by profession be a real estate leasing broker who shall (i) have been active over the ten (10) year period ending on the date of such appointment in the leasing of the Comparable Buildings, (ii) have no financial interest in Landlord or Tenant, and (iii) not have represented or been employed or engaged by the appointing party during such 10-year period. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted applicable Fair Market Rental Rate is the closer to the actual applicable Fair Market Rental Rate as determined by the arbitrators, taking into account the requirements with respect thereto set forth in Section 2 above. Each such arbitrator shall be appointed within fifteen (15) days after the applicable Outside Agreement Date.

4.2 The two (2) arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of

the last appointed arbitrator, agree upon and appoint a third arbitrator who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two (2) arbitrators.

4.3 The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to which of Landlord's or Tenant's submitted applicable Fair Market Rental Rate is closer to the actual applicable Fair Market Rental Rate and shall select such closer determination as the applicable Fair Market Rental Rate and notify Landlord and Tenant thereof.

4.4 The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant.

4.5 If either Landlord or Tenant fails to appoint an arbitrator within the time period specified in Section 4.1 hereinabove, the arbitrator appointed by one of them shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant.

4.6 If the two (2) arbitrators fail to agree upon and appoint a third arbitrator, a third arbitrator shall be appointed by the Superior Court in and for the county of in which the Real Property is located.

4.7 Each party shall pay the fees and expenses of the arbitrator appointed by or on behalf of it, and each shall pay one-half of the fees and expenses of the third arbitrator, if any.

LETTER OF CREDIT RIDER

This LETTER OF CREDIT RIDER ("LC Rider") is made and entered into by and between A&M PEAK FIRST STREET, LLC, a Delaware limited liability company ("Landlord"), and NETGEAR, INC., a Delaware corporation ("Tenant"), and is dated as of the date of the Lease ("Lease") between Landlord and Tenant to which this LC Rider is attached and forms an integral part of the Lease. The agreements set forth in this LC Rider shall have the same force and effect as if set forth in the Lease. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Lease. To the extent the terms of this LC Rider are inconsistent with the terms of the Lease, the terms of this LC Rider shall control.

1. Concurrently with Tenant's execution of the Lease and as a condition precedent to each and every obligation of Landlord under the Lease, Tenant shall deliver to Landlord, as additional protection for Landlord to assure the full and faithful performance by Tenant of all of its obligations under the Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under the Lease, an irrevocable and unconditional letter of credit (the "Letter of Credit") in the amount of \$2,000,000.00 ("LC Amount"), in the form attached hereto as Exhibit 1 and containing the terms required herein, payable in Los Angeles, California, running in favor of Landlord issued by a solvent nationally recognized bank (the "Bank") that is acceptable to Landlord in Landlord's reasonable discretion and meets all of the following requirements (collectively, the "Letter of Credit Issuer Requirements"): (i) is chartered under the laws of the United States, any State thereof or the District of Columbia, and which is insured by the Federal Deposit Insurance Corporation; (ii) has a long term rating of B or higher as rated by Moody's Investors Service and/or A or higher as rated by Standard & Poor's, and Fitch Ratings Ltd (Fitch); and (iii) has a branch located in Los Angeles or the San Francisco bay area, California. Notwithstanding the foregoing to the contrary, as of the date of the Lease, JP Morgan shall be an approved Bank, if selected by Tenant. The LC Amount is subject to reduction as provided in Section 8 below.

2. The Letter of Credit shall: (i) be payable upon demand, irrevocable and unconditional; (ii) be subject to the terms of this LC Rider, maintained in effect, for an initial term plus annual automatic extensions thereof, for the entire period from the date of execution of the Lease and continuing until the date which is one hundred twenty (120) days after the Lease Expiration Date (the "LC Expiration Date"); provided, however, if Tenant exercises its Extension Option(s) pursuant to the Extension Option Rider attached to the Lease then, not later than one hundred twenty (120) days prior to the commencement of each applicable Option Term, Tenant shall deliver to Landlord a new Letter of Credit or certificate of renewal or extension evidencing the LC Expiration Date as one hundred twenty (120) days after the expiration of such applicable Option Term; (iii) be subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590; (iv) be fully assignable by Landlord; and (v) permit partial and multiple draws. In addition to the foregoing and any

other rights set forth below, the form and terms of the Letter of Credit shall provide, among other things, in effect that: (A) Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the Letter of Credit if (1) Tenant has failed to timely pay or perform any of its obligations under the Lease, (2) the Bank delivers written notice to Landlord that the Letter of Credit will not be extended beyond the current expiration date thereof which would result in the Letter of Credit expiring prior to the LC Expiration Date (which the Bank shall only have the right to do if it provides Landlord with such notice at least sixty (60) days prior to such current expiration date), (3) Tenant has filed a voluntary petition under the Federal Bankruptcy Code, (4) an involuntary petition has been filed against Tenant under the Federal Bankruptcy Code, (5) the Lease was rejected or deemed rejected in any proceeding under the Federal Bankruptcy Code, (6) Tenant enters into an assignment for the benefit of creditors or is the subject any receivership, conservatorship, or similar proceedings or otherwise becomes insolvent, or (7) Tenant has sold substantially all its assets or suffered a foreclosure of substantially all its assets by any party, it being understood that if Landlord or its managing agent is a limited liability company, corporation, partnership or other entity, then statements that may be required by the Letter of Credit shall be signed by an officer (if a corporation), a general partner (if a partnership), or any authorized party (if another entity); and (B) the Letter of Credit will be honored by the Bank without inquiry as to the accuracy of any statements made by Landlord or whether any defaults exist under the Lease and regardless of whether the Tenant disputes the content of such statements or default. Tenant shall have no right to replace the Letter of Credit without Landlord's express written consent which may be withheld by Landlord in its sole and absolute discretion.

3. The Letter of Credit shall also provide that Landlord may, at any time and without notice to Tenant and without obtaining Tenant's consent thereto, transfer its interest in and to the Letter of Credit to another person or entity as a part of the assignment by Landlord of its rights and interests in and to the Lease. In the event of a transfer of Landlord's interest in the Building or the Premises, Landlord shall effect a transfer of the Letter of Credit to the transferee and thereupon Landlord shall, without any further agreement between the parties, be fully and forever released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to each and every transfer or assignment of the Letter of Credit to a new landlord. In connection with any such transfer of the Letter of Credit by Landlord, Tenant shall, at Tenant's expense, execute and submit to the Bank such applications, documents and instruments as may be necessary to effectuate such transfer and Tenant shall be responsible for paying the Bank's transfer and processing fees in connection therewith.

4. If, as result of any draw by Landlord of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than the LC Amount, then Tenant shall, within ten (10) days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency and any such additional letter of credit shall comply with all of the provisions of this LC Rider, and if Tenant fails to comply with the foregoing, the same shall constitute an uncurred default by Tenant under the Lease. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof, and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. If, at any time prior to the LC Expiration Date, the Letter of Credit is not timely renewed in accordance with the provisions of Section 1 above, or if Tenant fails to maintain the Letter of Credit in the amount and in accordance with the terms set forth in this LC Rider, Landlord shall have the right to present the Letter of Credit to the Bank in accordance with the terms of this LC Rider and the proceeds of the Letter of Credit may be applied by Landlord against any Rent payable by Tenant under the Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any default by Tenant under the Lease. In the event any of the conditions allowing Landlord to draw on the Letter of Credit set forth in this LC Rider occur, Landlord may draw on the entirety of the Letter of Credit irrespective of the amount Rent then due or any other obligations then due and owing under the Lease and Landlord may immediately (or at any time in the future) apply any proceeds of the Letter of Credit against any Rent payable by Tenant under the Lease that was not paid

when due and/or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any default by Tenant under the Lease, including, but not limited to, any damages arising upon the termination of the Lease under the Lease and Section 1951.2 of the California Civil Code. Any proceeds of the Letter of Credit drawn by Landlord that are not applied by Landlord to amounts then due under the Lease or to Landlord's damages shall constitute the property of Landlord and need not be segregated from Landlord's other assets. Landlord agrees to pay to Tenant within thirty (30) days after the LC Expiration Date the amount of any proceeds of the Letter of Credit received by Landlord and not applied against any Rent payable by Tenant under the Lease that was not paid when due and/or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any default by Tenant under the Lease (including, but not limited to, any damages arising upon the termination of the Lease under the Lease and Section 1951.2 of the California Civil Code); provided, however, that if prior to the LC Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Federal Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused Letter of Credit proceeds until either all preference issues relating to payments under the Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed.

5. Tenant hereby acknowledges and agrees that Landlord is entering into the Lease in material reliance upon the ability of Landlord to draw upon the Letter of Credit upon the occurrence of any default on the part of Tenant under the Lease. If there shall occur a default by Tenant under the Lease as set forth in Article 19 of the Lease or under this LC Rider, Landlord may, but without obligation to do so, draw upon the Letter of Credit in part or in whole, to cure any default of Tenant and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant's default (including, but not limited to, any damages arising upon the termination of the Lease under the Lease and Section 1951.2 of the California Civil Code). Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. The use, application, or retention of the Letter of Credit proceeds, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by the Lease or by any applicable law, it being intended that Landlord shall not first be required to proceed against the Letter of Credit and such Letter of Credit or the proceeds thereof shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. No condition or term of the Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant agrees and acknowledges that: (i) the Letter of Credit constitutes a separate and independent contract between Landlord and the Bank; (ii) Tenant is not a third party beneficiary of such contract; and (iii) Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof and that, if Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the Letter of Credit and/or the proceeds thereof by application of Section 502(b)(6) of the Federal Bankruptcy Code.

6. Notwithstanding anything to the contrary herein, if at any time the Letter of Credit Issuer Requirements are not met, or if the financial condition of such issuer changes in any other materially adverse way, as determined by Landlord in its sole discretion, then, if permitted by Landlord in writing, in Landlord's sole and absolute discretion, Tenant shall, within five (5) business days after written notice from Landlord, deliver to Landlord a replacement Letter of Credit which otherwise meets the requirements of the Lease, including without limitation, the Letter of Credit Issuer Requirements. In addition and without limiting the generality of the foregoing, if the issuer of any letter of credit held by Landlord is insolvent or is placed in receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, or if a trustee, receiver or liquidator is appointed for the issuer, then, effective as of the date of such occurrence, the Letter of Credit shall be deemed to not meet the requirements of this LC Rider, and, if permitted by Landlord in writing, in Landlord's sole and absolute discretion, Tenant shall, within five (5) business days after written notice from Landlord, deliver to Landlord a replacement Letter of Credit which otherwise meets the requirements of this LC Rider and that meets the Letter of Credit Issuer Requirements. Notwithstanding anything in the Lease to the contrary, if: (i) Tenant fails to (A) so replace the Letter of Credit (provided that the same was permitted by Landlord in writing, in Landlord's sole and absolute discretion, pursuant to the foregoing), and/or (B) satisfy the Letter of Credit Issuer Requirements within such applicable 5-day period; or (ii) Landlord elects, in Landlord's sole and absolute discretion, to not permit Tenant to replace the Letter of Credit, then, in each case, the same shall constitute a material default by Tenant under the Lease for which there shall be no notice or grace or cure periods being applicable thereto, and in such event, Landlord may, but without obligation to do so, draw upon the Letter of Credit in part or in whole, to cure such default and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from such default (including, but not limited to, any damages arising upon the termination of the Lease under the Lease and Section 1951.2 of the California Civil Code).

7. Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or any proceeds thereof be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("Security Deposit Laws") shall have no applicability or relevancy thereto, and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

8. Notwithstanding anything to the contrary set forth in this LC Rider, it is hereby agreed that the LC Amount shall be reduced by and to the amounts on the date set forth in the schedule below, provided that: (i) no default on behalf of Tenant under the Lease or this LC Rider exists beyond any applicable notice and cure period as of the scheduled reduction; and (ii) Landlord has not drawn down in good faith on any portion of the Letter of Credit prior to such scheduled reduction date. Any such reductions in the LC Amount pursuant to Section 8 shall be accomplished through an amendment or, if permitted by Landlord in writing, in Landlord's sole and absolute discretion, a replacement Letter of Credit, to be provided by Tenant to Landlord at Tenant's expense.

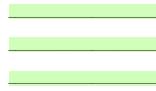
Reduction Date Amount of Reduction Revised LC Amount

Last day of the sixtieth (60th) month \$1,155,084.95 \$844,915.05

of the initial Lease Term

9. Tenant's sole and exclusive remedy in connection with any improper draw by Landlord against the Letter of Credit or Landlord's improper application or retention of any proceeds of the Letter of Credit shall be the right to obtain from Landlord a refund of the amount of any sight draft(s) that were improperly presented or the proceeds of which were misapplied or wrongfully held, together with interest at the Interest Rate and reasonable actual out-of-pocket attorneys' fees, provided that at the time of such refund, Tenant replenishes the amount of such Letter of Credit to the amount (if any) then required under the applicable provisions of this LC Rider. Tenant unconditionally and irrevocably waives (and as an independent covenant hereunder, covenants not to assert) any right to claim or obtain any of the following relief in connection with the Letter of Credit: (i) a temporary restraining order, temporary injunction, permanent injunction, or other order that would prevent, restrain or restrict the presentation of sight drafts drawn under the Letter of Credit or the Bank's honoring or payment of sight draft(s); or (ii) any attachment, garnishment, or levy in any manner upon either any of the proceeds of the Letter of Credit or the obligations of the Bank (either before or after the presentation to the Bank of sight drafts drawn under the Letter of Credit) based on any theory whatever.

EXHIBIT 1 TO LC RIDER



Contact Phones:

IRREVOCABLE LETTER OF CREDIT

, 20Our irrevocable standby Letter of Credit: No.

Beneficiary:

_____ Applicant:

, Suite _____

, California , Suite _____

Attn: Property Manager , California Attn:

Amount: Exactly USD \$

(and 00/100 Dollars)

Final Date of Expiration: [INSERT DATE WHICH IS 120 DAYS AFTER THE LEASE EXPIRATION

DATE

We (the "Bank") hereby issue our irrevocable standby Letter of Credit No. in Beneficiary's favor for the account of the above-referenced Applicant, in the aggregate amount of exactly USD \$.

This Letter of Credit is available with us at our above office by presentation of your draft drawn on us at sight bearing the clause: "Drawn under [INSERT NAME OF BANK] Letter of Credit No." and accompanied by the following:

1. Beneficiary's signed certification purportedly signed by an authorized officer or agent stating one of the following:

(A) "Beneficiary has the right to draw on Letter of Credit No. under the terms and conditions of that certain Lease dated , 20(the "Lease") for premises located at _____, California _____"; or

(B) "The Bank has notified us that this Letter of Credit will not be extended beyond the current expiration date of this Letter of Credit"; or

(C) "Tenant has filed a voluntary petition under the Federal Bankruptcy Code"; or

(D) "An involuntary petition has been filed against Tenant under the Federal Bankruptcy

Code"; or

(E) "The lease was rejected or deemed rejected"; or

(F) "Tenant has executed an assignment for the benefit of creditors, has become the subject of a receivership, conservatorship , or similar proceeding, or has become insolvent"; or

(G) "Tenant has sold substantially all its assets or suffered a foreclosure of substantially all its assets by any party".

2. The original of this Letter of Credit.

Special conditions:

Partial and multiple draws under this Letter of Credit are permitted.

This Letter of Credit shall expire on [INSERT DATE WHICH IS ANNUAL ANNIVERSARY OF LEASE COMMENCEMENT DATE]; provided, however, that notwithstanding the above expiration of this Letter of Credit, this Letter of Credit shall be automatically extended for successive, additional one (1) year periods, without amendment, from the present or each future expiration date but in any event not beyond [INSERT DATE WHICH IS 120 DAYS AFTER LEASE EXPIRATION DATE] which shall be the final expiration date of this Letter of Credit, unless, at least sixty (60) days prior to the then current expiration date we notify you by registered mail/overnight courier service at the above address that this Letter of Credit will not be extended beyond the current expiration date.

We hereby agree with you that all drafts drawn under and in compliance with the terms of this Letter of Credit will

be duly honored upon presentation to us of the documents described in Paragraph 1 above on or before the expiration date of this Letter of Credit, without inquiry as to the accuracy thereof, regardless of whether Applicant disputes the content of any such documents or certifications, and notwithstanding the claim of Applicant or any other person or entity to the contrary.

This Letter of Credit is transferable by Beneficiary and any such transfer may be effected by us, provided that you deliver to us your written request for transfer in form and substance reasonably satisfactory to us. The original of this Letter of Credit together with any amendments thereto must accompany any such transfer request.

Except so far as otherwise expressly stated, this documentary credit is subject to the International Standby Practices 1998, International Chamber Of Commerce Publication No. 590.

By: Authorized signature

Please direct any correspondence including drawing or inquiry quoting our reference number to the above referenced address.

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Charles (CJ) Prober, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NETGEAR, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition and results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's board of directors (the "Board") and to the public in this report any material weaknesses in the Registrant's internal control over financial reporting.

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 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: **August 2, 2024** November 1, 2024

/s/ CHARLES (CJ) PROBER

Charles (CJ) Prober

Chief Executive Officer and Director

NETGEAR, Inc.

div>

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Bryan D. Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NETGEAR, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition and results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to 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.

reporting.

Date: August 2, 2024 November 1, 2024

/s/ BRYAN D. MURRAY

Bryan D. Murray

Chief Financial Officer

NETGEAR, Inc.

ays;">div>

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEYACT OF 2002

In connection with the Quarterly Report of NETGEAR, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 September 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles (CJ) Prober, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2024 November 1, 2024

By: /s/ CHARLES (CJ) PROBER

Charles (CJ) Prober

Chief Executive Officer and Director

NETGEAR, Inc.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEYACT OF 2002

In connection with the Quarterly Report of NETGEAR, Inc. (the "Company") on Form 10-Q for the period ended **June 30, 2024** **September 29, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan D. Murray, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 2, 2024** **November 1, 2024**

By: /s/ BRYAN D. MURRAY
Bryan D. Murray
Chief Financial Officer
NETGEAR, Inc.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.